

B37975

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

EXAMINATION REPORT
OF
TOWN OF COLFAX
CLINTON COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
12/06/2010

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OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|-------------------------------|-----------------|----------------------|
| Clerk-Treasurer | Betty Snell | 01-01-08 to 12-31-10 |
| President of the Town Council | Jesse L. Hollis | 01-01-08 to 12-31-10 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF COLFAX, CLINTON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Colfax (Town), for the period of January 1, 2008 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, 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

September 20, 2010

TOWN OF COLFAX
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, 2008 And 2009

| | Cash and Investments 01-01-08 | Receipts | Disbursements | Cash and Investments 12-31-08 |
|--|-------------------------------------|---------------------|---------------------|-------------------------------------|
| Governmental Funds: | | | | |
| General | \$ 26,090 | \$ 231,105 | \$ 201,260 | \$ 55,935 |
| Motor Vehicle Highway | 88,081 | 28,524 | 53,061 | 63,544 |
| Local Road and Street | 2,377 | 4,370 | 844 | 5,903 |
| Major Moves | 320 | - | - | 320 |
| Accident Report | 44 | - | - | 44 |
| Law Enforcement Continuing Education | 59 | - | - | 59 |
| County Economic Development | 14,528 | 17,481 | 9,625 | 22,384 |
| Riverboat | 48 | 4,818 | - | 4,866 |
| Rainy Day | 17,409 | 6,761 | 31,548 | (7,378) |
| Grants | - | 1,500 | - | 1,500 |
| Sanitation | 8,587 | 21,879 | 24,753 | 5,713 |
| Cumulative Capital Improvement | 2,963 | 2,539 | - | 5,502 |
| Cumulative Capital Development | 6,851 | 3,264 | - | 10,115 |
| Proprietary Funds: | | | | |
| Water Utility - Operating | 22,448 | 132,920 | 133,382 | 21,986 |
| Water Utility - Bond and Interest | 27,485 | 23,802 | 23,475 | 27,812 |
| Water Utility - Customer Deposit | 36,879 | 5,676 | 1,167 | 41,388 |
| Wastewater Utility - Operating | 8,937 | 189,450 | 180,507 | 17,880 |
| Wastewater Utility - Bond and Interest | 20,521 | 71,724 | 59,219 | 33,026 |
| Wastewater Utility - Construction | - | 501,226 | 433,435 | 67,791 |
| Wastewater Utility - Reserve | 41,949 | 5,697 | - | 47,646 |
| Fiduciary Fund: | | | | |
| Payroll | - | 151,373 | 145,181 | 6,192 |
| Totals | <u>\$ 325,576</u> | <u>\$ 1,404,109</u> | <u>\$ 1,297,457</u> | <u>\$ 432,228</u> |

| | Cash and Investments 01-01-09 | Receipts | Disbursements | Cash and Investments 12-31-09 |
|--|-------------------------------------|---------------------|---------------------|-------------------------------------|
| Governmental Funds: | | | | |
| General | \$ 55,935 | \$ 198,618 | \$ 208,480 | \$ 46,073 |
| Motor Vehicle Highway | 63,544 | 28,270 | 22,862 | 68,952 |
| Local Road and Street | 5,903 | 4,106 | - | 10,009 |
| Major Moves | 320 | - | - | 320 |
| Accident Report | 44 | - | - | 44 |
| Law Enforcement Continuing Education | 59 | 5 | - | 64 |
| County Economic Development | 22,384 | 11,727 | 5,542 | 28,569 |
| Riverboat | 4,866 | 4,806 | - | 9,672 |
| Rainy Day | (7,378) | 7,378 | - | - |
| Grants | 1,500 | - | 1,500 | - |
| Sanitation | 5,713 | 26,038 | 25,214 | 6,537 |
| Cumulative Capital Improvement | 5,502 | 2,355 | 2,700 | 5,157 |
| Cumulative Capital Development | 10,115 | 1,867 | 78 | 11,904 |
| Proprietary Funds: | | | | |
| Water Utility - Operating | 21,986 | 129,390 | 112,556 | 38,820 |
| Water Utility - Bond and Interest | 27,812 | 23,684 | 21,393 | 30,103 |
| Water Utility - Customer Deposit | 41,388 | 7,398 | 2,817 | 45,969 |
| Wastewater Utility - Operating | 17,880 | 142,041 | 132,526 | 27,395 |
| Wastewater Utility - Bond and Interest | 33,026 | 58,436 | 43,198 | 48,264 |
| Wastewater Utility - Construction | 67,791 | 200,737 | 268,528 | - |
| Wastewater Utility - Reserve | 47,646 | 5,543 | 11,000 | 42,189 |
| Fiduciary Fund: | | | | |
| Payroll | 6,192 | 153,979 | 156,990 | 3,181 |
| Totals | <u>\$ 432,228</u> | <u>\$ 1,006,378</u> | <u>\$ 1,015,384</u> | <u>\$ 423,222</u> |

