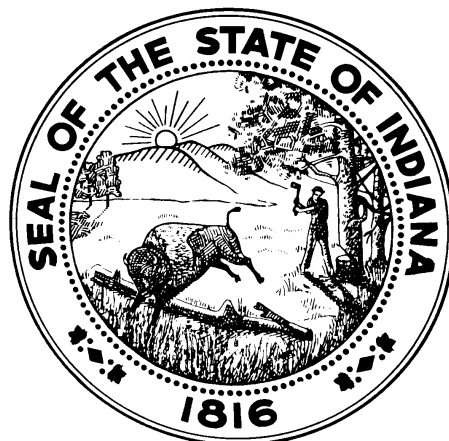


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
TOWN OF JONESVILLE
BARTHOLOMEW COUNTY, INDIANA
January 1, 2001 to June 30, 2007



FILED
12/31/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Melissa L. Schultheis	01-01-01 to 12-31-07
President of the Town Council	Earl Chasteen	01-01-01 to 12-31-01
	Rick Trimpe	01-01-02 to 05-09-04
	Mike Mensendiek	05-10-04 to 12-31-06
	(Information Unavailable)	01-01-07 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 JONESVILLE, BARTHOLOMEW COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Jonesville (Town), for the period of January 1, 2001 to June 30, 2007. 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, 2001, 2002, 2003, 2004, 2005, 2006, and through June 30, 2007 based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

December 6, 2007

TOWN OF JONESVILLE
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL TYPES
As Of And For The Years Ended December 31, 2001, 2002, 2003, 2004, 2005 AND 2006
And Through June 30, 2007

	Cash and Investments 01-01-01	Receipts	Disbursements	Cash and Investments 12-31-01
Governmental Fund: General	<u>\$ 67,889</u>	<u>\$ 24,055</u>	<u>\$ 84,031</u>	<u>\$ 7,913</u>
	Cash and Investments 01-01-02	Receipts	Disbursements	Cash and Investments 12-31-02
Governmental Fund: General	<u>\$ 7,913</u>	<u>\$ 27,270</u>	<u>\$ 33,863</u>	<u>\$ 1,320</u>
	Cash and Investments 01-01-03	Receipts	Disbursements	Cash and Investments 12-31-03
Governmental Fund: General	<u>\$ 1,320</u>	<u>\$ 28,048</u>	<u>\$ 26,140</u>	<u>\$ 3,228</u>
	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Fund: General	<u>\$ 3,228</u>	<u>\$ 25,634</u>	<u>\$ 27,379</u>	<u>\$ 1,483</u>
	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Fund: General	<u>\$ 1,483</u>	<u>\$ 25,337</u>	<u>\$ 23,693</u>	<u>\$ 3,127</u>
	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Fund: General	<u>\$ 3,127</u>	<u>\$ 20,727</u>	<u>\$ 18,080</u>	<u>\$ 5,774</u>
	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 06-30-07
Governmental Fund: General	<u>\$ 5,774</u>	<u>\$ 11,893</u>	<u>\$ 17,601</u>	<u>\$ 66</u>

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

TOWN OF JONESVILLE
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 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 JONESVILLE
EXAMINATION RESULTS AND COMMENTS

EXPENDITURES WITHOUT SUPPORTING DOCUMENTATION

We compared state and local distributions with deposits made to the Town's account and found less money was deposited than the distributions totaled. We also observed cash deposit tickets that stated cash was given back to the depositor. Between January 1, 2002 and June 30, 2007, Melissa L. Schultheis, Clerk-Treasurer, received \$25,565.38 in cash back when she deposited state and local distributions. We observed checks written and cashed by Ms. Schultheis totaling \$35,478.28 that were made out to "cash" and/or to the bank to receive cash back. We also observed the carbon copies of money orders totaling \$39,353.92 with blank "pay to" lines. She also wrote checks totaling \$26,779.50 to Charles Schultheis, her husband, without presenting supporting documentation.

We examined invoices presented for examination totaling \$23,423.82 which were apparently paid in cash. We also examined evidence indicating that employees received payments in cash totaling \$10,105.00 between 2001 and 2007. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established. Therefore, we are asking Ms. Schultheis to repay \$93,648.26, the amount of unsupported cash payments. (See Summary, page 13)

	2001	2002	2003	2004	2005	2006	2007	Totals
Cash back from deposits	\$ -	\$ 996.76	\$ 3,029.95	\$ 12,219.00	\$ 9,319.67	\$ -	\$ -	\$ 25,565.38
Checks written to cash	-	1,675.00	2,830.00	1,926.50	6,370.00	6,618.87	16,057.91	35,478.28
Money Order with blank "pay to" line	-	13,584.76	16,763.16	6,831.00	600.00	-	1,575.00	39,353.92
Checks written to Charles Schultheis	25,679.50	1,100.00	-	-	-	-	-	26,779.50
Total questioned expenditures	25,679.50	17,356.52	22,623.11	20,976.50	16,289.67	6,618.87	17,632.91	127,177.08
Salary paid	(12,090.00)	(6,815.00)	(4,940.00)	(4,940.00)	(4,940.00)	(4,940.00)	(2,470.00)	(41,135.00)
Checks written to employees	11,620.00	8,635.00	775.00	-	-	10,000.00	-	31,030.00
Cash payments for vendor bills/invoices	(7,684.41)	(3,777.63)	(2,522.22)	(2,761.33)	(3,228.23)	-	(3,450.00)	(23,423.82)
Total unsupported cash expenditures	\$ 17,525.09	\$ 15,398.89	\$ 15,935.89	\$ 13,275.17	\$ 8,121.44	\$ 11,678.87	\$ 11,712.91	\$ 93,648.26

