

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

TOWN OF BLOUNTSVILLE

HENRY COUNTY, INDIANA

January 1, 2012 to December 31, 2015



FILED
05/24/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Marcina Morris (Vacant) Julie Whiteside	01-01-12 to 06-02-14 06-03-14 to 06-09-14 06-10-14 to 12-31-19
President of the Town Council	Paul Reneau Kurt Whiteside	01-01-12 to 02-02-16 02-03-16 to 12-31-17



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF THE TOWN OF BLOUNTSVILLE, HENRY COUNTY, INDIANA

We have reviewed the accompanying financial statements of the Town of Blountsville (Town), for the period of January 1, 2012 to December 31, 2015. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Town's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with a regulatory basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6); which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This includes determining that the basis of accounting the Town uses is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.


INDEPENDENT ACCOUNTANT'S REVIEW REPORT
(Continued)

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the prescribed basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.


Paul D. Joyce, CPA
State Examiner

March 13, 2017

FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

The financial statements and accompanying notes were approved by management of the Town. The financial statements and notes are presented as intended by the Town.

TOWN OF BLOUNTSVILLE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2012 and 2013

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Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12	Receipts	Disbursements	Cash and Investments 12-31-13
General	\$ 15,997	\$ 15,038	\$ 12,548	\$ 18,487	\$ 13,367	\$ 12,776	\$ 19,078
Motor Vehicle Highway	(1,681)	5,163	6,034	(2,552)	5,536	5,876	(2,892)
Local Road And Street	<u>4,408</u>	<u>1,089</u>	<u>-</u>	<u>5,497</u>	<u>1,226</u>	<u>1,012</u>	<u>5,711</u>
Totals	<u>\$ 18,724</u>	<u>\$ 21,290</u>	<u>\$ 18,582</u>	<u>\$ 21,432</u>	<u>\$ 20,129</u>	<u>\$ 19,664</u>	<u>\$ 21,897</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF BLOUNTSVILLE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2014 and 2015

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14	Receipts	Disbursements	Cash and Investments 12-31-15
General	\$ 19,078	\$ 15,402	\$ 26,551	\$ 7,929	\$ 21,677	\$ 22,112	\$ 7,494
Motor Vehicle Highway	(2,892)	6,812	7,083	(3,163)	6,697	597	2,937
Local Road And Street	5,711	909	-	6,620	933	4,725	2,828
Totals	<u>\$ 21,897</u>	<u>\$ 23,123</u>	<u>\$ 33,634</u>	<u>\$ 11,386</u>	<u>\$ 29,307</u>	<u>\$ 27,434</u>	<u>\$ 13,259</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF BLOUNTSVILLE
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statements present the financial information for the Town.

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts include the following sources:

Taxes. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits. Amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction, or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF BLOUNTSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Other receipts. Amounts received from various sources, including, but not limited to, the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements include the following uses:

Personal services. Amounts disbursed for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies. Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Other disbursements. Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be

TOWN OF BLOUNTSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be 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 statutes authorize the Town to invest in securities including, but not limited to, the following: 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 5. Risk Management

The Town may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

TOWN OF BLOUNTSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Restatements

For the year ended December 31, 2012, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the Town. The following schedule presents a summary of restated beginning balances:

Fund Name	Balance as of December 31, 2011	Prior Period Adjustment	Balance as of January 1, 2012
General	\$ 10,668	\$ 5,329	\$ 15,997
Rainy Day	308	(308)	-
Levy Excess	21	(21)	-

TOWN OF BLOUNTSVILLE
REVIEW RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORTS

The Annual Financial Reports (AFR) filed for 2012, 2013, and 2014 contained a number of errors and did not match the Town's records. The following errors were noted:

Description	Years	Amount Over/(Understated)
Total Cash and Investments 01-01-12	2012	\$ (3,836)
Total Receipts	2012	(6,318)
Total Disbursements	2012	(1,980)
Total Cash and Investments 01-01-13	2013	(8,174)
Total Receipts	2013	(20,129)
Total Disbursements	2013	(19,664)
Total Cash and Investments 01-01-14	2014	(8,639)
Total Receipts	2014	4,881
Total Disbursements	2014	(9,178)

The AFRs were used to compile the financial statements presented for review; therefore, the financial statements contained the same errors. Adjustments were proposed, approved by management, and made to the financial statements presented in this report.