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

TOWN OF COLFAX
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 COLFAX
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

TOWN OF COLFAX
 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: | | |
| Water Utility: | | |
| Revenue bonds: | | |
| 1996 Improvement Bonds | \$ 59,000 | \$ 21,393 |
| Total Water Utility | <u>59,000</u> | <u>21,393</u> |
| Wastewater Utility: | | |
| Revenue bonds: | | |
| 2008-1 Wastewater Treatment Project | 185,000 | 14,307 |
| 2008-2 Refunding Bond | <u>307,000</u> | <u>24,609</u> |
| Total Wastewater Utility | <u>492,000</u> | <u>38,916</u> |
| Total business-type activities debt | <u>\$ 551,000</u> | <u>\$ 60,309</u> |

TOWN OF COLFAX
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

The 2009 Annual Report for the Town was not filed electronically with the State Board of Accounts prior to 60 days after December 31, 2009.

IC 5-11-1-4(a) concerning Annual Reports, states in part: ". . . These reports shall be prepared, verified, and 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 that is compatible with the technology employed by the political subdivision."

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of employees was not certified to the County Treasurer in 2008 or 2009.

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

The Motor Vehicle Highway Fund expenditures exceeded the budget appropriation by \$27,060.76, in 2008.

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."

PRESCRIBED FORMS

The Clerk-Treasurer's Warrant (form 219) and the Capital Assets Ledger (form 211) were not always in use.

Forms 319 and 323, Simplified Cash Journal for Water and Wastewater were being used during the examination, but they were not being used in the manner prescribed.

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)

BANK ACCOUNT RECONCILIATIONS - UTILITIES

Depository reconciliations of the utility fund balances to the bank account balances were not prepared by Utility officials. At the start of the examination, the bank reconciliation prepared by the examiners indicated cash necessary to balance in excess of \$24,000. Several posting errors were discovered during the examination and, at the conclusion, the reconciliation for December 31, 2009, reflects cash necessary to balance of \$1,103.93.

TOWN OF COLFAX
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 5-13-6-1(e) states: "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)

CONDITION OF RECORDS - UTILITIES

The Utility accounting records are incomplete for the examination period. The Water and Wastewater Cash Journals (ledgers) do not have balances recorded, only receipts and disbursements. The ending balances have been computed for the City/Town Annual Report (CTAR) for each year-end.

The following posting errors were found in the review of the ledgers:

- A. Two interfund transfers from the Water Operating Fund to the Wastewater Operating Fund for \$10,000 each were receipted to the Wastewater Operating Fund, but were not posted as disbursements to the Water Operating Fund.
- B. An interfund transfer from the Water Bond and Interest Fund to the Water Operating Fund was receipted to the Water Operating Fund two times.
- C. Utility customer collections are posted to the ledgers at the end of each month. The amounts posted to the ledgers did not always agree with the total collections. The largest difference was in July of 2008 where the posting to the Water Operating and Wastewater Operating Funds were overstated by \$2,213.29 and \$2,998.41, respectively.
- D. The transfer from the Utility checking account to the Sanitation checking account was shorted by \$446.02 in July 2008.

In addition, the Wastewater Utility received payments from a Community Development Block Grant that was used to improve the treatment facility. The grant funds were deposited in a separate checking account and used to pay contractors. The activities of this construction project were not accounted for in the Wastewater Cash Journal and were not included in the CTAR. They have been included in this financial statement as the Wastewater Construction Fund.

IC 5-13-6-1(e) states: "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."

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 COLFAX
EXAMINATION RESULTS AND COMMENTS
(Continued)

ERRORS ON CLAIMS

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

- (1) Sixteen claims or invoices did not have a signature certifying they were true and correct.
- (2) Twenty-eight claims or invoices did not have evidence to support the receipt of goods or services.

IC 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."

TOWN OF COLFAX
EXIT CONFERENCE

The contents of this report were discussed on September 30, 2010, with Betty Snell, Clerk-Treasurer, and Jesse L. Hollis, President of the Town Council.