

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

EXAMINATION REPORT

OF

TOWN OF DENVER

MIAMI COUNTY, INDIANA

January 1, 2006 to December 31, 2007



**FILED**  
08/15/2008



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances .....	4
Notes to Financial Information .....	5
Supplementary Information:	
Schedule of Long-Term Debt .....	6
Examination Results and Comments:	
Malfeasance, Misfeasance or Nonfeasance .....	7
Personal Expenses.....	7-8
Additional Compensation.....	8
Receipt Issuance .....	8
Advance to Employee.....	8-9
Unemployment Compensation .....	9
Delinquent Wastewater Accounts.....	9-10
Capital Asset Records .....	10
Board Minutes.....	10
Temporary Transfer of Funds.....	10-11
Errors on Claims .....	11
Sales Tax.....	11-12
Penalties, Interest, and Other Charges .....	12
Compensation and Benefits .....	12
List of Employees Not Filed With County Treasurer .....	12
Bond Information .....	12
Exit Conference.....	13
Summary .....	14
Affidavit .....	15

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mary Titus (Deceased)	01-01-04 to 01-14-08
	Vacant	01-15-08 to 02-03-08
	Mary Raider	02-04-08 to 12-31-11
President of the Town Council	Allen Hetzner	01-01-06 to 12-31-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF DENVER, MIAMI COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Denver (Town), for the period of January 1, 2006 to December 31, 2007. 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, 2006 and 2007, 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

June 25, 2008

TOWN OF DENVER  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES  
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 11,027	\$ 69,549	\$ 60,113	\$ 20,463
Motor Vehicle Highway	13,287	19,766	14,515	18,538
Local Road and Street	9,045	2,611	-	11,656
County Economic Development Income Tax	11,591	1,795	-	13,386
Excess Levy	1,327	1,335	1,327	1,335
Rainy Day	465	-	-	465
Cumulative Capital Improvement	11,830	1,933	-	13,763
Cumulative Capital Development	10,762	5,315	5,254	10,823
Cumulative Fire	7,938	3,539	142	11,335
Fire Station Grant Fund	-	41,000	28,351	12,649
Proprietary Funds:				
Wastewater Utility - Operating	25,650	105,033	95,244	35,439
Wastewater Utility - Bond and Interest	16,560	21,000	21,090	16,470
Wastewater Utility - Depreciation	20,000	-	-	20,000
Wastewater Utility - Reserve	20,500	-	-	20,500
Totals	<u>\$ 159,982</u>	<u>\$ 272,876</u>	<u>\$ 226,036</u>	<u>\$ 206,822</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 20,463	\$ 63,685	\$ 75,670	\$ 8,478
Motor Vehicle Highway	18,538	19,366	12,931	24,973
Local Road and Street	11,656	2,624	5,000	9,280
County Economic Development Income Tax	13,386	1,682	1,649	13,419
Excess Levy	1,335	283	-	1,618
Rainy Day	465	454	-	919
Cumulative Capital Improvement	13,763	3,900	2,000	15,663
Cumulative Capital Development	10,823	1,265	4,299	7,789
Cumulative Fire	11,335	841	33	12,143
Fire Station Grant Fund	12,649	392,672	404,223	1,098
Proprietary Funds:				
Wastewater Utility - Operating	35,439	111,695	99,290	47,844
Wastewater Utility - Bond and Interest	16,470	21,000	20,530	16,940
Wastewater Utility - Depreciation	20,000	-	-	20,000
Wastewater Utility - Reserve	20,500	-	-	20,500
Totals	<u>\$ 206,822</u>	<u>\$ 619,467</u>	<u>\$ 625,625</u>	<u>\$ 200,664</u>

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

TOWN OF DENVER  
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 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. Subsequent Event

On June 25, 2008, the Town has approximately \$80,000 remaining to pay for work not finished on contracts related to the construction of a new fire station. The Town also has approximately \$65,000 remaining to draw from its Community Development Block Grant.

