

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

EXAMINATION REPORT

OF

TOWN OF DANVILLE

HENDRICKS COUNTY, INDIANA

January 1, 2007 to December 31, 2007



FILED
10/17/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedule of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5-6
Supplementary Information:	
Schedule of Debt	7
Examination Results and Comments:	
Errors on Claims	8
Penalties Interest and Other Charges	8
Deposits	8
Appropriations.....	9
Utility Receipts Tax	9
Annual Report.....	9
Overdrawn Fund Balance	10
Exit Conference.....	11
Official Response	12

OFFICIALS

Office

Official

Term

Clerk-Treasurer

Pauletta Frye
Amy Roberts

01-01-07 to 12-31-07
01-01-08 to 12-31-11

President of the Town Council

Myron Anderson

01-01-07 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

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Town of Danville (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 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

July 23, 2008

TOWN OF DANVILLE
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, 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	\$ 800,308	\$ 3,379,794	\$ 3,601,891	\$ 578,211
Motor Vehicle Highway	158,183	346,761	290,575	214,369
Local Road and Street	81,254	91,222	89,682	82,794
Park & Rec Donations	14,310	14,600	6,156	22,754
Law Enforcement Continuing Ed.	4,690	7,480	393	11,777
Riverboat	97,337	40,470	54,783	83,024
Rainy Day	164,362	121,395	12,899	272,858
Police Donations	3,819	13,120	13,516	3,423
Police Grant	-	9,962	9,012	950
Fire Donations	3,359	4,476	3,402	4,433
Police Block Grant	270	-	-	270
COPS in School	364	-	-	364
Parking Violations	1,964	4,950	5,069	1,845
Blanton House	21,342	23,310	28,993	15,659
Train Station	2,000	7,400	6,900	2,500
Police PFT Grant	7,900	-	2,259	5,641
Park Nonreverting Fund	2,084	4,209	1,698	4,595
Major Moves	-	87,617	-	87,617
Park Bond	99,170	211,290	106,631	203,829
General Obligation Bonds	39,548	884,670	495,002	429,216
Cumulative Capital Improvement	44,619	22,542	14,054	53,107
Cumulative Capital Development	45,709	100,342	37,782	108,269
Economic Development Income Tax	2,126,816	746,663	83,905	2,789,574
Community Host	1,256,461	731,276	667,551	1,320,186
Host Future	1,225,943	253,462	-	1,479,405
Proprietary Funds:				
Water Utility - Operating	214,635	1,459,388	1,599,610	74,413
Water Utility - Bond and Interest	191,259	372,000	370,946	192,313
Water Utility - Debt Service Reserve	478,591	120,000	-	598,591
Water Utility - Customer Deposit	35,150	18,650	14,950	38,850
Water Utility - Replacement	874,917	67,780	133,315	809,382
Wastewater Utility - Operating	503,841	1,575,933	1,689,977	389,797
Wastewater Utility - Bond and Interest	2,197	804,000	676,101	130,096
Wastewater Utility - Depreciation	681,601	-	-	681,601
Wastewater Utility - Escrow	243,256	5,845	249,101	-
Wastewater Utility - Construction	427,921	213,835	85,672	556,084
Wastewater Utility - Replacement	1,126,366	116,464	85,817	1,157,013
Fiduciary Fund:				
Payroll	12,358	3,437,613	3,505,993	(56,022)
Totals	<u>\$ 10,993,904</u>	<u>\$ 15,298,519</u>	<u>\$ 13,943,635</u>	<u>\$ 12,348,788</u>

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

TOWN OF DANVILLE
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.

TOWN OF DANVILLE
NOTES TO FINANCIAL INFORMATION
(Continued)

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. 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.

