

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

EXAMINATION REPORT

OF

TOWN OF AVON

HENDRICKS COUNTY, INDIANA

January 1, 2007 to December 31, 2007



FILED
08/21/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sharon Howell	01-01-07 to 12-31-08
President of the Town Council	Mike Rogers	01-01-07 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF AVON, HENDRICKS COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Avon (Town), for the period of January 1, 2007 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 year ended December 31, 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

May 20, 2008

TOWN OF AVON
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 1,005,826	\$ 3,471,359	\$ 3,266,850	\$ 1,210,335
Motor Vehicle Highway	457,441	668,068	609,932	515,577
Local Road and Street	133,549	106,752	87,229	153,072
Law Enforcement Continuing Education	22,491	5,476	18,245	9,722
Riverboat	4,545	39,398	5,798	38,145
Rainy Day	302,308	47,535	-	349,843
Cumulative Capital Improvement	4,453	21,945	-	26,398
Cumulative Capital Development	213,185	211,623	199,067	225,741
Cedit Capital Projects	665,627	491,419	248,818	908,228
Brick Paving and Park Improvement	34,410	-	-	34,410
Infrastructure Contribution	9,801	-	-	9,801
Intersection Project	216,640	-	171,553	45,087
Court Fee	(2,032)	34,002	25,171	6,799
TIF	1,692,735	1,306,690	421,066	2,578,359
Tree Mitigation	43,254	345	5,216	38,383
Food and Beverage	697,022	800,590	520,381	977,231
Debt Service	140,873	-	61,995	78,878
Construct Fund 2006 BAN	895,458	-	56,766	838,692
PC BAN	2,496,000	180,638	2,122,125	554,513
Urban for Grant Fund	-	5,000	-	5,000
Fiduciary Funds:				
Town Court	4,592	296,936	293,603	7,925
Payroll	12,977	48,311	51,501	9,787
Health Insurance Withholdings	4,429	22,906	9,555	17,780
Flexible Spending	3,368	17,894	16,315	4,947
Totals	<u>\$ 9,058,952</u>	<u>\$ 7,776,887</u>	<u>\$ 8,191,186</u>	<u>\$ 8,644,653</u>

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

TOWN OF AVON
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. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

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 AVON
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Note 7. Subsequent Event

On January 9, 2008, the Town issued \$3,600,000 of General Obligation Bonds. The debt service payments will be paid semiannually for the next 20 years, beginning August 1, 2008.

TOWN OF AVON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2007

The Town has entered into the following debt:

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Various autos Lincoln lease #41360	\$ 3,844	\$ 3,844
Various autos Lincoln lease #41359	5,728	5,728
DAM Reconstruction	2,015,000	70,000
Town Hall Construction	1,745,000	110,000
Notes and loans payable:		
Police Vehicle - Ford Fusion Lincoln Bank 41755	9,997	6,604
Police Vehicle - Crown Victoria Lincoln Bank 41804	10,551	6,962
Police Vehicle - Crown Victoria Lincoln Bank 41809	10,551	6,962
Police Vehicle - Crown Victoria Lincoln Bank 41810	10,551	6,962
Police Vehicle - Crown Victoria Lincoln Bank 41811	10,551	6,962
Public Works Truck - Citizens Bank	12,351	6,053
Bond Anticipation Notes:		
Road Improvement BANS 2006	1,500,000	-
Redevelopment BANS 2006 (Police Station)	2,496,000	2,496,000
Bonds payable:		
Revenue bonds:		
Town of Avon, \$1,000,000 Transportation Revenue Bond, Series 2003	861,000	37,000
Total governmental activities long-term debt	\$ 8,691,124	\$ 2,763,077

TOWN OF AVON
EXAMINATION RESULTS AND COMMENTS

PUBLIC WORKS PROJECT

The Police, Court and Emergency Facilities project was broken up into eighteen different bid packages. Fifteen of the eighteen packages were properly bid. Three packages, landscaping, security, and paving, were not let for bids, but quotes were received. These packages were awarded to Smith Lawns Landscaping for \$32,560; Sekurity Solutions for \$28,683; and Grady Brothers Asphalt for \$41,000, respectively.

Indiana Code 36-1-12-19 states: "(a) for purposes of this section, the cost of a public work project includes the cost of materials, labor, equipment rental, and all other expenses incidental to the performance of the project. (b) The cost of a single public work project may not be divided into two (2) or more projects for the purpose of avoiding the requirement to solicit bids. (c) A bidder or quoter or a person who is a party to a public work contract who knowingly violates this section commits a Class A infraction and may not be a party to or benefit from any contract under this chapter for two (2) years from the date of the conviction. (d) Any board member or officer of a political subdivision or agency who knowingly violates this section commits a Class A infraction."

