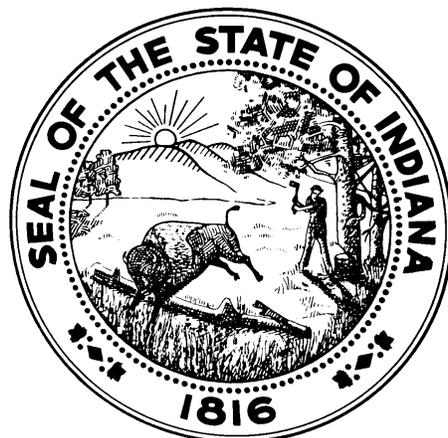


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
TOWN OF DAYTON
TIPPECANOE COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
12/08/2008

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 Long-Term Debt	7
Examination Results and Comments:	
Bank Account Reconciliations	8
Annual Report.....	8
Condition of Records	8
Errors on Claims	9
Utility Receipts Tax	9
Penalties, Interest, and Other Charges	9-10
Capital Asset Records	10
Guarantee Deposit Register	10
Overdrawn Cash Balances	10
Exit Conference.....	11

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Ronald Koehler	01-01-04 to 12-31-11
President of the Town Council	Michael Harris	01-01-06 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 DAYTON, TIPPECANOE COUNTY, INDIANA

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

October 7, 2008

TOWN OF DAYTON
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	Receipts	Disbursements	Cash and
	Investments			Investments
	01-01-06			12-31-06
Governmental Funds:				
General	\$ 81,077	\$ 206,807	\$ 201,919	\$ 85,965
Motor Vehicle Highway	54,409	68,671	64,094	58,986
Local Road and Street	18,448	11,685	15,488	14,645
Storm Sewer	38,289	-	-	38,289
Law Enforcement Continuing Education	4,162	520	567	4,115
Riverboat	1,206	7,048	-	8,254
Siren	4,861	350	-	5,211
Donation - Sign/Flag	779	177	177	779
Cumulative Capital Improvement	14,236	4,001	1,452	16,785
Cumulative Capital Development	26,726	14,803	10,404	31,125
Levy Excess	-	7,965	-	7,965
Economic Development Income Tax	98,100	29,006	3,419	123,687
Proprietary Funds:				
Water Utility - Operating	130,147	268,529	240,509	158,167
Water Utility - Bond and Interest	84,420	139,201	139,201	84,420
Water Utility - Customer Deposit	34,139	7,422	5,874	35,687
Water Utility - Improvement	37,023	425	2,700	34,748
Wastewater Utility - Operating	72,618	213,535	206,406	79,747
Wastewater Utility - Bond and Interest	550	21,000	21,400	150
Wastewater Utility - Improvement	9,165	-	5,264	3,901
Sanitation	19,789	54,417	60,393	13,813
Fiduciary Fund:				
Payroll	4,402	172,024	173,356	3,070
Totals	\$ 734,546	\$ 1,227,586	\$ 1,152,623	\$ 809,509

	Cash and	Receipts	Disbursements	Cash and
	Investments			Investments
	01-01-07			12-31-07
Governmental Funds:				
General	\$ 85,965	\$ 272,099	\$ 192,417	\$ 165,647
Motor Vehicle Highway	58,986	63,084	54,564	67,506
Local Road and Street	14,645	12,090	765	25,970
Storm Sewer	38,289	1,743	37	39,995
Law Enforcement Continuing Education	4,115	496	2,666	1,945
Riverboat	8,254	7,063	-	15,317
Siren	5,211	-	-	5,211
Donation - Sign/Flag	779	100	1,232	(353)
Cumulative Capital Improvement	16,785	3,934	799	19,920
Cumulative Capital Development	31,125	15,104	28,128	18,101
Levy Excess	7,965	-	-	7,965
Economic Development Income Tax	123,687	14,254	25,356	112,585
Proprietary Funds:				
Water Utility - Operating	158,167	260,106	238,293	179,980
Water Utility - Bond and Interest	84,420	131,215	115,350	100,285
Water Utility - Customer Deposit	35,687	5,645	4,271	37,061
Water Utility - Improvement	34,748	1,746	125	36,369
Wastewater Utility - Operating	79,747	242,507	200,265	121,989
Wastewater Utility - Bond and Interest	150	25,366	-	25,516
Wastewater Utility - Improvement	3,901	2,536	1,200	5,237
Sanitation	13,813	58,433	60,495	11,751
Fiduciary Fund:				
Payroll	3,070	134,009	173,616	(36,537)
Totals	\$ 809,509	\$ 1,251,530	\$ 1,099,579	\$ 961,460

