

B37459

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, 2007 to December 31, 2009



FILED
08/24/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Ronald Rayburn	06-13-06 to 03-13-07
	Peggy Furst	03-14-07 to 12-31-07
	Krista Bartosz	01-01-08 to 07-01-08
	(Vacant)	07-02-08 to 10-08-08
	Misty McNeelan	10-09-08 to 12-31-08
President of the Town Council	Sara Hildebrand	01-01-09 to 12-31-11
	Robert Furst	01-01-07 to 12-31-07
	Paul Hughes	01-01-08 to 12-31-10



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, 2007 to December 31, 2009. 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, 2008, and 2009, 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

June 16, 2010

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, 2007, 2008, And 2009

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 70,203	\$ 66,800	\$ 116,856	\$ 20,147
Motor Vehicle Highway	25,874	9,337	17,732	17,479
Motor Vehicle Highway - Major Moves	2,792	5,798	-	8,590
Local Road and Street	3,863	2,748	9,882	(3,271)
Economic Development Income Tax	8,802	6,929	644	15,087
Law Enforcement Continuing Education	1,024	327	705	646
Riverboat	87,915	80,370	113,760	54,525
Rainy Day	735	837	-	1,572
Building Repair	333	-	-	333
Cumulative Capital Improvement	5,682	672	6,584	(230)
Proprietary Funds:				
Wastewater Utility - Operating	8,721	84,498	102,926	(9,707)
Wastewater Utility - Bond and Interest	21,092	20,853	21,042	20,903
Wastewater Utility - Depreciation	85,378	-	-	85,378
Wastewater Utility - Debt Reserve	74,999	82	-	75,081
Fiduciary Fund:				
Payroll	-	93,673	97,020	(3,347)
Totals	<u>\$ 397,413</u>	<u>\$ 372,924</u>	<u>\$ 487,151</u>	<u>\$ 283,186</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 20,147	\$ 164,580	\$ 130,268	\$ 54,459
Motor Vehicle Highway	17,479	12,605	10,664	19,420
Motor Vehicle Highway - Major Moves	8,590	-	-	8,590
Local Road and Street	(3,271)	14,289	1,531	9,487
Economic Development Income Tax	15,087	3,750	6,000	12,837
Law Enforcement Continuing Education	646	198	-	844
Riverboat	54,525	50,508	32,815	72,218
Rainy Day	1,572	-	-	1,572
Building Repair	333	-	-	333
Cumulative Capital Improvement	(230)	1,323	-	1,093
Proprietary Funds:				
Wastewater Utility - Operating	(9,707)	71,499	86,301	(24,509)
Wastewater Utility - Bond and Interest	20,903	-	20,755	148
Wastewater Utility - Depreciation	85,378	1,205	-	86,583
Wastewater Utility - Debt Reserve	75,081	20,638	-	95,719
Fiduciary Fund:				
Payroll	(3,347)	95,714	94,268	(1,901)
Totals	<u>\$ 283,186</u>	<u>\$ 436,309</u>	<u>\$ 382,602</u>	<u>\$ 336,893</u>

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

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, 2007, 2008, And 2009
(Continued)

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 54,459	\$ 111,560	\$ 131,760	\$ 34,259
Motor Vehicle Highway	19,420	6,246	10,965	14,701
Motor Vehicle Highway - Major Moves	8,590	4,608	-	13,198
Local Road and Street	9,487	2,469	15,000	(3,044)
Economic Development Income Tax	12,837	11,866	-	24,703
Law Enforcement Continuing Education	844	379	825	398
Riverboat	72,218	25,398	82,942	14,674
Rainy Day	1,572	-	-	1,572
Building Repair	333	-	1,095	(762)
Cumulative Capital Improvement	1,093	1,248	-	2,341
Proprietary Funds:				
Wastewater Utility - Operating	(24,509)	74,323	90,834	(41,020)
Wastewater Utility - Bond and Interest	148	18,935	20,468	(1,385)
Wastewater Utility - Depreciation	86,583	-	-	86,583
Wastewater Utility - Debt Reserve	95,719	1,822	-	97,541
Fiduciary Fund:				
Payroll	(1,901)	85,641	84,943	(1,203)
Totals	<u>\$ 336,893</u>	<u>\$ 344,495</u>	<u>\$ 438,832</u>	<u>\$ 242,556</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, highway 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.

