

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

TOWN OF CENTER POINT

CLAY COUNTY, INDIANA

January 1, 2016 to December 31, 2018



FILED

04/27/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Roger Campbell (deceased) Charlotte Reyher (interim) Kathy Harshbarger	01-01-16 to 04-09-19 04-10-19 to 12-31-19 01-01-20 to 12-31-23
President of the Town Council	Roy A. Smith	01-01-16 to 12-31-20
Superintendent of Water Utility	Shawnette Szelkely	01-01-16 to 12-31-20



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF THE TOWN OF CENTER POINT, CLAY COUNTY, INDIANA

We have reviewed the accompanying financial statements of the Town of Center Point (Town), for the period of January 1, 2016 to December 31, 2018. 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 the 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

April 13, 2020

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 CENTER POINT
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2016 and 2017

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16	Receipts	Disbursements	Cash and Investments 12-31-17
General	\$ 69,111	\$ 31,838	\$ 35,211	\$ 65,738	\$ 33,461	\$ 26,770	\$ 72,429
Motor Vehicle Highway	49,438	13,665	20,775	42,328	14,251	4,114	52,465
Local Road And Street	6,257	1,811	1,271	6,797	2,291	173	8,915
Rainy Day	2,036	2,562	500	4,098	1,434	650	4,882
SEA 67-2016	-	3,385	-	3,385	-	-	3,385
Excess Levy	624	-	-	624	-	624	-
Cumulative Capital Development	10,228	2,805	-	13,033	2,768	-	15,801
Cumulative Capital Improvement	7,960	617	455	8,122	589	161	8,550
CPPC	17	-	-	17	-	-	17
Loit-Public Safety	12,753	2,998	3,000	12,751	3,241	6,500	9,492
STORMWATER	10,011	4,979	-	14,990	4,889	-	19,879
Wastewater Utility-Operating	19,149	40,570	41,421	18,298	43,237	41,665	19,870
Wastewater Utility-Deprec/Improve	21,557	3,000	-	24,557	3,000	-	27,557
CASH RESERVE	18,000	60,000	-	78,000	100,000	-	178,000
Due to Sewer	2,982	37,575	37,580	2,977	40,255	43,232	-
Water Utility-Operating	182,704	203,677	218,314	168,067	224,828	239,880	153,015
Water Utility-Depreciation/Improve	5,584	3,000	-	8,584	3,000	-	11,584
Water Utility-Customer Deposit	750	-	-	750	-	-	750
Hydrant Rental	1,943	1,299	-	3,242	1,279	-	4,521
Totals	<u>\$ 421,104</u>	<u>\$ 413,781</u>	<u>\$ 358,527</u>	<u>\$ 476,358</u>	<u>\$ 478,523</u>	<u>\$ 363,769</u>	<u>\$ 591,112</u>

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

TOWN OF CENTER POINT
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2018

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18
General	\$ 72,429	\$ 38,496	\$ 36,032	\$ 74,893
Motor Vehicle Highway	52,465	16,549	6,965	62,049
Local Road And Street	8,915	3,118	550	11,483
Rainy Day	4,882	1,735	-	6,617
SEA 67-2016	3,385	-	-	3,385
Cumulative Capital Development	15,801	2,739	3,510	15,030
Cumulative Capital Improvement	8,550	566	480	8,636
CPPC	17	-	-	17
Loit-Public Safety	9,492	3,198	700	11,990
STORMWATER	19,879	4,763	-	24,642
Wastewater Utility-Operating	19,870	36,490	34,455	21,905
Wastewater Utility-Deprec/Improve	27,557	3,000	5,465	25,092
CASH RESERVE	178,000	100,000	75,000	203,000
Due to Sewer	-	36,474	36,474	-
Water Utility-Operating	153,015	221,053	240,241	133,827
Water Utility-Depreciation/Improve	11,584	78,000	57,286	32,298
Water Utility-Customer Deposit	750	-	750	-
Hydrant Rental	4,521	1,303	-	5,824
Totals	<u>\$ 591,112</u>	<u>\$ 547,484</u>	<u>\$ 497,908</u>	<u>\$ 640,688</u>

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

TOWN OF CENTER POINT
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.

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.

TOWN OF CENTER POINT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Utility fees. Amounts received from charges for current services.

Penalties. Amounts received from late payment fees.

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.

Utility operating expenses. Amounts disbursed for operating the utilities.

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, make transfers 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 amounts 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 amounts accounted for in a specific fund may only be 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.

TOWN OF CENTER POINT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 December 31 of the year preceding the budget year or January 15 of the budget year if the Town is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. 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.

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.

TOWN OF CENTER POINT
REVIEW RESULTS AND COMMENTS

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town Council had not ensured that all required personnel received training concerning the internal control standards adopted by the Town.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Clerk-Treasurer incorrectly certified on the 2016, 2017, and 2018 Annual Financial Reports that all required personnel received training concerning the internal control standards adopted by the Town; however, no training process for internal controls had been implemented.

Context

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](#)."

TOWN OF CENTER POINT
REVIEW RESULTS AND COMMENTS
(Continued)

ORDINANCES AND RESOLUTIONS

Condition and Context

A water rate increase was approved by the Town Council in October 2016, but an ordinance establishing the new water utility rates and charges could not be located. The new rates were charged beginning with the November 2016 billing.

Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

TOWN OF CENTER POINT
EXIT CONFERENCE

The contents of this report were discussed on April 13, 2020, with Kathy Harshbarger, Clerk-Treasurer, and Roy A. Smith, President of the Town Council.