

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

EXAMINATION REPORT
OF
TOWN OF GALVESTON
CASS COUNTY, INDIANA
January 1, 2007 to December 31, 2008



FILED
11/02/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Constance S. Russell	01-01-08 to 12-31-11
President of the Town Council	James Buettner	01-01-07 to 12-31-09
Superintendent of Water Utility	William Young	01-01-07 to 12-31-09
Superintendent of Wastewater Utility	John Roberson	01-01-07 to 12-31-09



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 GALVESTON, CASS COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Galveston (Town), for the period of January 1, 2007 to December 31, 2008. 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, 2007 and 2008, 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

September 24, 2009

TOWN OF GALVESTON
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, 2007 And 2008

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 36,490	\$ 328,491	\$ 287,523	\$ 77,458
Motor Vehicle Highway	12,094	54,638	39,131	27,601
Local Road and Street	19,478	6,384	12,871	12,991
Park and Recreation	37,654	21,385	15,908	43,131
Law Enforcement Continuing Education	444	985	962	467
Riverboat	18,619	9,660	17,489	10,790
CEDIT	33,604	7,493	30,726	10,371
Community Center	32,382	9,720	9,695	32,407
Cumulative Capital Improvement	16,871	5,381	10,000	12,252
Operation Pullover	-	1,380	638	742
Aviation	61,971	26,850	34,800	54,021
Cumulative Sewer	229,167	56,332	94,406	191,093
Cops Tech Grant	74,478	14,391	78,399	10,470
Proprietary Funds:				
Water Utility - Operating	10,153	358,162	364,328	3,987
Water Utility - Bond and Interest	43,065	131,267	165,350	8,982
Water Utility - Depreciation	3,547	7,334	2,873	8,008
Water Utility - Customer Deposit	20,497	6,075	2,895	23,677
Wastewater Utility - Operating	61,608	321,907	368,579	14,936
Wastewater Utility - Bond and Interest	3,900	94,990	28,324	70,566
Wastewater Utility - Depreciation	44,514	31,614	1,515	74,613
Fiduciary Fund:				
Payroll	-	375,008	373,041	1,967
Totals	<u>\$ 760,536</u>	<u>\$ 1,869,447</u>	<u>\$ 1,939,453</u>	<u>\$ 690,530</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 77,458	390,356	402,277	\$ 65,537
Motor Vehicle Highway	27,601	52,904	43,003	37,502
Local Road and Street	12,991	5,909	11,113	7,787
Park and Recreation	43,131	21,303	19,304	45,130
Law Enforcement Continuing Education	467	1,296	943	820
Riverboat	10,790	9,610	13,225	7,175
CEDIT	10,371	17,487	9,834	18,024
Community Center	32,407	9,070	5,555	35,922
Cumulative Capital Improvement	12,252	4,982	3,616	13,618
Operation Pullover	742	4,296	4,458	580
Aviation	54,021	44,487	35,405	63,103
Cumulative Sewer	191,093	75,742	153,250	113,585
Cops Tech Grant	10,470	-	10,443	27
Proprietary Funds:				
Water Utility - Operating	3,987	336,476	338,083	2,380
Water Utility - Bond and Interest	8,982	153,920	112,165	50,737
Water Utility - Depreciation	8,008	7,120	9,475	5,653
Water Utility - Customer Deposit	23,677	5,039	3,149	25,567
Wastewater Utility - Operating	14,936	373,308	385,995	2,249
Wastewater Utility - Bond and Interest	70,566	91,759	80,382	81,943
Wastewater Utility - Depreciation	74,613	30,586	36,066	69,133
Wastewater Utility - Debt Service	-	40,249	-	40,249
Fiduciary Fund:				
Payroll	1,967	391,947	392,852	1,062
Totals	<u>\$ 690,530</u>	<u>\$ 2,067,846</u>	<u>\$ 2,070,593</u>	<u>\$ 687,783</u>

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

TOWN OF GALVESTON
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, water, wastewater 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 GALVESTON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2008