TOWN OF DENVER  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2007

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Fire Truck	\$ 4,089	\$ 4,323
Notes and loans payable	<u>36,139</u>	<u>7,102</u>
Total governmental activities debt	<u>\$ 40,228</u>	<u>\$ 11,425</u>
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
2004 Sewage Works Refunding Bond	<u>\$ 116,000</u>	<u>\$ 20,500</u>

TOWN OF DENVER  
EXAMINATION RESULTS AND COMMENTS

MALFEASANCE, MISFEASANCE OR NONFEASANCE

During our examination of the bank reconciliements prepared by Mary Titus, former Clerk-Treasurer, we noted that a number of cancelled checks were missing from the bank statements reviewed. We requested and received copies of all missing cancelled checks from the bank for 2007. Our review of these cancelled check copies revealed the following:

1. Three checks written on the Town of Denver checking account totaling \$3,617.27 had been issued to and cashed by Mary Titus. These checks had corresponding claims on file that stated they were payable to various vendors or to Mary Titus for Town expenses; however, none of the claims contained detailed invoices from the vendors.
2. Two checks written on the Town of Denver checking account totaling \$739.42 had been issued to Salute, to pay the personal credit card bills of Mary Titus. Claims issued for these checks did not contain detailed invoices from the vendors to support these reimbursements.
3. Six checks written on the Denver Wastewater Utility checking account totaling \$5,153.30 were posted to the Utility simplified cash journal in the name of various vendors who do business with the Wastewater Utility. The cancelled checks related to these disbursements had no payee indicated in the appropriate area of the check. Each of these checks were endorsed and deposited to the personal checking account of Mary Titus.
4. Two checks written on the Denver Wastewater Utility checking account totaling \$418.98 were issued to Tribute, a personal credit card company of Mary Titus. Claims prepared to support these disbursements did not contain detailed invoices from the applicable vendors.
5. Two checks written on the Denver Wastewater Utility checking account totaling \$1,400.30 were issued to Mary Titus, but were posted to the Utility simplified cash journal in the name of vendors who do business with the Wastewater Utility. The cancelled checks related to these disbursements were issued to and deposited to the personal bank account of Mary Titus.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of an officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform compliance Guidelines Manual for Cities and Towns, Chapter 7)

We are requesting reimbursement of \$4,356.69 to the Town of Denver and \$6,972.58 to the Denver Wastewater Utility for the unauthorized disbursements discussed above. (See Summary, page 14)

PERSONAL EXPENSES

Payments were made from the General Fund of the Town of Denver and from the Operating Fund of the Denver Wastewater Utility to Cinergy and Duke Energy for electricity. A detailed review of these bills revealed apparent "overpayments" in three different months, but no corresponding credits the next month. Discussions with Duke Energy verified that these overpayments were in fact credited to the former Clerk-Treasurer's residential account. On three different occasions, a residential bill was included

TOWN OF DENVER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

with the Town commercial bills for payment; and on each occasion the top portion of the residential bill had been torn off. This portion of the bill contains the customer name, service address and account number. We are requesting reimbursement to the Town and Wastewater Utility of \$934.32. (See Summary, page 14)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ADDITIONAL COMPENSATION

Mary Titus, former Clerk-Treasurer, received \$1,700.30 and \$1,131.24 in payments during 2006 and 2007, respectively, from the Town of Denver Wastewater Utility which were not included in the payroll system or on the salary ordinance, resolution or wage scale. The Town pays its payroll once a month, but the former Clerk-Treasurer received 15 payroll checks in 2006 and 14 in 2007. These extra checks were not recorded on her employee's earnings record or included on her W-2. We are requesting reimbursement to the Wastewater Utility of \$2,831.54. (See Summary, page 14)

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 statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPT ISSUANCE

The Town maintains a community building that can be rented by the public. Rental money was collected by a Town resident who in turn remitted this money to Mary Titus, former Clerk-Treasurer. Receipts were not issued by the former Clerk-Treasurer upon receipt of the rental money and not all collections were posted to the funds ledger or deposited into the Town's bank account. We are requesting reimbursement of \$1,170.00 to the Town of Denver for undeposited rental fees. (See Summary, page 14)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ADVANCE TO EMPLOYEE

On November 25, 2006, Mary Titus, former Clerk-Treasurer, wrote a \$650.00 check from the Denver Wastewater Utility account, payable to herself. This check cleared the bank on November 27, 2006. The claim stated it was for a "loan/advance" to be repaid by November 30, 2006. There was a \$650.00 deposit into the Wastewater Utility bank account on November 29, 2006, with a corresponding notation in the simplified cash journal as "repayment."

TOWN OF DENVER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UNEMPLOYMENT COMPENSATION

While still working for the Town of Denver, Mary Titus, former Clerk-Treasurer, received unemployment compensation benefits from the Indiana Department of Workforce Development (DWD) during the years 2005 and 2006. The Town has also been paying unemployment premiums to the DWD for several years, which were based in part upon the Clerk-Treasurer's salary. The Town is currently in contact with DWD to resolve this issue.