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, 2009

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	\$ 264,000	\$ 21,180

TOWN OF HOLTON
EXAMINATION RESULTS AND COMMENTS

CASH NECESSARY TO BALANCE (Applies to Clerk-Treasurer)

Record balances of cash were reconciled to depository balances as of December 31, 2008. However, reconciliations of record balances of cash to depository cash balances showed a "cash necessary to balance" in the amounts of \$2,189.44 for the Town's depository account and \$9.88 for the Wastewater Utility Operating Fund's depository account at December 31, 2009.

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."

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)

DEFICIT CASH BALANCES (Applies to Clerk-Treasurer)

The following schedule shows funds with deficit cash balances as of December 31, 2007, 2008, and, 2009:

Fund	12-31-07	12-31-08	12-31-09
Local Road and Street	\$ 3,271	\$ -	\$ 3,044
Cumulative Capital Improvement	230	-	-
Wastewater Utility Operating	9,707	24,509	41,020
Payroll	3,347	1,901	1,203
Riverboat (Note 1)	-	-	10,324
Building Repair	-	-	762
Wastewater Utility Bond and Interest	-	-	1,385

Note 1: The Riverboat Fund's Cash and Investment Balance reported on the Schedules of Receipts, Disbursements and Cash and Investment Balances (page 4) at December 31, 2009, in the amount of \$14,674 includes a \$25,000 investment that is not included in the above schedule.

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)

PAYROLL FUND (Applies to Clerk-Treasurer)

A review of the monthly Fund Reports showed the Payroll Fund incurred a deficit cash balance from November of the year 2007 to December of the year 2009 (see Examination Results and Comments titled "Deficit Cash Balances"). No subsidiary records for the payroll withholding accounts and net payroll account were presented for examination showing the balances on hand and financial activity for the individual withholding accounts. As a result, Town officials were unable to not identify the cause of the cash deficit.

TOWN OF HOLTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

Records presented for examination showed the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Local Road and Street	2007	\$ 2,782
General	2007	18,506
General	2008	15,168

IC 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."

A similar comment was reported in prior Report B31491.

CAPITAL ASSET RECORDS (Applies to Clerk-Treasurer)

The Town does not maintain sufficient detailed records of its capital assets for its governmental activities or for the Wastewater Utility.

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)

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 vending machine collections and building rental fees. These types of receipts are not included in the enabling statute.

TOWN OF HOLTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 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)

A similar comment was reported in the prior Report B31491.

PAYROLL SCHEDULE AND VOUCHER (Applies to Clerk-Treasurer)

Payroll Schedule and Voucher (Form 99) prescribed to document employees' time worked and leave taken and the department head's certification was not presented for examination.

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)

DELINQUENT WASTEWATER ACCOUNTS (Applies to Clerk-Treasurer)

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property. Town records show that liens have not been filed on delinquent wastewater accounts since April 14, 2009. The Wastewater Utility accounts receivable aged trial balance at April 28, 2010, showed \$28,864 accounts receivable were over 90 days delinquent out of the total accounts receivable balance of \$39,801. The delinquent accounts receivable represented 72% of total accounts receivable at April 28, 2010.

IC 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that is enforceable under this section, which must include the following:
 - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;

TOWN OF HOLTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

(B) a description of the premises, as shown by the records of the county auditor;
and

(C) the amount of the delinquent fees, together with the penalty; or

(2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder. . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May . . ."

ANNUAL REPORT (Applies to Clerk-Treasurer)

The following items were noted in regards to the Annual City/Town Financial Report (Annual Report) for the year 2009:

(1) The Annual Report for the year 2009 was not filed the state examiner of the Indiana State Board of Accounts.

IC 5-11-1-4 states in part: "The state examiner shall require from every . . . local governmental unit . . . financial reports covering the full period of each fiscal year. These reports shall be . . . filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner . . ."

(2) Proof of advertising the Annual Report for the year 2009 was not presented for examination.

IC 5-3-1-3(a) states: "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 during the proceeding calendar year."

(3) The Annual Report – Part 5, which list investments as of December 31, 2009, reported a \$10,000 investment which was sold in 2008. A \$25,000 investment purchased in the year 2007 and still on hand as of December 31, 2009, was not reported in this section.

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)

TOWN OF HOLTON
EXIT CONFERENCE

The contents of this report were discussed on June 16, 2010, with Paul Hughes, President of the Town Council, and Sara Hildebrand, Clerk-Treasurer. The officials concurred with our findings.