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Disbursements, other than proper petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK ACCOUNT RECONCILIATIONS

As stated in the prior Report B16190, depository reconciliations of the fund balances to the bank account balances were not presented for examination.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

TOWN OF JONESVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

TRANSACTION RECORDINGS

As stated in the prior Report B16190, the town places all receipts into and disburses all expenses from the General Fund. Distributions from the State for Motor Vehicle Highway (MVH) and Local Road and Street (LRS) are receipted into the General Fund instead of in their own separate funds. As a result, we could not conclude that MVH and LRS distributions were disbursed for purposes authorized by statute.

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)

CASH DISBURSEMENTS

As stated in the prior Report B16190, disbursements were not always made by check. There were numerous bank withdrawal slips made out to cash and some payroll claims stating that cash was disbursed to employees.

Disbursements, other than proper petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TIMELY RECORDKEEPING

As stated in the prior Report B16190, we noted instances of months from the time of the original date of the transactions until entry on the records.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSITS

As stated in the prior Report B16190, in numerous instances, receipts were deposited later than the next business day. The Town did not present for examination an ordinance to designate depositories of town funds.

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."

TOWN OF JONESVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

PREScribed FORMS

The following prescribed or approved forms were not always in use:

Ledger of Receipts, Disbursements, and Balances (Town Form 208)
Ledger of Appropriations, Encumbrances, Disbursements, and Balances (Town Form 209)
Receipts (General Form 352)
Accounts Payable Voucher (Town Forms 39)
Investment Register (General Form 350)
Payroll Schedule and Voucher (General Form 39)
Capital Asset Records (General Form 211)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PUBLIC RECORDS RETENTION

The following records were not presented for examination:

1. Ledger Receipts, Disbursements and Balances – 2002, August to December 2003, August to December 2003, 2004, 2005, 2006, and 2007;
2. Ledger of Appropriations, Encumbrances, Disbursements, and Balances – 2001 to 2007;
3. Receipts - 2001, 2002, 2003, 2004, 2005, 2006, and 2007;
4. Numerous vendor and payroll claims for 2001, 2002, 2003, 2004, 2005, 2006 and 2007;
5. Supporting documentation for disbursements, such as invoices, bills, contracts, etc.; and
6. Salary ordinance for 2001, 2002, 2003, 2004, 2005, 2006, and 2007.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

TOWN OF JONESVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Fund	Years	Excess Amount Expended
General Fund	2001	\$ 84,031
General Fund	2002	33,873
General Fund	2003	26,140
General Fund	2004	5,497
General Fund	2005	6,865
General Fund	2006	18,080

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."

PAYROLL DEDUCTIONS

Some payments were made to employees without payroll deductions for taxes.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

As stated in the prior Report B16190, an inventory or record of fixed assets was not presented for examination.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. 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)

COLLECTION OF AMOUNTS DUE

At the March 1, 2004, Town Board meeting the Town Council approved and signed a rental contract for the rental of the Jonesville Post Office that raised the rate from \$10 to \$100. However, the Post Office continued to pay \$10 per month for the remainder of the examination period. Therefore, the Town did not collect the full amount due for April 2004 to June 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)

TOWN OF JONESVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

BOARD MINUTES

Not all minutes of meetings of the governing body were available for examination for 2006 and 2007.

Indiana Code 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

REPORTS NOT FILED OR PRESENTED

Annual reports for 2004, 2005, or 2006 were not presented for examination.

Forms 100R for 2001, 2002, 2003, 2004, 2005, and 2006 were not filed with the State.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

OFFICIAL BOND

As stated in the prior Report B16190, an official bond was not presented for examination or recorded in the County Recorder's Office.

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. . ."

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

Some officials or employees of the Town had money due from the Town, but a list of such employees was not certified to the County Treasurer.

Indiana Code 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

TOWN OF JONESVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

TRAVEL POLICY

We noted instances in which an employee was reimbursed for travel expenses, such as mileage, fuel, food, etc. As stated in the prior Report B16190, a travel policy, authorizing types of travel expenses that are reimbursable, was not presented for examination.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Reimbursement for lodging and meals should be based upon actual receipts for amounts paid unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF JONESVILLE
EXIT CONFERENCE

The Clerk-Treasurer of the Town of Jonesville, Melissa L. Schultheis, was contacted for an exit conference, but elected not to attend.

TOWN OF JONESVILLE
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Melissa L. Schultheis, Clerk-Treasurer: Expenditures Without Supporting Documentation, page 6	<u>\$ 93,648.26</u>	<u>\$ -</u>	<u>\$ 93,648.26</u>

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AFFIDAVIT

STATE OF INDIANA)
TOWN OF JONESVILLE)
BARTHOLOMEW COUNTY)

I, Ryan Preston, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Jonesville, Bartholomew County, Indiana, for the period from January 1, 2001, to June 30, 2007, is true and correct to the best of my knowledge and belief.

Ryan Preston
Field Examiner

Subscribed and sworn to before me this 2nd day of January, 2008

Tamara Lewis
(Notary Public)

My Commission Expires: 7-5-15 (Use with Notary)

County of Residence: Bartholomew (Use with Notary)