

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

EXAMINATION REPORT
OF
TOWN OF TRAFALGAR
JOHNSON COUNTY, INDIANA
January 1, 2003 to December 31, 2005



FILED
01/19/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sonya Krejci Jauna Harshman	01-01-00 to 12-31-03 01-01-04 to 12-31-07
President of the Town Council	Floyd Adams Max Knapp Kevin Walker	01-01-03 to 12-31-03 01-01-04 to 12-31-04 01-01-05 to 12-31-06



STATE OF INDIANA
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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 TRAFALGAR, JOHNSON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Trafalgar, (Town), for the period of January 1, 2003 to December 31, 2005. 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, 2003, 2004, and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

October 11, 2006

TOWN OF TRAFALGAR
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, 2003, 2004, And 2005

	Cash and Investments		Cash and Investments	
	01-01-03	Receipts	Disbursements	12-31-03
Governmental Funds:				
General	\$ (9,389)	\$ 195,094	\$ 220,879	\$ (35,174)
Motor Vehicle Highway	65,892	49,484	16,990	98,386
Local Road and Street	35,120	11,958	2,300	44,778
Law Enforcement Continuing Education	9,284	641	3,055	6,870
Cumulative Capital Improvement	3,677	2,885	-	6,562
Cumulative Capital Development	15,820	2,285	-	18,105
Proprietary Funds:				
Water Utility - Operating	18,944	218,299	249,137	(11,894)
Water Utility - Bond and Interest	10,969	44,267	50,167	5,069
Water Utility - Depreciation	65,000	36,000	-	101,000
Wastewater Utility - Operating	218,416	347,689	353,823	212,282
Wastewater Utility - Bond and Interest	110,085	157,360	126,097	141,348
Wastewater Utility - Depreciation	143,231	36,000	-	179,231
Wastewater Utility - Construction	1,427	94,950	98,698	(2,321)
Fiduciary Fund:				
Payroll	4,027	221,404	224,576	855
Totals	\$ 692,503	\$ 1,418,316	\$ 1,345,722	\$ 765,097

	Cash and Investments		Cash and Investments	
	01-01-04	Receipts	Disbursements	12-31-04
Governmental Funds:				
General	\$ (35,174)	\$ 340,018	\$ 261,336	\$ 43,508
Motor Vehicle Highway	98,386	41,315	27,474	112,227
Local Road and Street	44,778	12,166	2,461	54,483
Law Enforcement Continuing Education	6,870	1,203	7,162	911
Riverboat	-	10,078	-	10,078
Rainy Day	-	5,454	-	5,454
Cumulative Capital Improvement	6,562	2,978	6,561	2,979
Cumulative Capital Development	18,105	4,273	6,898	15,480
Proprietary Funds:				
Water Utility - Operating	(11,894)	227,703	227,955	(12,146)
Water Utility - Bond and Interest	5,069	48,241	49,230	4,080
Water Utility - Depreciation	101,000	2,305	15,644	87,661
Wastewater Utility - Operating	212,282	365,428	368,602	209,108
Wastewater Utility - Bond and Interest	141,348	153,360	125,661	169,047
Wastewater Utility - Depreciation	179,231	45,000	54,556	169,675
Wastewater Utility - Construction	(2,321)	43,938	41,617	-
Fiduciary Fund:				
Payroll	855	246,325	246,070	1,110
Totals	\$ 765,097	\$ 1,549,784	\$ 1,441,227	\$ 873,655

	Cash and Investments		Cash and Investments	
	01-01-05	Receipts	Disbursements	12-31-05
Governmental Funds:				
General	\$ 43,508	\$ 287,665	\$ 259,102	\$ 72,071
Motor Vehicle Highway	112,227	25,950	99,696	38,481
Local Road and Street	54,483	12,614	6,922	60,175
Law Enforcement Continuing Education	911	411	66	1,256
Riverboat	10,078	5,032	-	15,110
Rainy Day	5,454	-	-	5,454
Cumulative Capital Improvement	2,979	2,467	-	5,446
Cumulative Capital Development	15,480	2,944	10,100	8,324
Proprietary Funds:				
Water Utility - Operating	(12,146)	231,588	217,872	1,570
Water Utility - Bond and Interest	4,080	48,261	48,237	4,104
Water Utility - Depreciation	87,661	-	-	87,661
Wastewater Utility - Operating	209,108	369,481	432,186	146,403
Wastewater Utility - Bond and Interest	169,047	153,360	124,960	197,447
Wastewater Utility - Depreciation	169,675	60,000	-	229,675
Fiduciary Fund:				
Payroll	1,110	240,255	238,606	2,759
Totals	\$ 873,655	\$ 1,440,028	\$ 1,437,747	\$ 875,936

The accompanying notes are an integral part of the schedules.

TOWN OF TRAFALGAR
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.

Note 6. Long-Term Debt

The Town has entered into debt including a bond for the Water Utility, a State Revolving Loan, and a Build Indiana Loan for the Wastewater Utility. The outstanding principal at December 31, 2005, was \$490,000, \$12,200, and \$1,910,000, respectively.

TOWN OF TRAFALGAR
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

A complete annual report for 2005 was not presented for examination. Annual reports for 2003, 2004, and 2005, were not filed with the State Board of Accounts.

Indiana Code 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 . . ."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances for the Town funds for 2004 and 2005 were not presented for examination. Not all bank statements could be found.

Indiana Code 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."

OVERDRAWN CASH BALANCES

The cash balance of the General Fund, Water Utility Operating Fund, and Wastewater Construction Fund were overdrawn in 2003. The Water Utility Operating Fund was overdrawn in 2004.

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 governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Motor Vehicle Highway	2005	<u>\$ 33,337</u>

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 TRAFALGAR
EXAMINATION RESULTS AND COMMENTS
(Continued)

ERRORS ON CLAIMS

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

- (1) Claims were not adequately itemized.
- (2) Claims or invoices were not accompanied by evidence in support of the receipt of goods or services.
- (3) Contracts were not on file, in support of contract payments.
- (4) Some claims could not be found.

Indiana Code 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."

OFFICIAL BOND

The official bonds for Clerk-Treasurer and Utility Clerk had not been filed in the Office of the County Recorder. No bond was found for the Town Marshall or the Utility Superintendent.

Indiana Code 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. . . ."

CAPITAL ASSET RECORDS

No records were maintained for capital assets for the Town or Utilities.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF TRAFALGAR
EXAMINATION RESULTS AND COMMENTS
(Continued)

PAYMENT FOR UNUSED VACATION DAYS

Cindi Martin received \$847.27 for 12 vacation days earned in 1998 and paid in 2004 which were not supported by service records or time sheets.

Cindi began employment in November 1997 and left employment in April 2003. She requested payment for 12 vacation days earned but not used from 1998. The Clerk-Treasurer stated she felt Cindi had used all of her days or had lost them. Per the salary ordinance: "All salaried employees and full time hourly employees who elect not to use all their vacation time during a calendar year will lose any unused time." No documentation was presented that showed these days were carried over. Cindi filed a claim with the Indiana Department of Labor. They replied, stating that they could not make a determination in her favor. On February 19, 2004, the Town Council voted in favor of paying her for this 12 days of vacation.

Each governmental unit is responsible for complying with the ordinances, resolution, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF TRAFALGAR
EXIT CONFERENCE

The contents of this report were discussed on October 17, 2006, with Jauna Harshman, Clerk-Treasurer; and Max Knapp, Board member. The officials concurred with our findings.