

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

EXAMINATION REPORT

OF

TOWN OF HOLTON

RIPLEY COUNTY, INDIANA

January 1, 2005 to December 31, 2006



**FILED**  
12/31/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Velma Stickelman	01-01-05 to 07-12-05
	Peggy Furst (Interim)	07-13-05 to 08-08-05
	Rhonda Tunny	08-09-05 to 03-14-06
	Peggy Furst (Interim)	03-15-06 to 06-12-06
	Ronald Rayburn	06-13-06 to 03-13-07
	Peggy Furst (Interim)	03-14-07 to 12-31-07
President of the Town Council	Robert Furst	01-01-05 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF HOLTON, RIPLEY COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Holton (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 Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

November 20, 2007

TOWN OF HOLTON  
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	\$ 41,307	\$ 235,194	\$ 214,497	\$ 62,004
Motor Vehicle Highway	36,739	12,484	21,588	27,635
Local Road and Street	4,472	24,928	27,247	2,153
Economic Development Income Tax	18,119	6,993	14,244	10,868
Law Enforcement Continuing Education	2	757	445	314
Riverboat	75,991	45,100	22,812	98,279
Rainy Day and Building Repair	1,068	-	-	1,068
Cumulative Capital Improvement	10,570	1,258	3,800	8,028
Proprietary Funds:				
Wastewater Utility - Operating	409	80,857	62,450	18,816
Wastewater Utility - Bond and Interest	20,560	21,330	20,560	21,330
Wastewater Utility - Depreciation	148,436	1,718	16,461	133,693
Wastewater Utility - Debt Reserve	24,152	716	-	24,868
Fiduciary Fund:				
Payroll	247	69,698	69,945	-
Totals	<u>\$ 382,072</u>	<u>\$ 501,033</u>	<u>\$ 474,049</u>	<u>\$ 409,056</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 62,004	\$ 109,165	\$ 100,966	\$ 70,203
Motor Vehicle Highway	27,635	17,492	19,253	25,874
Motor Vehicle Highway - Major Moves	-	2,792	-	2,792
Local Road and Street	2,153	5,131	3,421	3,863
Economic Development Income Tax	10,868	7,567	9,633	8,802
Law Enforcement Continuing Education	314	1,095	385	1,024
Riverboat	98,279	44,405	54,769	87,915
Rainy Day and Building Repair	1,068	-	-	1,068
Cumulative Capital Improvement	8,028	2,980	5,326	5,682
Proprietary Funds:				
Wastewater Utility - Operating	18,816	75,159	85,254	8,721
Wastewater Utility - Bond and Interest	21,330	21,092	21,330	21,092
Wastewater Utility - Depreciation	133,693	1,685	50,000	85,378
Wastewater Utility - Debt Reserve	24,868	50,131	-	74,999
Fiduciary Fund:				
Payroll	-	75,306	75,306	-
Totals	<u>\$ 409,056</u>	<u>\$ 414,000</u>	<u>\$ 425,643</u>	<u>\$ 397,413</u>

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

TOWN OF HOLTON  
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, culture and recreation, economic development, public improvements, highways and streets, wastewater collection and treatment, and general administrative services.

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 HOLTON  
 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
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
1991 Wastewater Construction Bonds	\$ 274,000	\$ 21,043

TOWN OF HOLTON  
EXAMINATION RESULTS AND COMMENTS

COMPENSATION AND BENEFITS (Applies to Town Council)

Billy Moore was employed as both the Town Marshal and as a laborer in 2006. Billy Moore received \$288 per week as Town Marshal and \$296 per week as a laborer. No salary ordinance was presented for examination and there was no documentation presented for examination showing the number of hours Billy Moore was required to work for the compensation received.

In addition to the above compensation, Billy Moore was paid \$10 per hour for repair work on Town equipment; \$115 as a vendor; and \$135 through the payroll system.

No time sheets were presented for examination except for January of 2006.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-11-9-4 states in part: ". . . (b) The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees: . . . (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency . . ."

EXPENDITURES IN EXCESS OF APPROPRIATIONS (Applies to Town Council and Clerk-Treasurer)

Records presented for examination showed expenditures exceeded approved appropriations for the following funds:

<u>Fund</u>	<u>2005</u>	<u>2006</u>
General	\$ -	\$ 15,536
Motor Vehicle Highway	-	3,453
Local Road and Street	-	2,321
Economic Development Income Tax	14,244	-
Riverboat	22,812	54,769
Cumulative Capital Improvement	-	1,526
Totals	<u>\$ 37,056</u>	<u>\$ 77,605</u>

The Town Council attempted to increase the appropriations for the respective funds by transferring appropriations between funds. However, appropriations may not be transferred between funds.

Indiana Code 36-5-4-2 states: "Unless a statute provides otherwise, town monies may be disbursed only after an appropriation made by ordinance of the town legislative body and recorded in a book kept for that purpose by the legislative body. Each appropriation must be made from the fund against which the expenses arose."

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

TOWN OF HOLTON  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

RIVERBOAT FUND RECEIPTS (Applies to Clerk-Treasurer)

The Town has established a Riverboat Fund. In addition to riverboat distributions received from various sources, the Town has used the Riverboat Fund to record receipts from donations, building deposits, building rental fees, and vending machine sales. Receipts from these other sources were \$2,007 and \$3,386 in 2005 and 2006, respectively. These types of receipts are not included in the enabling statute.

Indiana Code 36-1-8-9 (a) states in part: "Each unit that receives:

- (1) tax revenue under IC 4-33-12-6 or IC 4-33-13;
- (2) revenue under an agreement to share the tax revenue received under IC 4-33-12 or IC 4-33-13 by another unit; or
- (3) revenue under a development agreement . . . may establish a riverboat fund."

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DISBURSEMENT PROCEDURES (Applies to Clerk-Treasurer)

Our review of disbursements showed the deficiencies in disbursement procedures:

1. There was a lack supporting documentation for 4% of the disbursements reviewed.
2. Approximately 50% of claims reviewed did not have signatures of a Town Official verifying the receipt of goods or services purchased.
3. Claims were not signed by the Clerk-Treasurer on 9% of the claims reviewed certifying that the claims were true and correct.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and

TOWN OF HOLTON  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

OFFICIAL BONDS (Applies to Clerk-Treasurer)

During the examination period there were three different Clerk-Treasurers. Only the official bond for Velma Stickleman was filed in the Office of the Ripley County Recorder. No official bonds were filed for Rhonda Tunny or Ronald Rayburn.

Deputy Clerk-Treasurer Peggy Furst did not have an official bond on file.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

TOWN OF HOLTON  
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2007, with Peggy Furst, Interim Clerk-Treasurer; and Robert Furst, President of the Town Council. The officials concurred with our findings.