B37769

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

EXAMINATION REPORT

OF

TOWN OF SILVER LAKE

KOSCIUSKO COUNTY, INDIANA

January 1, 2007 to December 31, 2009

FILED

11/10/2010

TABLE OF CONTENTS

Description	Page
Officials	2
Independent Accountant's Report	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4-5
Notes to Financial Information	6
Supplementary Information:	
Schedule of Capital Assets	7
Schedule of Long-Term Debt	8
Examination Results and Comments:	
Annual Report Errors	9
Fund Sources and Uses	9
Local Road and Street Fund Uses	9
Supporting Documentation	10
Donations, Compensation, and Benefits	10
Certifying Receipt of Goods Purchased	10
Employee Time Records	11
Water Customer Rates	11
Utility Deposit	11
Exit Conference	12
Official Response	13-18

OFFICIALS

Office	Official	Term
Clerk-Treasurer	Angela M. Glass	01-01-04 to 12-31-11
President of the Town Council	Ronald L. Jones	01-01-07 to 12-31-07
	Gale Owens	01-01-08 to 12-31-09
	Linda G. Baker	01-01-10 to 12-31-10

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF SILVER LAKE, KOSCIUSKO COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Silver Lake (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 Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

August 12, 2010

TOWN OF SILVER LAKE
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	$ 159,075	$ 288,293	$ 261,712	$ 185,656
Motor Vehicle Highway	101,201	144,415	188,705	56,911
Local Road and Street	28,445	6,128	-	34,573
Law Enforcement Continuing Education	2,351	585	333	2,603
Brownsfield Renovate Donation	2,511	-	-	2,511
Rainy Day	3,508	3,140	-	6,648
Police Donation	1,100	-	600	500
Cumulative Capital Improvement	13,491	1,918	5,225	10,184
Cumulative Capital Development	25,942	3,739	14,139	15,542
Economic Development Income Tax	53,586	34,952	52,789	35,749
Proprietary Funds:				
Water Utility - Operating	97,312	223,934	274,986	46,260
Water Utility - Bond and Interest	54,746	76,278	75,441	55,583
Water Utility - Debt Service	78,405	-	350	78,055
Water Utility - Customer Deposit	28,573	4,275	4,442	28,406
Water Utility - Improvement	2,884	15,446	13	18,317
Wastewater Utility - Operating	523,064	313,005	170,331	665,738
Wastewater Utility - Bond and Interest	136,984	-	-	136,984
Wastewater Utility - Debt Service	98,000	-	98,000	-
Wastewater Utility - Improvement	9,590	17,113	-	26,703
Fiduciary Fund:				
Payroll	11,296	227,199	237,106	1,389
Totals	$ 1,432,064	$ 1,360,420	$ 1,384,172	$ 1,408,312

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	$ 185,656	$ 250,773	$ 357,070	$ 79,359
Motor Vehicle Highway	56,911	156,544	93,194	120,261
Local Road and Street	34,573	5,751	6,847	33,477
Law Enforcement Continuing Education	2,603	1,166	146	3,623
Brownsfield Renovate Donation	2,511	-	-	2,511
Rainy Day	6,648	14,976	-	21,624
Police Donation	500	100	-	600
Cumulative Capital Improvement	10,184	1,776	2,574	9,386
Cumulative Capital Development	15,542	3,168	3,904	14,806
Economic Development Income Tax	35,749	35,484	27,580	43,653
Proprietary Funds:				
Water Utility - Operating	46,260	211,255	239,992	17,523
Water Utility - Bond and Interest	55,583	75,945	55,135	76,393
Water Utility - Debt Service	78,055	-	350	77,705
Water Utility - Customer Deposit	28,406	3,300	2,700	29,006
Water Utility - Improvement	18,317	15,816	9,785	24,348
Wastewater Utility - Operating	665,738	188,532	217,033	637,237
Wastewater Utility - Bond and Interest	136,984	-	-	136,984
Wastewater Utility - Improvement	26,703	15,242	-	41,945
Fiduciary Fund:				
Payroll	1,389	246,871	246,496	1,764
Totals	$ 1,408,312	$ 1,226,699	$ 1,262,806	$ 1,372,205

