

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

EXAMINATION REPORT

OF

TOWN OF DILLSBORO

DEARBORN COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
12/08/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janice Sullivan	01-01-04 to 12-31-11
President of the Town Council	Carolyn Mathes-Robers Mary Lou Powers	01-01-06 to 12-31-07 01-01-08 to 12-31-08
Superintendent of Utilities	Donald Schmaltz	01-01-06 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF DILLSBORO, DEARBORN COUNTY, INDIANA

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

October 16, 2008

TOWN OF DILLSBORO
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
Governmental Funds:				
General	\$ 111,140	\$ 263,756	\$ 276,358	\$ 98,538
Motor Vehicle Highway	6,297	53,005	35,383	23,919
Local Road and Street	12,803	9,726	6,114	16,415
Law Enforcement Continuing Education	1,515	375	-	1,890
Riverboat	1,394,651	771,027	409,927	1,755,751
Cumulative Capital Improvement	17,955	5,130	21,776	1,309
Cumulative Capital Development	-	109,350	104,785	4,565
Cumulative Building and Firefighting Equipment	5,484	8,068	9,086	4,466
Garbage Collection	687	51,579	52,080	186
Proprietary Funds:				
Water Utility - Operating	241	395,304	367,871	27,674
Water Utility - Customer Deposit	15,915	5,920	3,285	18,550
Wastewater Utility - Operating	20,489	353,313	317,321	56,481
Wastewater Utility - Bond and Interest	90,681	26,578	94,300	22,959
Wastewater Utility - Annex Bond and Interest	9,487	20,092	20,552	9,027
Wastewater Utility - Customer Deposit	12,470	5,170	2,835	14,805
Wastewater Utility - Construction	-	166,334	166,334	-
Wastewater Utility - Debt Service	-	50,000	-	50,000
Fiduciary Fund:				
Payroll	-	544,951	544,951	-
Totals	<u>\$ 1,699,815</u>	<u>\$ 2,839,678</u>	<u>\$ 2,432,958</u>	<u>\$ 2,106,535</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 98,538	\$ 208,115	\$ 270,829	\$ 35,824
Motor Vehicle Highway	23,919	51,964	31,744	44,139
Local Road and Street	16,415	9,926	11,027	15,314
Park and Recreation	-	10,000	6,413	3,587
Law Enforcement Continuing Education	1,890	596	-	2,486
Riverboat	1,755,751	721,147	369,789	2,107,109
Cumulative Capital Improvement	1,309	5,044	2,509	3,844
Cumulative Capital Development	4,565	7,651	7,229	4,987
Cumulative Building and Firefighting Equipment	4,466	2,575	7,000	41
Garbage Collection	186	55,091	55,091	186
Police Grant	-	4,130	4,130	-
Proprietary Funds:				
Water Utility - Operating	27,674	428,338	403,773	52,239
Water Utility - Customer Deposit	18,550	5,810	3,955	20,405
Wastewater Utility - Operating	56,481	376,645	369,283	63,843
Wastewater Utility - Bond and Interest	22,959	48,369	43,146	28,182
Wastewater Utility - Annex Bond and Interest	9,027	21,684	22,030	8,681
Wastewater Utility - Customer Deposit	14,805	4,540	3,200	16,145
Wastewater Utility - Debt Service	50,000	-	-	50,000
Fiduciary Fund:				
Payroll	-	536,310	536,310	-
Totals	<u>\$ 2,106,535</u>	<u>\$ 2,497,935</u>	<u>\$ 2,147,458</u>	<u>\$ 2,457,012</u>

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

TOWN OF DILLSBORO
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 (police and fire), highway and streets, sanitation, culture and recreation, public improvements, general administrative services, water, and wastewater.

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.

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 DILLSBORO
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 DILLSBORO
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	\$ 459,710
Infrastructure	223,471
Buildings	482,558
Improvements other than buildings	194,132
Machinery and equipment	<u>478,995</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 1,838,866</u>
	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Buildings	\$ 10,200
Improvements other than buildings	549,313
Machinery and equipment	<u>96,507</u>
Total Water Utility capital assets	<u>656,020</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	53,670
Buildings	2,764,564
Improvements other than buildings	3,304,688
Machinery and equipment	<u>271,856</u>
Total Wastewater Utility capital assets	<u>6,394,778</u>
Total business-type activities capital assets	<u>\$ 7,050,798</u>

TOWN OF DILLSBORO
 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	\$ 46,460	\$ 9,087
Police vehicle	8,452	9,065
Notes and loans payable		
Radio loan	<u>99,950</u>	<u>8,896</u>
Total governmental activities debt	<u>\$ 154,862</u>	<u>\$ 27,048</u>
Business-type activities:		
Wastewater Utility		
Revenue bonds:		
Wastewater improvements	\$ 499,895	\$ 28,744
Notes and loans payable		
Wastewater improvements	<u>50,000</u>	<u>9,878</u>
Total Wastewater Utility	<u>\$ 549,895</u>	<u>\$ 38,622</u>

TOWN OF DILLSBORO
EXAMINATION RESULTS AND COMMENTS

OFFICIAL BOND (Applies to Clerk-Treasurer)

Janice Sullivan, Clerk-Treasurer, obtained an official bond. However, the bond was not filed in the office of the county recorder.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

A similar comment was reported in the prior Report B27932.

CUSTOMER DEPOSIT REGISTER (Applies to Water Utility; Wastewater Utility; and Clerk-Treasurer)

The Clerk-Treasurer does not perform reconciling procedures between the balance of cash and investments recorded on the Fund Report for the Water and Wastewater Utilities Customer Deposit Funds with the balance of customer deposits recorded in the detailed customer deposit register.

The detailed customer deposit register for December 31, 2007, was not presented for examination. We compared the balance of cash and investments for the Customer Deposit Funds with the detailed customer deposit register at August 31, 2008. The cash and investments reported on the Funds Report exceeded the amount recorded in the detailed customer deposit register by \$2,720.

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)

TOWN OF DILLSBORO
EXAMINATION RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS (Applies to Water Utility)

The Water Utility purchases water from the City of Aurora. A comparison of the quantity of water purchased to the quantity of water the Water Utility billed to customers for the year 2007 showed gallons purchased exceeded gallons billed to customers by 7,577,987 gallons.

We discussed the variance with Donald Schmaltz, Superintendent of Utilities. Donald Schmaltz stated he was aware there was a variance between gallons purchased and billed. However, the cause of the variance has not been determined.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

WASTEWATER UTILITY NOT BILLED FOR WATER SERVICE
(Applies to Town Council, Clerk-Treasurer, and Water Utility)

The Town Council has approved an ordinance establishing water rates and charges. The Town does not charge the Town's Wastewater Utility for the water used by the Wastewater Utility's treatment plant.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF DILLSBORO
EXIT CONFERENCE

The contents of this report were discussed on October 16, 2008, with Janice Sullivan, Clerk-Treasurer; Mary Lou Powers, President of the Town Council; Scott Fortner, Town Manager; and Donald Schmaltz, Superintendent of Utilities.