TOWN OF DANVILLE
SUPPLEMENTARY INFORMATION
SCHEDULE OF DEBT

For The Year Ended December 31, 2007

Description of Asset	Ending Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Bonds payable:		
General obligation bonds:		
GO Bonds of 2001, Series B	\$ 317,000	\$ 88,712
Park District GO Bonds of 2004	1,295,000	203,444
Police Equipment GO Bonds of 2007	300,000	58,303
Public Works GO Bonds of 2007	400,000	9,150
Total governmental activities long-term debt	\$ 2,312,000	\$ 359,609
Business-type Activities:		
Water Utility		
Revenue bonds:		
Water Revenue Bonds of 2001	\$ 1,726,000	\$ 154,314
Water Revenue Bonds of 2003	1,964,000	158,846
Water Revenue Bonds of 2004	715,000	58,385
Total Water Utility	4,405,000	371,545
Wastewater Utility		
Revenue bonds:		
Sewage Works Revenue Bonds of 1996	735,000	111,750
Sewage Works Revenue Bonds of 2004	7,515,000	561,472
Total Wastewater Utility	8,250,000	673,222
Total business-type activities:	\$ 12,655,000	\$ 1,044,767

TOWN OF DANVILLE
EXAMINATION RESULTS AND COMMENTS

ERRORS ON CLAIMS

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

- (1) Several claims were not signed to show proof of receiving the goods or services.
- (2) There was no authorization of purchase.

Indiana Code 5-11-10-1.6(c) states: "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."

PENALTIES, INTEREST AND OTHER CHARGES

Penalties and interest totaling \$18.05 were paid to the Indiana Department of Revenue on June 4, 2007, for the period April 30, 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)

DEPOSITS

Receipts selected for testing were three Town receipts, deposited later than the next business day.

Indiana Code 5-13-6-1(c) states in part: "All local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . . ."

TOWN OF DANVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

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>
General Obligation Bonds	2007	<u>\$ 1,170</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."

UTILITY RECEIPTS TAX

The Water Utility did not pay Utility Receipts Tax on the hydrant rental fees paid by Water Utility customers, tap fees, reconnect fees, or penalties, to the Indiana Department of Revenue during the audit period.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The following have been determined to be taxable receipts for the purpose of calculating the utility receipts tax by the Indiana Department of Revenue: 1. Penalties, 2. Shut off fees, 3. Reconnect fees, 4. Hydrant rental fees paid by water utility customers, and 5. Trash removal fees. (Cities and Towns Bulletins, December 2005)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORT

An annual report for 2007 was not filed timely. The Town's annual report was filed with the State Examiner on April, 2, 2008.

Indiana Code 5-11-1-4 states in part: "(a) The state examiner shall require from every municipality . . . financial reports covering the full period of each fiscal year. . . . these reports shall be prepared, verified, and filed with the state examiner. . . . (a) not later than sixty (60) days after the close of each fiscal year. . . ."

TOWN OF DANVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

OVERDRAWN FUND BALANCE

The Payroll Fund was overdrawn in 2007.

The fund 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)

TOWN OF DANVILLE
EXIT CONFERENCE

The contents of this report were discussed on July 24, 2008, with Amy Roberts, Clerk-Treasurer; Gary Eakin, Town Manager; and Myron Anderson, President of the Town Council. The official response has been made a part of this report and may be found on page 12.

TOWN OF DANVILLE

147 W. Main Street Danville Indiana 46122

www.danvilleindiana.org

July 25, 2008

TOWN COUNCIL

Jeff Martin, President
Mike Neilson, Vice President
Steve Hartsock
Richard Burrows
Marcia Lynch

OFFICIAL RESPONSE

The Town of Danville wishes to file this official response to the 2007 Examination Results by the State Board of Accounts.

CLERK-TREASURER

Amy J. Roberts
745-4180

- Annual Report – January 1, 2008 began the first term of the Clerk-Treasurer for the Town of Danville, Amy Roberts. As with any new position there is a learning curve and many timed responsibilities that take priority. A very diligent attempt was made by Mrs. Roberts to be compliant with the February 28th due date for filing the report however, she experienced many difficulties with the online reporting that is strongly encouraged by the State Board of Accounts. After spending weeks inputting and balancing the report without success she was forced to start over. Mrs. Roberts did recreate all state prescribed forms electronically on an excel spreadsheet and was able to balance to the books for the Town. The annual report was completed as quickly as was possible. Going forward we do not foresee an issue of filing by the deadline.

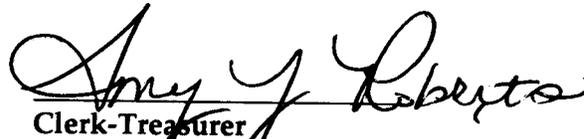
TOWN MANAGER

Gary Eakin
745-3001

TOWN PLANNER

Laura Parker
745-3007

Respectfully submitted:


Clerk-Treasurer


Town Board President


Town Manager