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

TOWN OF SILVER LAKE
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	$ 79,359	$ 317,485	$ 326,118	$ 70,726
Motor Vehicle Highway	120,261	158,638	116,453	162,446
Local Road and Street	33,477	5,440	2,851	36,066
Law Enforcement Continuing Education	3,623	880	-	4,503
Brownsfield Renovate Donation	2,511	-	311	2,200
Rainy Day	21,624	2,906	-	24,530
Police Donation	600	150	450	300
Cumulative Capital Improvement	9,386	1,674	5,509	5,551
Cumulative Capital Development	14,806	3,614	7,874	10,546
Economic Development Income Tax	43,653	45,232	29,534	59,351
Proprietary Funds:				
Water Utility - Operating	17,523	212,826	219,490	10,859
Water Utility - Bond and Interest	76,393	74,553	95,251	55,695
Water Utility - Debt Service	77,705	155	-	77,860
Water Utility - Customer Deposit	29,006	2,927	2,697	29,236
Water Utility - Improvement	24,348	15,119	9,945	29,522
Wastewater Utility - Operating	637,237	198,998	451,330	384,905
Wastewater Utility - Bond and Interest	136,984	-	-	136,984
Wastewater Utility - Improvement	41,945	14,989	-	56,934
Fiduciary Fund:				
Payroll	1,764	290,553	289,797	2,520
Totals	$ 1,372,205	$ 1,346,139	$ 1,557,610	$ 1,160,734

The accompanying notes are an integral part of the 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. 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.

Note 6. Subsequent Event

During 2010, the Town was awarded a $995,000 federal grant to improve the storm water drainage.

TOWN OF SILVER LAKE
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
December 31, 2009

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Primary Government	Ending Balance
Governmental activities:	
Capital assets, not being depreciated:	
Land	$ 66,037
Buildings	678,683
Improvements other than buildings	172,533
Machinery and equipment	487,512
Total governmental activities, capital assets not being depreciated	$ 1,404,765
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	$ 15,459
Buildings	30,579
Improvements other than buildings	2,845,913
Machinery and equipment	44,714
Total Water Utility capital assets	2,936,665
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	70,872
Buildings	445,953
Improvements other than buildings	2,832,755
Machinery and equipment	630,864
Total Wastewater Utility capital assets	3,980,444
Total business-type activities capital assets	$ 6,917,109

TOWN OF SILVER LAKE
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
Governmental activities:				
Capital leases:				
Fire Station	$	132,083	$	26,098
Interfund loans:				
New trucks (general fund owes to wastewater utility)		21,905		4,380
Total governmental activities	$	153,988	$	30,478
Business-type activities:				
Water Utility:				
Revenue bonds:				
1999 Improvements	$	180,000	$	23,640
Loans:				
1999 Improvements		783,000		49,884
New trucks (owes wastewater utility)		21,905		4,380
Total business-type activities debt	$	984,905	$	77,904

ANNUAL REPORT ERRORS

The annual financial reports provided for our audit included errors. For instance, the 2007 report receipt totals included the January 2008 receipts for some funds. Many fund year-end cash balances do not agree with the subsequent year beginning balances. Our audited financial schedule is based on the Town's fund report, which reconciles with the bank balances.

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)

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)

FUND SOURCES AND USES

Investments purchased from some funds were not receipted back into those funds at maturity. For example, $17,100 in investments were purchased from the Police Donation Fund, the EDIT Fund, and the Cumulative Capital Development Fund, but at maturity, the $17,100 principal was receipted into the General Fund.

Since the authorized uses of these funds differ, when the principal is receipted into the wrong fund, it may be utilized for inappropriate purposes.

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)

LOCAL ROAD AND STREET FUND USES

In February 2008, the Clerk-Treasurer paid $3,050 for the annual computer software maintenance for payroll and budget and posted this disbursement to the Local Road and Street Fund. During our audit, the Clerk-Treasurer agreed this was not a proper disbursement of the Local Road and Street Fund and corrected this with an adjustment from the general fund on July 23, 2010.

IC 8-14-2-5 states:

> "Monies from the local road and street account shall be used exclusively by the cities, towns and counties for: (1) engineering, land acquisition, construction, resurfacing, maintenance, restoration, or rehabilitation of both local and arterial road and street systems; (2) the payment of principal and interest on bonds sold primarily to finance road, street and thoroughfare projects; (3) any local costs required to undertake a recreational or reservoir project under IC 8-23-5; or (4) the purchase, rental, or repair of highway equipment."

SUPPORTING DOCUMENTATION

In our tests of disbursements, we found several payments which were not supported by adequate documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

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)

DONATIONS, COMPENSATION, AND BENEFITS

The Town donated $2,000 to the Silver Lake Days Committee to help finance the July 4, 2009, fireworks. The Town also purchased seven $30 gift certificates from a local grocery store to give to employees for their 2009 Christmas holiday.

