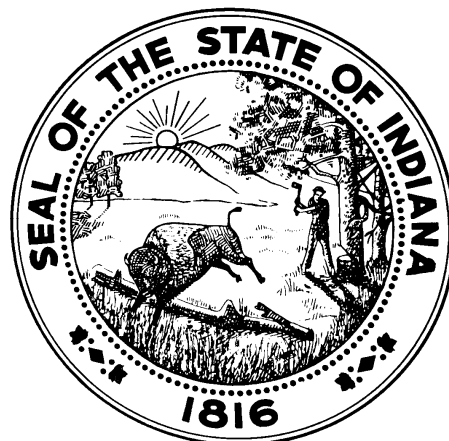


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
TOWN OF FREDERICKSBURG
WASHINGTON COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
12/31/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mary Lou Cook George M. Reitz	01-01-06 to 08-13-08 08-14-08 to 12-31-08
President of the Town Council	Robert P. Keith *	01-01-06 to 06-30-06 07-01-06 to 12-31-08

*No board minutes to document officials or their terms.



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF FREDERICKSBURG, WASHINGTON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Fredericksburg (Town), for the period of January 1, 2006 to December 31, 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, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

November 18, 2008

TOWN OF FREDERICKSBURG
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ (3,125)	\$ 4,521	\$ 6,632	\$ (5,236)
Motor Vehicle Highway	5,463	3,413	2,314	6,562
Local Road and Street	3,910	716	-	4,626
Donation	4	-	-	4
Cumulative Capital Improvement	3,476	329	-	3,805
Economic Development Income Tax	71	-	-	71
Totals	<u>\$ 9,799</u>	<u>\$ 8,979</u>	<u>\$ 8,946</u>	<u>\$ 9,832</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ (5,236)	\$ 1,897	\$ 5,459	\$ (8,798)
Motor Vehicle Highway	6,562	3,149	2,491	7,220
Local Road and Street	4,626	666	-	5,292
Donation	4	-	-	4
Cumulative Capital Improvement	3,805	152	-	3,957
Economic Development Income Tax	71	23	-	94
Totals	<u>\$ 9,832</u>	<u>\$ 5,887</u>	<u>\$ 7,950</u>	<u>\$ 7,769</u>

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

TOWN OF FREDERICKSBURG
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides the following services: public safety (fire), highway and streets, culture and recreation, public improvements, 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.

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 FREDERICKSBURG
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORTS

The Annual Reports for the years 2006 and 2007 were not presented for examination.

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 . . ."

PRESCRIBED FORMS

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

- City and Town Form 39 - Accounts Payable Voucher
- City and Town Form 208 - Ledger of Receipts, Disbursements, and Balances
- City and Town Form 209 - Ledger of Appropriations
- City and Town Form 211 - Capital Assets Ledger
- City and Town Form 219 - Clerk-Treasurer's Receipt

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)

BOARD MINUTES

Minutes of meetings of the Town Council were not available for examination.

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."

CAPITAL ASSET RECORDS

The Town does not maintain a record of its capital assets.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Asset 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 FREDERICKSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

DEPOSITS

In numerous instances, receipts were deposited later than the next business day. The days between the check date of Auditor of State Distributions and date the distributions were deposited varied from 6 to 56 days.

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."

APPROPRIATIONS

The Town did not have legally adopted budgets for the years 2006 and 2007. Therefore, all disbursements during these years from Town funds that required budgets were made in excess of budgeted appropriations. Disbursements for Town funds made in excess of appropriations are as follows:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
General	2006	\$ 6,632
Motor Vehicle Highway	2006	2,314
General	2007	5,459
Motor Vehicle Highway	2007	2,491

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."

OVERDRAWN CASH BALANCES

The cash balance of the General Fund was overdrawn at December 31, 2006 and 2007, by \$5,236 and \$8,798, respectively.

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)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the examination period:

- (1) Claims were not prepared for all disbursements.
- (2) Claims were not adequately itemized.

TOWN OF FREDERICKSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (3) All claims did not have board approval.
- (4) Claims or invoices were not accompanied by evidence in support of the receipt of goods or services.

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
- (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."

PENALTIES, INTEREST, AND OTHER CHARGES

During the review of paid invoices, several instances were noted where utility bills were being paid two and three months after the invoice dates, and delinquent charges were being assessed and paid.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PERSONAL EXPENSES

Long distance telephone charges were applied to the Town's telephone bill that appear to be personal in nature. A deposit of ten dollars was made to cover long distance charges billed on the July 16, 2006, statement. No other deposits were made to cover the long distance charges applied to the other telephone bills during the examination period.

TOWN OF FREDERICKSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONTRACTS NOT AVAILABLE FOR REVIEW

Contracts for the mowing of Town property and for fire protection services were not made available for review.

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, etc., 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)

CONFLICT OF INTEREST

Robert Keith was a member of the Town Council during the year 2006 and received \$1,100 for the mowing of Town property during this time. A Uniform Conflict of Interest Disclosure Statement does not appear to have been filed.

Indiana Code 35-44-1-3 states in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony."

"(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant . . . and (B) makes a disclosure under subsection (d)(1) through (d)(6). . . ."

"(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

"(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant."

TOWN OF FREDERICKSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

"(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-9-2-2) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (1/2) of whose support is provided during a year by the public servant."

SALES TAX

Sales tax was paid on the water utility bill for the Town Park. This account was closed during 2008.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OPTICAL IMAGES OF WARRANTS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

Indiana Code 5-15-6-3 concerning optical imaging of checks, states in part:

"(a) . . . 'original records' . . . includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Further, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

COMPENSATION AND BENEFITS

A salary ordinance was not adopted to support the compensation paid to the Clerk-Treasurer and the Town Council members for the years 2006 and 2007. The Clerk-Treasurer received additional compensation for the cleaning of the Town Hall.

TOWN OF FREDERICKSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

PAYROLL DEDUCTIONS

Social Security and Medicare taxes were not properly withheld from the wages paid to the Clerk-Treasurer and the Town Council members during the examination period.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICIAL BOND

The following official bond was not filed in the office of the County Recorder:

Mary Lou Cook, Clerk-Treasurer, for her term of January 1, 2006 to August 13, 2008

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 FREDERICKSBURG
EXIT CONFERENCE

The contents of this report were discussed on November 18, 2008, with George M. Reitz, Clerk-Treasurer. The official concurred with our findings.