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.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 271,200
Infrastructure	3,294,900
Buildings	491,600
Improvements other than buildings	679,600
Machinery and equipment	<u>445,700</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 5,183,000</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 99,400
Buildings	569,600
Improvements other than buildings	573,200
Machinery and equipment	<u>759,000</u>
 Total Water Utility capital assets	 <u>2,001,200</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	76,300
Buildings	1,306,800
Improvements other than buildings	330,500
Machinery and equipment	<u>443,600</u>
 Total Wastewater Utility capital assets	 <u>2,157,200</u>
 Total business-type activities capital assets	 <u>\$ 4,158,400</u>

TOWN OF GALVESTON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

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:		
Stormwater Project	\$ 220,000	\$ 28,050
Business-type activities:		
Water Utility:		
Revenue bonds:		
Water Utility construction and extension	\$ 328,500	\$ 47,550
SRF Loan	66,902	7,742
Total Water Utility	395,402	55,292
Wastewater Utility:		
Revenue bonds:		
SRF Loan WW-SIL-01	81,800	10,381
SRF Loan CS182401-01	413,000	37,594
Total Wastewater Utility	494,800	47,975
Total business-type activities debt	\$ 890,202	\$ 103,267

TOWN OF GALVESTON
EXAMINATION RESULTS AND COMMENTS

TRANSACTION RECORDING/RECEIPT ISSUANCE/DAILY DEPOSITS

In 2007, a state distribution of \$3,914.21, directly deposited to the Town's bank account, was not receipted or posted to the funds ledger. A local tax distribution check, dated July 14, 2008, for \$3,288.50, was neither receipted, posted nor deposited to the bank until January 15, 2009.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. In addition, all documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. Also, Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

IC 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."

ERRONEOUS 941

The fourth quarter 941 for 2008, submitted to the Internal Revenue Service, was incorrect. Taxable wages were understated by \$6,516.68 as a result of a computer glitch which omitted four employees from the computerized payroll quarterly tax report. However, the correct amounts for federal, Social Security and Medicare were remitted to the Internal Revenue Service. As a result, the 941 reflected an overpayment of \$1,008.43 (which was not correct) and a refund was sent to the Town, in the amount of \$1,008.57 (includes interest of \$.14). On September 17, 2009, \$1,008.57 was remitted to the IRS along with an amended 941.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

MILEAGE REIMBURSEMENT

Some employees were reimbursed for mileage without filing Mileage Claim, General Form 101.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF GALVESTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

HYDRANT RENTAL RECEIVABLE

The Town of Galveston owes the Water Utility hydrant rental of \$4,200, for the year 2003, and \$5,200 for the years 2004, 2005 and 2006, for a total of \$19,800, pursuant to an amendment of Rate Ordinance 98-1 passed by the Council on March 6, 2000, and Rate Ordinance 2006-3 passed by the Council on May 1, 2006. This is the result of the Clerk-Treasurer continuing to pay \$158.39 per hydrant at the old rate for 2004 through 2006 instead of \$236.00 per hydrant under the new rate. Currently the Clerk-Treasurer is paying the correct rate.

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)

DISPOSITION OF ASSETS

On August 15, 2008, the Town of Galveston sold a 1982 Aggator sludge truck and received \$5,500, from the sale of these assets. No information presented for examination would indicate the sale was advertised.

IC 5-22-22-4(a) states in part: "If the property to be sold is: (1) one (1) item, with an estimated value of one thousand dollars (\$1,000) or more; or (2) more than one (1) item, with an estimated total value of five thousand dollars (\$5,000) or more; the purchasing agent may engage an auctioneer licensed under IC 25-6.1 to advertise the sale and conduct a public auction."

IC 5-22-22-5 states in part: "(a) If: (1) an auctioneer is not engaged . . . or (2) the surplus property is not sold through an Internet auction site under IC 5-22-22-4.5. . . the purchasing agent shall sell the property at a public sale or by sealed bids delivered to the office of the purchasing agency before the date of sale. (b) Advertisement of the sale shall be made in accordance with IC 5-3-1. (c) All sales shall be made to the highest responsible bidder."

TOWN OF GALVESTON
EXIT CONFERENCE

The contents of this report were discussed on September 24, 2009, with Constance S. Russell, Clerk-Treasurer; and John Zook, Vice President of the Town Council. The officials concurred with our findings.