

B36998

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

EXAMINATION REPORT
OF
TOWN OF UNIVERSAL
VERMILLION COUNTY, INDIANA
January 1, 2007 to December 31, 2008



FILED
05/18/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Connie Conner	01-01-04 to 12-31-11
President of the Town Council	Michael Domeika Helen Bennett	01-01-07 to 12-31-07 01-01-08 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF UNIVERSAL, VERMILLION COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Universal (Town), for the period of January 1, 2007 to December 31, 2008. 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, 2007 and 2008, 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

February 2, 2010

TOWN OF UNIVERSAL
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2007 And 2008

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 6,594	\$ 12,494	\$ 13,356	\$ 5,732
Motor Vehicle Highway	8,053	17,402	6,418	19,037
Local Road and Street	1,001	3,122	1,675	2,448
Park and Recreation	3,240	266	852	2,654
Law Enforcement Continuing Education	129	2	-	131
Donation	-	100	31	69
Cumulative Capital Improvement	2,966	1,472	1,247	3,191
Proprietary Funds:				
Water Utility - Operating	64,229	117,122	126,399	54,952
Water Utility - Bond and Interest	2,716	6,362	9,146	(68)
Water Utility - Customer Deposit	9,963	975	949	9,989
Water Utility - Depreciation	3,758	1,722	12	5,468
Water Utility - Construction	8,400	-	-	8,400
Totals	<u>\$ 111,049</u>	<u>\$ 161,039</u>	<u>\$ 160,085</u>	<u>\$ 112,003</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 5,732	\$ 13,756	\$ 11,762	\$ 7,726
Motor Vehicle Highway	19,037	15,039	9,687	24,389
Local Road and Street	2,448	2,469	2,406	2,511
Park and Recreation	2,654	1,012	831	2,835
Law Enforcement Continuing Education	131	-	-	131
Donation	69	145	62	152
Cumulative Capital Improvement	3,191	1,327	965	3,553
Proprietary Funds:				
Water Utility - Operating	54,952	82,325	80,348	56,929
Water Utility - Bond and Interest	(68)	9,043	2,246	6,729
Water Utility - Customer Deposit	9,989	1,125	300	10,814
Water Utility - Depreciation	5,468	6,296	3,470	8,294
Water Utility - Construction	8,400	-	-	8,400
Totals	<u>\$ 112,003</u>	<u>\$ 132,537</u>	<u>\$ 112,077</u>	<u>\$ 132,463</u>

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

TOWN OF UNIVERSAL
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, health and social services, culture and recreation, 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 UNIVERSAL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Water Utility:		
Revenue bonds:		
State Revolving Fund - Water Utility improvements	\$ 113,650	\$ 9,145
State Revolving Fund -Water Utility improvements	<u>26,585</u>	<u>4,848</u>
Total business-type activities debt	<u>\$ 140,235</u>	<u>\$ 13,993</u>

TOWN OF UNIVERSAL
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS (Applies to Town and Water Utility)

As stated in prior Report B30193, depository reconciliations of the Town fund balances to the bank account balance were not presented for examination; in addition, the depository reconciliations of the Water Utility operating fund to the bank account balance were incorrect.

IC 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."

CAPITAL ASSET RECORDS (Applies to Water Utility)

As stated in prior Report B30193, the Utility does not maintain sufficient detailed records of capital assets for its Utility Plant in Service accounts. Upon purchase, the costs of the capital assets are added to an aggregate Utility Plant in Service account, and to subsidiary accounts for land, buildings, etc., in the General Ledger. However, records providing historical costs for some of the Utility's capital assets are not available, and records classifying and summarizing the Utility's capital assets are incomplete. Deletions or disposals of capital assets are not recorded.

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 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)

DEPOSITS (Applies to Town)

Seven of seventy-nine receipts tested were deposited later than the next business day.

IC 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."

CONDITION OF RECORDS (Applies to Town and Water Utility)

The following deficiencies relating to the recordkeeping were present during our period of audit:

- (1) Record balances were not reconciled to depository balances during the two year period.

IC 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."

- (2) There were a considerable number of posting errors. These errors included deposits not receipted, checks and receipts not recorded in the proper amounts, interest not posted, and nonsufficient funds checks incorrectly posted.

TOWN OF UNIVERSAL
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

PREScribed FORMS (Applies to Town and Water Utility)

As stated in prior Report B30193, the following prescribed or approved forms were not always in use:

Water Utility Simplified Cash Journal (Form No. 319)
Capital Assets Ledger (City and Town Form No. 211)
Ledger of Appropriations, Encumbrances and Balances (City and Town Form No. 209)
Register of Investments (General Form 350)

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)

PENALTIES AND OTHER CHARGES (Applies to Water Utility)

Overdraft fees of \$33 and negative balance fees totaling \$60 were paid to Old National Bank for the period ending December 31, 2008.

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)

ADVANCE PAYMENTS (Applies to Town)

Dates of transactions indicate that some payments were made to companies or individuals prior to the receipt of goods or services.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FUND SOURCES AND USES (Applies to Town)

Funds were disbursed from the Cumulative Capital Fund for general cleaning of the town hall, trash service, United States flag accessories, cleaning and office supplies.

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)

TOWN OF UNIVERSAL
EXAMINATION RESULTS AND COMMENTS
(Continued)

OPTICAL IMAGES OF WARRANTS (Applies to Town and Water Utility)

As stated in prior Report B30193, 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.

IC 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, IC 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)."

STATE AGENCIES - COMPLIANCE REQUIREMENTS (Applies to Town)

As stated in prior Report B30193, the Town of Universal did not comply with directives of the State Board of Accounts by submitting an incorrect CTAR-1 for the years ending December 31, 2007 and December 31, 2008. For both years, the reports did not include all funds and included none of the investments held by the Water Utility. In addition, the Water Operating, Motor Vehicle Highway and Local, Road and Street Funds were incorrectly reported to have zero disbursements.

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)

TOWN OF UNIVERSAL
EXAMINATION RESULTS AND COMMENTS
(Continued)

INTEREST ON INVESTMENTS (Applies to Water Utility)

Interest earned on investments was automatically added to the principal and not recorded.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER (Applies to Town)

A list of employees was not certified to the County Treasurer.

IC 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."

APPROPRIATIONS (Applies to Town)

As stated in prior Report B30193, formal budgets and appropriations were not found to have been prepared and approved for the following funds:

General Fund
Motor Vehicle Highway
Local Road and Street
Cumulative Capital Improvement

IC 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."

DELINQUENT ACCOUNTS RECEIVABLE (Applies to Water Utility)

Ordinance 2000-02 established the shutoff policy for delinquent customers. The Utility did not always shut off delinquent customers as required by the ordinance. The Clerk-Treasurer and the President of the Town Council had outstanding water bills in the amounts of \$559 and \$579, respectively, as of December 31, 2008.

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 UNIVERSAL
EXIT CONFERENCE

The contents of this report were discussed on February 2, 2010, with Connie Conner, Clerk-Treasurer. The official concurred with our findings.