

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

EXAMINATION REPORT  
OF  
TOWN OF YORKTOWN  
DELAWARE COUNTY, INDIANA  
January 1, 2006 to December 31, 2007



**FILED**  
08/22/2008



## 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 .....	5-6
Supplementary Information:	
Schedule of Capital Assets.....	7
Schedule of Long-Term Debt .....	8
Examination Results and Comments:	
Purchase of Property .....	9
Internal Controls .....	9
Financial Report Opinion Modifications.....	10
Official Action .....	10-11
Police Department Deposits .....	11
Exit Conference.....	12
Official Response .....	13

OFFICIALS

Office

Official

Term

Clerk-Treasurer

Beth A. Neff

01-01-04 to 12-31-11

President of the Town Council

Carl R. Pettigrew  
Steve Lowry

01-01-06 to 12-31-06  
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 YORKTOWN, DELAWARE COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Yorktown (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.

Except as described in the next paragraph, 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.

As discussed in Note 2, the financial statements referred to above do not include all of the transactions of the Town which should have been included to fairly present the financial position of the Town.

In our opinion, except that the omission of certain transactions of the Town results in incomplete presentation, 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 Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

July 7, 2008

TOWN OF YORKTOWN  
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, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
<b>Governmental Funds:</b>				
General	\$ 629,231	\$ 1,982,471	\$ 1,877,278	\$ 734,424
Motor Vehicle Highway	300,695	685,370	414,170	571,895
Local Road and Street	90,830	49,482	49,980	90,332
Cemetery Operating	14,378	1,700	4,850	11,228
Park and Recreation	336,447	24,034	91,199	269,282
D. A. R. E. Donation	194	11	7	198
Excess Levy	14,593	9,151	14,593	9,151
Donations	552	-	262	290
Economic Development Area 1	54,237	71,607	4,002	121,842
Rainy Day	21,099	-	-	21,099
Cumulative Capital Improvement	149,649	17,095	-	166,744
Clerk's Records Perpetuation	55,054	19,826	16,002	58,878
Cumulative Fire	287,405	60,201	29,201	318,405
Cumulative Capital Development	128,092	90,460	77,680	140,872
Law Enforcement Continuing Education	4,555	2,451	1,192	5,814
<b>Proprietary Funds:</b>				
Water Utility - Operating	538,192	919,918	874,901	583,209
Water Utility - Bond and Interest	124,489	136,384	134,949	125,924
Water Utility - Depreciation	34,606	24,000	-	58,606
Water Utility - Customer Deposit	18,131	6,930	6,695	18,366
Water Utility - Reserve	148,750	-	-	148,750
Wastewater Utility - Operating	537,223	1,168,164	1,138,929	566,458
Wastewater Utility - Bond and Interest	331,656	130,625	128,505	333,776
Wastewater Utility - Depreciation	345,622	70,680	-	416,302
Wastewater Utility - Reserve	134,810	-	-	134,810
Wastewater Utility - Construction	-	2,155,874	2,155,874	-
Wastewater Utility - Retainage	-	120,423	-	120,423
<b>Fiduciary Funds:</b>				
Court Costs Due County	-	95,277	95,277	-
User Fee - Law Enforcement Continuing Education	28,848	18,894	18,981	28,761
Payroll	1,275	1,415,468	1,407,577	9,166
Town Court	106,077	1,040,766	1,069,494	77,349
<b>Totals</b>	<b>\$ 4,436,690</b>	<b>\$ 10,317,262</b>	<b>\$ 9,611,598</b>	<b>\$ 5,142,354</b>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
<b>Governmental Funds:</b>				
General	\$ 734,424	\$ 2,240,401	\$ 1,955,543	\$ 1,019,282
Motor Vehicle Highway	571,895	433,650	574,720	430,825
Local Road and Street	90,332	56,324	117,039	29,617
Cemetery Operating	11,228	925	4,525	7,628
Park and Recreation	269,282	246,772	234,693	281,361
D. A. R. E. Donation	198	-	-	198
Excess Levy	9,151	-	9,151	-
Donations	290	-	-	290
Economic Development Area 1	121,842	143,912	93,498	172,256
Federal Grants (Fire/Police)	-	145,236	145,236	-
Rainy Day	21,099	-	-	21,099
Cumulative Capital Improvement	166,744	16,807	132,749	50,802
Clerk's Records Perpetuation	58,878	21,364	18,133	62,109
Cumulative Fire	318,405	66,900	-	385,305
Cumulative Capital Development	140,872	100,525	-	241,397
Law Enforcement Continuing Education	5,814	3,948	5,335	4,427
Federal Grants (Capital Projects)	-	322,752	276,089	46,663
EDIT	-	125,000	-	125,000
<b>Proprietary Funds:</b>				
Water Utility - Operating	583,209	959,999	1,011,982	531,226
Water Utility - Bond and Interest	125,924	138,513	135,976	128,461
Water Utility - Depreciation	58,606	24,000	-	82,606
Water Utility - Customer Deposit	18,366	6,255	7,010	17,611
Water Utility - Construction	148,750	-	-	148,750
Wastewater Utility - Operating	566,458	1,177,220	1,240,826	502,852
Wastewater Utility - Bond and Interest	333,776	129,133	129,133	333,776
Wastewater Utility - Depreciation	416,302	70,680	25,206	461,776
Wastewater Utility - Reserve	134,810	-	-	134,810
Wastewater Utility - Construction	-	362,927	362,927	-
Wastewater Utility - Retainage	120,423	21,533	100,000	41,956
<b>Fiduciary Funds:</b>				
Court Costs Due County	-	99,664	99,664	-
User Fee - Law Enforcement Continuing Education	28,761	19,545	19,491	28,815
Payroll	9,166	1,573,216	1,572,785	9,597
Town Court	77,349	1,077,237	1,089,537	65,049
<b>Totals</b>	<b>\$ 5,142,354</b>	<b>\$ 9,584,438</b>	<b>\$ 9,361,248</b>	<b>\$ 5,365,544</b>

