

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
TOWN OF VAN BUREN
GRANT COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
12/28/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Michelle M. Sexton	01-01-04 to 12-31-07
President of the Town Council	Tony E. Manry	01-01-05 to 12-31-07
Superintendent of Utilities	James R. Webb	01-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF VAN BUREN, GRANT COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Van Buren (Town), for the period of January 1, 2005 to December 31, 2006. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

November 13, 2007

TOWN OF VAN BUREN
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 63,417	\$ 421,135	\$ 277,711	\$ 206,841
Motor Vehicle Highway	118,175	29,547	32,598	115,124
Local Road and Street	76,543	9,076	10,088	75,531
Law Enforcement Continuing Education	794	144	-	938
Trash	22,350	24,812	24,206	22,956
Riverboat	5,896	5,896	-	11,792
Cumulative Capital Improvement	36,143	3,047	-	39,190
Cumulative Capital Development	46,555	21,364	-	67,919
Industrial Development Block Grant	-	135,688	135,688	-
Proprietary Funds:				
Water Utility - Operating	46,396	156,809	214,849	(11,644)
Water Utility - Bond and Interest	58,697	294,247	40,944	312,000
Water Utility - Depreciation	10,775	100	-	10,875
Water Utility - Customer Deposit	11,630	3,095	2,095	12,630
Water Utility - Debt Reserve	63,653	9,168	645	72,176
Water Utility - Escrow	37,102	259	1	37,360
Water Utility - Construction	5,780	47,000	50,935	1,845
Wastewater Utility - Operating	99,529	149,547	163,213	85,863
Wastewater Utility - Bond and Interest	25,000	-	25,000	-
Wastewater Utility - Customer Deposit	4,380	735	675	4,440
Fiduciary Fund:				
Payroll	1,889	190,551	192,440	-
Totals	<u>\$ 734,704</u>	<u>\$ 1,502,220</u>	<u>\$ 1,171,088</u>	<u>\$ 1,065,836</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 206,841	\$ 368,799	\$ 336,707	\$ 238,933
Motor Vehicle Highway	115,124	35,858	53,254	97,728
Local Road and Street	75,531	9,200	21,250	63,481
Law Enforcement Continuing Education	938	178	-	1,116
Trash	22,956	25,057	24,548	23,465
Riverboat	11,792	5,884	-	17,676
Cumulative Capital Improvement	39,190	3,885	-	43,075
Cumulative Capital Development	67,919	15,403	2,521	80,801
Industrial Development Block Grant	-	34,312	34,312	-
Levy Excess	-	43,763	23,050	20,713
Proprietary Funds:				
Water Utility - Operating	(11,644)	176,542	185,051	(20,153)
Water Utility - Bond and Interest	312,000	270,300	233,262	349,038
Water Utility - Depreciation	10,875	193	-	11,068
Water Utility - Customer Deposit	12,630	1,775	2,135	12,270
Water Utility - Debt Reserve	72,176	1,600	1,593	72,183
Water Utility - Escrow	37,360	280	-	37,640
Water Utility - Construction	1,845	-	1,845	-
Wastewater Utility - Operating	85,863	164,204	179,393	70,674
Wastewater Utility - Customer Deposit	4,440	510	645	4,305
Wastewater Utility - Improvement	-	161,651	21,926	139,725
Wastewater Utility - Storm Sewer	-	-	1,056	(1,056)
Fiduciary Fund:				
Payroll	-	204,923	204,725	198
Totals	<u>\$ 1,065,836</u>	<u>\$ 1,524,317</u>	<u>\$ 1,327,273</u>	<u>\$ 1,262,880</u>

The accompanying notes are an integral part of the financial information.

TOWN OF VAN BUREN
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water and wastewater.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

TOWN OF VAN BUREN
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

TOWN OF VAN BUREN
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets completed in the current years has been reported.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 18,000
Buildings	279,348
Machinery and equipment	<u>373,073</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u>670,421</u>
 Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 3,915
Buildings	318,167
Improvements other than buildings	1,634,348
Machinery and equipment	<u>96,509</u>
 Total Water Utility capital assets	 <u>2,052,939</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	69,248
Buildings	1,106,789
Improvements other than buildings	979,556
Machinery and equipment	<u>80,000</u>
 Total Wastewater Utility capital assets	 <u>2,235,593</u>
 Total business-type activities capital assets	 \$ <u>4,288,532</u>