In addition, the AFR for 2012 was not filed electronically until July 16, 2013, which was 128 days after the report was required to be filed.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. 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 in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

CONDITION OF RECORDS

The following deficiencies were present during our period of review:

1. There were a considerable number of posting errors. These errors included checks and receipts not recorded or not recorded in the proper amounts and mathematical errors on the ledgers.
2. A ledger was not maintained for the General fund for the years 2012 and 2013.

A similar comment was reported in prior Reports.

Officials and employees are required to use prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN OF BLOUNTSVILLE
 REVIEW RESULTS AND COMMENTS
 (Continued)

OVERDRAWN CASH BALANCES

The financial statements presented in this report included the following fund with overdrawn cash balances at December 31, 2012, 2013, and 2014:

Fund	Years	Amount Overdrawn
Motor Vehicle Highway	2012	\$ 2,552
Motor Vehicle Highway	2013	2,892
Motor Vehicle Highway	2014	3,163

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 unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

COMPENSATION AND BENEFITS

The Town Council did not adopt a salary ordinance for the years 2012 or 2013.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

APPROPRIATIONS

The records presented for review indicated the following expenditures in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
Motor Vehicle Highway	2012	\$ 2,756
General	2013	12,776
Motor Vehicle Highway	2013	5,876
Local Road And Street	2013	1,012
General	2014	26,551
Motor Vehicle Highway	2014	7,083
General	2015	6,162
Local Road And Street	2015	2,285

Indiana Code 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."

TOWN OF BLOUNTSVILLE
REVIEW RESULTS AND COMMENTS
(Continued)

CONTRACTS

Payments during the review period totaling \$4,547 were made for snow removal and mowing without a contract.

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

BOARD MINUTES MISSING

The minutes of the meetings of the Town Council were not presented for all meetings. There were 13 meetings held in which minutes were not presented for review.

Indiana Code 5-14-1.5-4(b) states:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication."

TOWN OF BLOUNTSVILLE
EXIT CONFERENCE

The contents of this report were discussed on March 13, 2017, with Julie Whiteside, Clerk-Treasurer.

**Official Response of
Julie Whiteside Blountsville Clerk-Treasurer 6-10-14 through 12-31-15**

For the purposes of clarification and distinction between my tenure and the previous clerk-treasurer's tenure, please see the comments below.

ANNUAL FINANCIAL REPORTS(AFR)

1. SBOA corrected errors which were made before my tenure.

CONDITION OF RECORDS

1. Posting errors and mathematical errors were made before my tenure.
2. Excel spreadsheets were used during my tenure.

OVERDRAWN CASH BALANCES

1. December 31, 2014 cash balance was overdrawn due to corrections made by SBOA prior to my tenure.

COMPENSATION AND BENEFITS

1. Salary ordinances were adopted during my tenure.

APPROPRIATIONS

1. Expenditures in excess of budgeted appropriations for 2014 were due to no budget being filed from previous clerk-treasurer. Budget expenditure excesses in 2015 were due to corrections made by SBOA of previous clerk-treasurer's financial records.
2. "Verbal agreements" concerning snow removal and mowing were made before my tenure. Snow removal and trash removal contracts were obtained during my tenure. Mowing was performed by board members, not via contractual services

BOARD MINUTES MISSING

1. Board minutes were not missing during my tenure 6/10/15-12/31/15.

Prepared on March 21, 2017 by

Julie Whiteside
Blountsville Clerk-Treasurer