PUBLIC WORKS CHANGE ORDERS

The Town entered into a Public Works contract for the construction of a Police, Court, and Emergency Facility. The original amount of the contract for the sitework of the building was \$146,716. As of the date of this report, change orders totaled \$77,887. Of that amount, \$33,337 was for unforeseen conditions. The Total change orders, less the amount for unforeseen conditions, are \$40,551 which is 27.6% increase over the original contract.

Indiana Code 36-1-12-18 states in part: "(d) The total of all change orders issued that increase the scope of the project may not exceed twenty percent (20%) of the amount of the original contract. A change order issued as a result of circumstances that could not have been reasonably foreseen does not increase the scope of the project."

DEPOSIT - PLANNING AND BUILDING

In numerous instances, receipts were deposited later than the next business day, on one instance the deposit was made 14 days late.

Indiana Code 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."

TOWN OF AVON
EXIT CONFERENCE

The contents of this report were discussed on June 3, 2008, with Mike Rogers, President of the Town Council; Sharon Howell, Clerk-Treasurer; and Tom Klein, Town Manager. The official response has been made a part of this report and may be found on pages 10 through 12.



Town of Avon

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June 9, 2008

State of Indiana
State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, IN 46204-2765

RE: OFFICIAL RESPONSE TO AUDIT

To Whom It May Concern:

The Town of Avon is in receipt of the audit comments for the period of 1-1-7 to 12-31-7. This letter serves as the official response to the audit comments.

Auditor's Examination Results and Comments **PUBLIC WORKS PROJECT**

"The Town hired Pyramid Architecture as construction managers for the design and construction of the Police, Court and Emergency Services Facility. The project was broken up into 18 different bid packages. 15 of the 18 packages were properly bid. 3 packages, landscaping, security and paving, were not let for bids, but quotes were received."

Town Response

The Town of Avon hired Pyramid Architecture as the architect and construction administrator for this project. Section 2.5 of the contract with Pyramid Architecture states: "The Architect, following the Owner's approval of Construction Documents and of the latest preliminary estimate of the Construction Cost, shall assist the Owner in obtaining bids or negotiated proposals and assist in awarding and preparing contracts for construction."

Based on this contract, the Town relied on Pyramid Architects to provide guidance for all bids required for this project. During the bidding process, Pyramid Architects did not advise the Town that the three bid packages in question were not being bid properly.

Auditor's Examination Results and Comments

PUBLIC WORKS CHANGE ORDERS

"The Town entered into a Public Works contract for the construction of a Police, Court and Emergency Facility. The original amount of the contract for the sitework of the building was \$146,716. As of the date of this report, the value of work performed totaled \$200,296.64, which is 26% increase over the original contract amount."

Town Response

Change Order #02S-3 in the amount of \$14,029.13 was for work that Pyramid Architecture approved without getting prior authorization from the Town of Avon.

Change Order #02S-2 in the amount of \$17,471.51 was the result of an unforeseen condition. The unforeseen condition was soft soil that had to be removed and replaced with stone to create a stable foundation.

Change Order #02S-4 in the amount of \$1,835.40 was the result of an unforeseen condition. The unforeseen condition was soft soil that had to be removed and replaced with stone to create a stable foundation.

Change Order #02S-1 in the amount of \$23,571.20 was the result of an unforeseen condition. The unforeseen condition was not enough space on site to store the excavated soil. The original contract called for the depositing of soil that was excavated for the basement on the Town Hall Park property. However, as the Town reviewed the property and determined the amount of soil that was to be excavated, it was concluded that there was not enough room to store the soil on site. Therefore, the soil was requested to be removed from site.

The total amount for unforeseen conditions is \$47,848.11. Removal of the unforeseen conditions reduces the change orders to an amount below 20%.

Auditor's Examination Results and Comments

DEPOSIT-Planning and Building

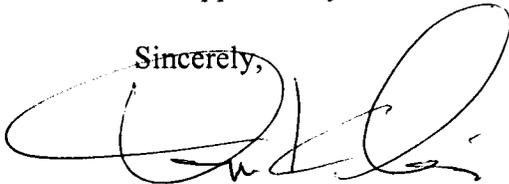
"In numerous instances, receipts were deposited later than the next business day, on one instance the deposit was made 14 days late."

Town Response

Employees have been instructed to deposit receipts no later than the next business day.

We appreciate your review of our procedures.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tom Klein', written over a large, light-colored circular scribble.

Tom Klein
Town Manager