Indiana Code 22-4-8-1 and 22-4-8-2 define employment and the services included under the term employment that are eligible for unemployment benefits. Indiana Code 22-4-8-2(i)(1)(a) specifically excludes service performed after December 31, 1977, by an elected official.

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property. A similar comment was noted in prior Report B27371.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

(1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

(a) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;

(b) a description of the premises, as shown by the records of the county auditor; and

(c) the amount of the delinquent fees, together with the penalty; or

(2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list of each individual instrument with the county recorder . . ."

TOWN OF DENVER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

CAPITAL ASSET RECORDS

Neither the Town nor the Wastewater Utility maintains a detailed record of Capital Assets or Utility Plant in Service, respectively. A similar comment was noted in the prior two reports.

Every governmental unit should have a complete inventory of all capital assets owned which reflects 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)

BOARD MINUTES

Not all decisions of the Town Council were included in the minutes of meetings of the Council. The minutes did not contain any information related to the Town's borrowing of \$41,000 for a fire station construction project, nor did they address bids being awarded for this project or that a \$442,759 contract was entered into for this project.

Indiana Code 5-14-1.5-4 states in part:

"(b) 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 IC 5-1.5-2-2.5 or IC 20-12-63-7."

TEMPORARY TRANSFER OF FUNDS

A temporary transfer of \$10,000 was made to the General Fund in June of 2007; \$5,000 each from the Motor Vehicle Highway Fund and the Local Road and Street Fund. An additional \$2,000 temporary transfer was also made from the Cumulative Capital Improvement Fund to the General Fund during 2007. These transfers were not repaid by December 31, 2007. The transfers still have not been repaid as of June 25, 2008. No mention of these transfers was noted in the Council minutes and no ordinance or resolution was provided approving these transfers.

Indiana Code 36-1-8-4 concerning temporary transfer states in part:

TOWN OF DENVER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period . . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

ERRORS ON CLAIMS

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

- (1) Claims were not prepared for all disbursements.
- (2) Claims were not always adequately itemized.
- (3) Not all claims had formal board approval.

Indiana Code 5-11-1-1.6 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 officers;
- (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."

SALES TAX

Sales tax was paid on some purchases.

TOWN OF DENVER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST AND OTHER CHARGES

Penalties and interest totaling \$14.77 were paid to the Indiana Department of Revenue on June 4, 2007, for the period December 31, 2006. Also, claims totaling \$179.14 that only had "additional taxes due" written on them were paid to the Internal Revenue Service and to the Indiana Department of Revenue at various times during 2006 and 2007.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMPENSATION AND BENEFITS

No salary ordinance or resolution for 2006 was provided for review.

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 statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of Town employees was not certified to the County Treasurer for years 2006 and 2007.

Indiana Code 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."

BOND INFORMATION

The State of Indiana, through the Town of Denver, held an official bond on former Clerk-Treasurer, Mary Titus in the amount of \$15,000 for the period beginning December 31, 2005, renewed annually until her successor is duly qualified. The bond was underwritten by the Cincinnati Insurance Company of Ohio.

TOWN OF DENVER  
EXIT CONFERENCE

The contents of this report were discussed on June 25, 2008, with Mary Raider, current Clerk-Treasurer; Diane Imhoof, Council Member; and Troy Prior, Council Member. The officials concurred with our findings.

TOWN OF DENVER  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Mary Titus, former Clerk-Treasurer (deceased):			
Malfeasance, Misfeasance or Nonfeasance, page 7	\$ 11,329.27	\$ -	\$ 11,329.27
Personal Expenses, pages 7 and 8	934.32	-	934.32
Additional Compensation, page 8	2,831.54	-	2,831.54
Receipt Issuance, page 8	<u>1,170.00</u>	<u>-</u>	<u>1,170.00</u>
Totals	<u>\$ 16,265.13</u>	<u>\$ -</u>	<u>\$ 16,265.13</u>

AFFIDAVIT

STATE OF INDIANA )  
                          )  
JASPER COUNTY)

I, Andy D. Williams, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Denver, Miami County, Indiana, for the period from January 1, 2006 to December 31, 2007, is true and correct to the best of my knowledge and belief.

Andy D. Williams  
Field Examiner

Subscribed and sworn to before me this 11<sup>TH</sup> day of August, 2008.

Linda K. Demps  
Notary Public

My Commission Expires: April 18, 2010

County of Residence: Jasper