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

TOWN OF DAYTON
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, planning and zoning, public improvements, water and wastewater services, 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. For 2007, these dates were changed to June 15 and November 15 due to reassessment.

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 DAYTON
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.

TOWN OF DAYTON
 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:		
Bonds payable:		
General obligation bonds:		
Town Hall Projects	\$ 90,000	\$ 9,410
Total governmental activities debt	<u>\$ 90,000</u>	<u>\$ 9,410</u>
Business-type Activities:		
Water Utility		
Loans:		
SRF Improvement Loan	\$ 1,359,846	\$ 140,723
Total Water Utility	<u>1,359,846</u>	<u>140,723</u>
Wastewater Utility		
Revenue bonds:		
Sewage Works Improvement Bonds of 1978	\$ 164,000	\$ 21,200
Total Wastewater Utility	<u>164,000</u>	<u>21,200</u>
Total business-type activities debt:	<u>\$ 1,523,846</u>	<u>\$ 161,923</u>

TOWN OF DAYTON
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not initially presented for examination for all months after June 30, 2007. Subsequent to our arrival, the remaining bank account reconciliations were performed through December 31, 2007.

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."

ANNUAL REPORT

An annual report for 2006 or 2007 was not presented for examination.

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 . . ."

CONDITION OF RECORDS

Financial records initially presented for audit were incomplete and not reflective of the activity of all funds of the Town after June 30, 2007. Subsequent to the start of the examination, updated records were presented for examination. We noted several errors in the period July 1, 2007 to December 31, 2007. Among the errors noted were:

1. Several checks were not posted to financial records.
2. Some checks were posted twice to financial records.
3. The interest earned on the Town's savings accounts had not been posted to the financial records.
4. Other receipts had not been posted to the Town's financial statements.
5. Bank fees and other charges had not been posted to the Town's financial statements.

All errors were corrected by the end of the examination.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF DAYTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

ERRORS ON CLAIMS

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

1. Accounts payable vouchers were not prepared for disbursements after August 1, 2007.
2. We were not able to trace expenditures to verify posting to proper appropriation after June 30, 2007, due to a lack of records.

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."

UTILITY RECEIPTS TAX

There was no documentary evidence presented to indicate that the Water Utility paid Utility Receipts Tax to the Indiana Department of Revenue during the examination 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)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$116.97 were paid to the Internal Revenue Service on December 14, 2007, for the period October 31, 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.

TOWN OF DAYTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

CAPITAL ASSET RECORDS

The Town and Utility do not maintain sufficient detailed records of capital assets for its Utility Plant in Service accounts. Upon purchase, the costs of the capital assets are added to an aggregate Utility Plant in Service account, and to subsidiary accounts for land, buildings, etc., in the General Ledger. However, records providing historical costs for some of the Utility's capital assets are not available, and records classifying and summarizing the Utility's capital assets are incomplete. Deletions or disposals of capital assets are not recorded.

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 form. 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)

GUARANTEE DEPOSIT REGISTER

We were unable to determine whether or not the guarantee deposit register agreed with the cash balance of the meter deposit fund. This was due to the guarantee deposit register being maintained electronically and relevant reports were not printed timely.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES

The cash balances of the Donation - Sign/Flag Fund and Payroll Fund were overdrawn in 2007.

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)

TOWN OF DAYTON
EXIT CONFERENCE

The contents of this report were discussed on October 7, 2008, with Ronald Koehler, Clerk-Treasurer. The official concurred with our findings.