TOWN OF VAN BUREN
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2006

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Case backhoe	\$ 20,556	\$ 6,512
Business-type Activities:		
Water Utility		
Capital leases:		
Case backhoe	\$ 10,278	\$ 3,256
Loans payable:		
State revolving fund loan	807,000	67,545
2005 tax increment fund project	2,040,000	170,850
2004 water project	122,000	4,317
Total Water Utility	2,979,278	245,968
Wastewater Utility		
Capital leases:		
Case backhoe	10,278	3,256
Loans payable:		
Bond anticipation notes	160,000	8,111
Total Wastewater Utility	170,278	11,367
 Total business-type activities debt	 \$ 3,149,556	 \$ 257,335

TOWN OF VAN BUREN
EXAMINATION RESULTS AND COMMENTS

DEPOSITS

In numerous instances, receipts were deposited later than the next business day. For the examination period, utility collections were deposited an average of six times per month, with an average deposit of \$4,002.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

COLLECTION OF AMOUNTS DUE

As noted in prior Report B26098, the Clerk-Treasurer was overpaid \$1,500 in 2003. In a written agreement dated October 19, 2005, the Clerk-Treasurer agreed to withhold from her salary \$25 per pay beginning November 11, 2005, until the amount was repaid in full. The Clerk-Treasurer has not made any payroll deductions but has made cash payments of \$275 to the Town as of August 31, 2007.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ORDINANCES AND RESOLUTIONS

The Town's 2006 Salary Ordinance 3-2005 allowed the Clerk-Treasurer to employ "a part-time person as needed, not to exceed \$2,000." The part-time person was paid \$3,356 in 2006.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF VAN BUREN
EXAMINATION RESULTS AND COMMENTS
(Continued)

OVERDRAWN CASH BALANCES

The cash balance of the Water Operating Fund was overdrawn in 2005, and the cash balances of the Water Operating Fund and Wastewater Storm Sewer Fund were overdrawn in 2006.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CHANGE ORDER

A public works contract for \$173,700 was awarded for the construction of a road. A \$65,000 change order was subsequently approved, resulting in a 38% increase of the original contract.

The total of all change orders issued that increase the scope of the project may not exceed twenty percent (20%) of the amount of the original contract. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

Capital asset records were not properly maintained. No designation as to which fund made the purchase was noted, nor were all assets included that met the Town's capitalization criteria. Also, some items were included whose acquisition could not be substantiated. A similar comment appeared in prior report B26098.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF VAN BUREN
EXIT CONFERENCE

The contents of this report were discussed on November 13, 2007, with Michelle M. Sexton, Clerk-Treasurer; and Tony E. Manry, President of the Town Council. The official response has been made a part of this report and may be found on page 12.

MICHELLE M. SEXTON
CLERK-TREASURER

BOARD MEETS FIRST AND THIRD WEDNESDAYS 7:00 P.M.

TONY MANRY
H. DEAN BAKER
MARVIN SURBER

CIVIL TOWN OF VAN BUREN

P.O. BOX 392
VAN BUREN, INDIANA 46991
765-934-3991

TOWN COUNCIL

November 14, 2007

Mr. Gary DeWitt
State Board of Accounts
11768 N. Roanoke Rd.
Roanoke, IN 46783

I am responding to a comment in my Audit Exam that I feel is too important not to comment on.

Item #2, "Collection of Amounts Due", first let me say that the compensation that I received in 2003 was from a grant that I was told by our engineer was "legitimate" for me to have. When I first accepted it, I was very skeptical at the time. However, I was reassured that it was okay. Then, at my last audit I was told that we are not allowed to take more "compensation" than our Salary Ordinance. I thought that meant "raises" during the year, not thinking of any other kind of compensation, or I wouldn't have taken it.

All that being said, I did sign an agreement for repayment from payroll deduction, which the first payment did come out from my pay. However, (without going into long detail) for the last few years my husband and I have been struggling financially and sometimes, as minute as it seems, that \$25 is about all we had for gas and groceries.

Our daughter graduates from college in December so I won't have the tuition payments to pay. I have already started making payments on it again, and will continue to make the regular payments. I think about this all the time, knowing that it needs to be paid. I just wanted to state that I do not take this lightly. I know how very important this is and it will be taken care of.

Since I am already responding, I would like to comment on a couple of the other items.

Item #3, "Ordinances and Resolutions", our 2007 Salary Ordinance 8-2006 had already addressed the "over payment" issue, so that has been taken care of.

Item #4, "Overdrawn Cash Balances", we had just implemented the Stormwater Fund as of January 1, 2007 and did not have an operating balance. I went ahead and paid Umbaugh for their services for this utility, knowing that we would have the money in a couple of months. Since the revenue would be going into our "Wastewater Fund" Checking account, it was not actually overdrawing any money accounts.

I take my job seriously and try very hard to do a good job. I always appreciate the auditors pointing out my deficiencies. The items will all be taken care of for next round.

Respectfully,

Michelle M. Sexton

Michelle M. Sexton
Clerk-Treasurer
Town Van Buren