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

TOWN OF YORKTOWN  
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, highways and streets, culture and recreation, economic development, general administrative services, water, wastewater and sanitation.

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. However, not all cash and investments are included in this report. The proceeds from a Bond Anticipation Note of \$3,200,000 were maintained in a "Draw Down" account at Old National Bank. The accounting records of the Town did not include these moneys, until a "draw down" was made in order to make a payment to a vendor.

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 YORKTOWN  
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

Town officials were instrumental in having the Muncie Industrial Revolving Loan Fund grant a request for a "Bridge Loan" to the Miasa Corporation, which relocated to Yorktown. The Town of Yorktown is planning to borrow \$600,000 to repay this "Bridge Loan."

TOWN OF YORKTOWN  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 329,388
Infrastructure	2,094,788
Buildings	610,143
Improvements other than buildings	262,342
Machinery and equipment	<u>1,935,935</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 5,232,596</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 40,905
Construction in progress	55,226
Capital assets being depreciated:	
Buildings	68,831
Improvements other than buildings	5,041,308
Machinery and equipment	<u>337,022</u>
 Total Water Utility capital assets	 <u>5,543,292</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	103,045
Construction in progress	3,087,604
Capital assets being depreciated:	
Buildings	2,630,254
Improvements other than buildings	7,496,983
Machinery and equipment	<u>1,885,057</u>
 Total Wastewater Utility capital assets	 <u>15,202,943</u>
 Total business-type activities capital assets	 <u>\$ 20,746,235</u>

