

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

EXAMINATION REPORT
OF
TOWN OF CEDAR GROVE
FRANKLIN COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
12/27/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Ruth A. Merrill	01-01-05 to 12-31-12
President of the Town Council	Tom Brown	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 CEDAR GROVE, FRANKLIN COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Cedar Grove (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.

STATE BOARD OF ACCOUNTS

October 28, 2010

TOWN OF CEDAR GROVE
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL 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	\$ 29,485	\$ 9,327	\$ 4,635	\$ 34,177
Motor Vehicle Highway	23,478	9,319	1,957	30,840
Local Road and Street	17,719	1,363	785	18,297
Levy Excess	171	-	-	171
Cumulative Capital Improvement	8,691	602	-	9,293
Economic Development Income Tax	6,480	937	-	7,417
	<u>\$ 86,024</u>	<u>\$ 21,548</u>	<u>\$ 7,377</u>	<u>\$ 100,195</u>
Totals				
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 34,177	\$ 9,250	\$ 3,710	\$ 39,717
Motor Vehicle Highway	30,840	8,727	4,043	35,524
Local Road and Street	18,297	1,279	565	19,011
Levy Excess	171	-	-	171
Cumulative Capital Improvement	9,293	567	-	9,860
Economic Development Income Tax	7,417	1,022	-	8,439
	<u>\$ 100,195</u>	<u>\$ 20,845</u>	<u>\$ 8,318</u>	<u>\$ 112,722</u>
Totals				

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

TOWN OF CEDAR GROVE
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, highways and streets, 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 CEDAR GROVE
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping that were cited in the prior Report B33824, were again present during our period of examination:

- (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, and interest not posted.

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)

DEPOSITS

As stated in the prior Reports B28503 and B33824, in all instances, receipts were deposited later than the next business day. Receipts were deposited as many as 266 days after the receipt date.

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."

ANNUAL REPORT

As stated in prior Report B33824, annual reports for 2008 and 2009 were not presented for examination.

IC 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 . . ."

OFFICIAL BOND

As stated in prior Report B33824, official bonds were not filed in the Office of the County Recorder for Ruth A. Merrill, Clerk-Treasurer.

TOWN OF CEDAR GROVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 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. . . ."

OPTICAL IMAGES OF CHECKS

As stated in prior Report B33824, the financial institution did not return the actual cancelled checks or optical images of checks written and cleared by the depository.

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)."

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

As stated in prior Report B33824, payments were made to Town employees without payroll deductions for taxes. The Town did not comply with directives of the Internal Revenue Service by failing to issue W-2's or 1099's reporting compensation for the Clerk-Treasurer or Town Attorney.

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 CEDAR GROVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

DISBURSEMENTS WITHOUT APPROPRIATIONS

Disbursements were made from the Town's General, Motor Vehicle Highway and Local Road and Street funds for expenses of the Town. Formal budgets and appropriations were not found to have been approved by the Department of Local Government Finance for these disbursements.

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."

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

As stated in prior Report B33824, 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."

CERTIFIED REPORT NOT FILED

As stated in prior Report B33824, the Town did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the years 2008 and 2009.

IC 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

TOWN OF CEDAR GROVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

ECONOMIC DEVELOPMENT INCOME TAX

As stated in prior Report B33824, Economic Development Income Taxes (EDIT) were receipted to the General Fund. EDIT collections for 2008 and 2009 were reclassified for reporting purposes.

IC 6-3.5-7-13.1 states in part:

"The revenue received by a town under this chapter shall be deposited in the unit's economic development income tax fund."

TOWN OF CEDAR GROVE
EXIT CONFERENCE

The contents of this report were discussed on October 28, 2010, with Ruth A. Merrill, Clerk-Treasurer.