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

All compensation and benefits paid to officials and employees must be included in the salary ordinance adopted by the legislative 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)

CERTIFYING RECEIPT OF GOODS PURCHASED

Accounts payable vouchers tested were not signed by anyone certifying that the goods or services were received.

IC 5-11-10-1.6 states in part:

> "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; . . ."

EMPLOYEE TIME RECORDS

Several Town employees did not sign their time and attendance records to certify that they were correct. Also, the employees' supervisor did not sign the employees' time and attendance records.

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)

WATER CUSTOMER RATES

As of June 30, 2010, the Water Operating Fund had a negative cash balance of $27,432. In 2009, the Town purchased two new trucks with a net cost, after a grant, of $65,715. Since there were insufficient funds in the Water Utility, the Wastewater Operating Fund paid the total cost and the Water and General Fund are each repaying one third of the net cost over the next five years.

As of December 31, 2009, the Water Utility has $963,000 in outstanding bonds and loans. The bond ordinance, No. 99-04-04, states that the operation and maintenance (O&M) fund should have sufficient moneys "so that the balance maintained in the O&M Fund is sufficient to pay the expenses of operations, repair and maintenance of the works for the then next succeeding two calendar months. The bond ordinance also states: "The Town shall by ordinance establish, maintain and collect just and equitable rates . . . which shall, to the extent permitted by law, produce sufficient revenues at all times to pay . . . necessary expenses incident to the operation of such waterworks . . . for the liquidation of bonds or other obligations . . . for making extensions, additions, and replacements . . ."

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)

UTILITY DEPOSIT

A utility customer paid a bill by check on November 5, 2009. The amount of the check was $99.15. Only $49.15 was credited to the customer's account. The deposit slip for the days collections showed that $188.86 was deposited in cash, although $238.86 was collected in cash, according to the daily cash receipt records (cash entry batch lists).

The billing clerk could not explain this discrepancy. We asked that the billing clerk pay $50 into the utility account. On August 6, 2010, the billing clerk paid $50 to correct this discrepancy and posted a $50 credit to the affected customer's account.

Public funds shall be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF SILVER LAKE
EXIT CONFERENCE

The contents of this report were discussed on August 12, 2010, with Angela M. Glass, Clerk-Treasurer; Linda G. Baker, President of the Town Council; and with Gale G. Owens and Ronald L. Jones, Council members. The official response has been made a part of this report and may be found on pages 13 through 18.

Town Of Silver Lake
PO Box 159
604 N. Jefferson St.
Silver Lake, IN. 46982
(260)352-2120 Fax (260)352-2035

August 26, 2010

Thank you for allowing me to respond to the audit results and comments.

(1) **Annual Report Errors:** In researching the issue I found that I had updated January revenue prior to having the annual report complete. Therefore, January revenue numbers were pulled into December revenue numbers.

(2) **Fund Sources and Uses:** I researched all investments from 2007 – 2010 and found that one investment was receipted into the general fund that should have been receipted into the CEDIT fund. I did a manual APV#10921 transfer for $16755.00 from the General Fund and a receipt#607249 transfer to the CEDIT Fund to correct the error.

(3) **Local Road and Street Fund Uses:** An error was made on the receipt therefore the money was receipted into the wrong fund. The error has been corrected.

(4) **Supporting Documentation:** Disbursements were made to two contractual individuals. These individuals were certified operators for our water and sewage plants. I did not create an invoice to go along with their checks. Since the audit, invoices have been attached to the claim.

(5) **Donations:** A check was written to the Silver Lake Days Committee to pay for the Town's portion of the fireworks show that was going to be displayed at the Town's sesquicentennial celebration. I should have requested a copy of the actual invoice from the Silver Lake Days Committee to attach to the claim. Also, the expense should have been paid out of the promotions appropriation. The Council also had the Clerk-Treasurer (myself) to purchase $30.00 gift cards for the town employees for a Christmas Bonus. These were paid for out of miscellaneous funds and should have been taken from the promotions appropriation.

(6) **Certifying Receipt of Goods Purchased:** Department heads are now signing all claim vouchers that goods have been received.

(7) **Employee Time Records:** Town employees and supervisors are now signing attendance records. The Town Marshal has always signed his department but it is now being carried on throughout all department heads.