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

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
<b>Governmental Activities:</b>		
Capital leases:		
Economic Development	\$ 1,465,000.00	\$ 113,215.00
Cars and Trucks	116,988.98	50,725.74
Cars and Trucks	25,605.12	17,972.00
Street Sweeper	67,000.00	15,480.00
Notes and loans payable		
Purchase of Park	233,375.00	116,685.50
Bonds payable:		
General obligation bonds:		
Parks, Street, Water and Sewage	<u>1,975,000.00</u>	<u>64,023.51</u>
<b>Total governmental activities debt</b>	<b><u>\$ 3,882,969.10</u></b>	<b><u>\$ 378,101.75</u></b>
<b>Business-type Activities:</b>		
Water Utility		
Notes and loans payable		
Improvements - Loaned in 2003	\$ 560,000.00	\$ 35,000.00
Revenue bonds:		
Water Improvements - Issued 1999	<u>1,275,000.00</u>	<u>137,738.75</u>
<b>Total Water Utility</b>	<b><u>1,835,000.00</u></b>	<b><u>172,738.75</u></b>
Wastewater Utility		
Notes:		
Improvements	3,200,000.00	127,496.14
Revenue bonds:		
Wastewater Improvements - Issued 1993	<u>750,000.00</u>	<u>128,495.00</u>
<b>Total Wastewater Utility</b>	<b><u>3,950,000.00</u></b>	<b><u>255,991.14</u></b>
<b>Total business-type activities debt:</b>	<b><u>\$ 5,785,000.00</u></b>	<b><u>\$ 428,729.89</u></b>

TOWN OF YORKTOWN  
EXAMINATION RESULTS AND COMMENTS

PURCHASE OF PROPERTY

Town officials began the process of purchasing 40 acres of land for the development of a park in the spring of 2007. An advertisement to purchase land was placed in the newspaper. Several land-owners contacted the Town Manager about selling their land. On May 21, 2007, Mr. Cox, the owner of a 40 acre farm near Yorktown, offered to sell his land to the Town for \$15,483.79 an acre for the 40 acres (a total price of \$619,351.60).

Per Indiana Code 36-1-10.5-5, two appraisers were appointed to ascertain the fair market value of the land. The appraisers returned their separate appraisals to the Town Manager as follows:

James R. McCord, SRPA. SRA	\$ 432,000	as of June 19, 2007
James E. Dietrick, IFA	530,000	as of September 7, 2007

Before the appraisals were presented to the Town Board on September 21, 2007, Mr. Dietrick determined that his first appraisal did not consider "the contributory value of the water line to the property," and added \$68,750 for this feature. Mr. McCord's appraisal listed the subject property as having "All Public Utilities."

At the Town Board meeting on September 21, 2007, the following appraisals were submitted:

James R. McCord, SRPA. SRA	\$ 432,000	as of June 19, 2007
James E. Dietrick, IFA	598,750	as of September 7, 2007

The Town Manager stated that he was asking Mr. McCord to review his appraisal. He did not feel that it had accurate information. The Town cannot pay more than the average of the two appraisals to purchase the land.

Mr. McCord submitted a second appraisal of \$600,000 dated September 19, 2007.

The Town Board decided to purchase Mr. Cox's 40 acre farm for \$597,926.76 on January 11, 2008.

Indiana Code 36-1-10.5.6 states in part: "A purchasing agent may not purchase any land or structure for a price greater than the average of the two (2) appraisals received . . ."

INTERNAL CONTROLS

The Town borrowed \$233,375 from Old National Bank to use as part of the purchase price of the 40 acre farm mentioned above. A check was issued on January 11, 2008, from Old National Bank to the Indiana Title Company. This transaction was not recorded in the Town's accounting records. The Town did issue a check of \$364,551.76 from the General Fund to the Indiana Title Company to complete the purchase of the farm for a total of \$597,926.76.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF YORKTOWN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

FINANCIAL REPORT OPINION MODIFICATIONS

The balances for the Bond Anticipation Notes in the principal amount of \$3,200,000 that were sold on October 19, 2005, were not maintained in the Town's records. The proceeds from this sale of bonds were maintained in a "Draw Down" account maintained by Old National Bank. As construction on the Sanitary Sewer Project progressed, drawdowns were requested from the bank for the purpose of paying contractor claims. These drawdowns and payments to contractors were recorded on the Town's records. However, the balance of the account maintained by the bank was not on the Town's records. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Accountants' Report.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICIAL ACTION

On May 21, 2008, the Mayor of the City of Muncie asked the Clerk-Treasurer of Yorktown when Muncie could expect payment of the \$600,000 that the Muncie Industrial Revolving Loan Fund advanced to Miasa Corporation to relocate in Yorktown. The Clerk-Treasurer had no knowledge of any arrangements between the City of Muncie and the Town of Yorktown concerning this loan to Miasa Corporation. The Mayor of Muncie presented a letter from Timothy Kelty, the Yorktown Town Manager, to Bruce Baldwin, Director of Community and Business Development stating:

"Per the conversation yesterday with you, Council Pres. Steve Lowry and me, the Town of Yorktown is committed to move forward and reactivate the Yorktown Economic Development Commission (YEDC), and use that as a vehicle to issue loans to Miasa Corporation with the same terms the Muncie Industrial Revolving Loan Fund has proposed.

The YEDC has issued loans in the past for several economic development endeavors, however it has been inactive since before 2000. Unfortunately, it will take three to six months to reactivate the Commission and arrange for financing. Considering Miasa's tight timetable, we request that the Revolving Loan Fund consider the Miasa's financing request a "Bridge Loan", with the understanding that the Town of Yorktown will reimburse the Muncie Industrial Revolving Loan Fund and assume the financing within six months using our own Economic Development Revenue Bond issue."

No "Bride Loan" or other financing arrangement with the City of Muncie, the Muncie Industrial Revolving Loan Board, or the Miasa Corporation was included in the minutes of the meetings of the Yorktown Town Board.

Indiana Code 5-14-1.5-1 states in part:

"It is the intent . . . that the official action of public agencies be conducted and taken openly . . . in order that the people may be fully informed."

TOWN OF YORKTOWN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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 take, by individual members if there is a roll call.
- (5) Any additional information required under Indiana Code 5-1.5-2-2.5 or Indiana Code 20-12-63-7."

POLICE DEPARTMENT DEPOSITS

In numerous instances, we noted police department collections were remitted to the Town 8 to 47 days after collection.

Receipts and fees collected by a police department should be remitted to the clerk-treasurer or city controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

TOWN OF YORKTOWN  
EXIT CONFERENCE

The Examination Result and Comment entitled Police Department Deposits was discussed on May 21, 2008, with Todd St. John, Town Marshal; and Pam Bryant, Secretary. The officials concurred with our findings.

This report, in its entirety, was discussed on July 7, 2008, with Beth A. Neff, Clerk-Treasurer; Steve Lowry, President of the Town Council; and Timothy Kelty, Town Manager. The official response has been made a part of this report and may be found on page 13.

# TOWN OF YORKTOWN, INC.

BETH A. NEFF • CLERK-TREASURER

302 W. Washington St. Room E418  
Indianapolis, IN 46204

July 10, 2008

Indiana State Board of Accounts & Auditor Mike Wade,

In reference to the Town of Yorktown's 2006 & 2007 audit report I am responding to report finding "Internal Controls" and "Financial Report Opinion Modifications".

#### INTERNAL CONTROLS:

The town borrowed from Old National Bank for a land purchase. This money was not put through the towns accounting records. I had requested that the money be processed through the town, however, I was not involved in the closing of the loan. The money went straight from Old National to Indiana Title. The Town Council instructed the Town Manager to close the loan with a promissory note. I was brought into the process for signing documents for the Note only. The EDIT Funds received from the County did go through the towns accounting records which were used to help purchase the land. The town paid \$364,55.76 and that amount was through the towns accounting records. All of the money is traceable and accounted for.

#### FINANCIAL REPORT OPINION MODIFICATIONS:

The \$3,200,000 Bond Anticipation Note was not maintained in the towns accounting records, however, this money is all documented where and what it was spent on. I did not know that this was not an accepted accounting of Bond Funds. It will not happen again.

If you have additional questions or concerns, please call me @ 765-759-4002

Sincerely,



Beth Neff  
Clerk-Treasurer  
Town of Yorktown  
Yorktown, IN 47396