(8) **Water Customer Rates:** The subject of water rates and the operating balance of the Water Fund have been brought up to the Town Council several times with no luck on my part of convincing them to resolve the problem. I have suggested a rate study to be done on more than one occasion and the idea has been pushed aside due to the council not wanting to pay a fee to have the study done. I feel that I can produce certain numbers for them but I am not qualified to do the actual rate study. My opinion at this point is that it is in the hands of the Town Council to make a decision on the future of our water operating fund.

(9) **Utility Deposit:** The receptionist, whom is also the billing clerk and under the direction of the Town Council not the Clerk-Treasurer, had a discrepancy in her cash postings. The discrepancy

was paid back in the amount of $50.00. A copy of the check and deposit were given to the SBOA auditor at the exit interview.

Thank you,

Angela Glass

Angela Glass
Silver Lake Clerk-Treasurer

City/Town Form 201/39 (Rev. 1995)

ACCOUNTS PAYABLE VOUCHER

PAGE: 1

VOUCHER NO. 10921 WARRANT NO. DATE ALLOWED 09/14/2010 (Mo. Day Yr.) IN THE SUM OF $ 16755.00

V #	W #
10921	0

TOWN OF SILVER LAKE

An invoice or bill to be property itemized must show: kind of service, where performed, dates service rendered, by whom, rates per day, number of hours, rate per hour, number of units, price per unit, etc.

Payee

VENDOR # 78 C.E.D.I.T. FUND	Purchase Order No. Terms Date Due 08/26/2010

INVOICE DATE	INVOICE NUMBER	APPROP NUMBER	PROJECT	DESCRIPTION (or note attached invoice(s) or bill(s))	AMOUNT
		101001520.000		SBOA AUDIT TRANSFER	16755.00

an investment was receipted into general that should have been receipted into CEDIT. The money has not yet been used so a transfer was done to correct the funds

investment #403-0001202 Receipt #607249

TOTAL 16755.00

TOWN OF SILVER LAKE		
Favor Of C.E.D.I.T. FUND		
Total Amount of Voucher	$ 16755	00
Deductions		
Total Amount of Warrant	$	.
Month of ____________, ______		

VOUCHER RECORD	ACCT #		
Total			

I hereby certify that the attached invoice(s), or bill(s), is (are) true and correct and that the materials or services itemized thereon for which charge is made were ordered and received except

Mo. Day Yr. Signature Officer/Title

I hereby certify that the attached invoice(s), or bill(s), is (are) true and correct and I have audited same in accordance with IC 5-11-10-1.6.

Mo. Day Yr. Signature Officer/Title

Board/Council Members

Form 203A/217/311

RECEIPT

TOWN OF SILVER LAKE
P.O. BOX 159
SILVER LAKE IN 46982-0159
TELEPHONE:260-352-2120
FAX:260-352-2035

Receipt No: 607249

Date: 08/26/2010

Time: 15:17:02

Received From:

Fund	Object	Bank	Title	Description	Project	Payment Type	Amount
444	499.000	0	C.E.D.I.T.-TRANSFER	SBOA AUDIT TRANSFER		O.T.	16755.00

*** Total *** 16755.00

ANGELA M GLASS

CLERK-TREASURER

	Maturity		General	CEDIT	MVH	Water	Sewer
#403-0000705	2/8/08	Police Car - used out of	20093 -				
		general fund					
		Reciept #606030 on 2/8/08					
		reciepted correctly					
#403-0001203	2/12/09	Fire Vehicle - has not been used	16755 -				
#403-0001202	2/12/09	Fire Station Paving		16755 -			
		was reciepted into general					
		has not been used					
		reciept # 606485 on 2/12/09					
#403-0001276	3/29/09	Storm Sewer	10500 -	5500 -			
		has not been used - was					
		reciepted correctly					
		reciept # 606541 on 4/8/09					
		reciept # 606541 on 4/8/09					
#403-0001275	3/29/09	Downtown Project		10000 -			
		has not been used - was					
		reciepted correctly					
		reciept # 606541 on 4/8/09					
#403-0001274	3/29/09	Land		12000 -			
		has not been used - was					
		reciepted correctly					
		Reciept # 606541 on 4/8/09					
#403-0001273	3/29/09	Bridge Project			20000 -		
		has not been used - was					
		reciepted in correctly					
		Reciept # 606541 on 4/8/09					

			General	CEDIT	MVH	Water	Sewer
#403-0000702	9/7/08	Water 'has not been used reciepted correctly reciept #606281 on 9/10/08				5400 –	
#403-0000660	11/20/08	Sewage 'has not been used reciepted Correctly reciept #606364 on 11/20/08					231992 22