

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

EXAMINATION REPORT
OF
TOWN OF ALFORDSVILLE
DAVISS COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
08/18/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Marlin Kelso	01-01-08 to 12-31-11
President of the Town Council	Charles Robbins	01-01-10 to 12-31-10
	Robert Raven	01-01-09 to 12-31-09
	Dale Hovis	01-01-08 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 ALFORDSVILLE, DAVIESS COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Alfordsville (Town), for the period of January 1, 2008 to December 31, 2009. 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, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

July 12, 2010

TOWN OF ALFORDSVILLE
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 25,083	\$ 8,093	\$ 23,018	\$ 10,158
Motor Vehicle Highway	17,898	4,464	21,202	1,160
Local Road and Street	1,016	678	1,453	241
Rainy Day	-	2,105	163	1,942
Cumulative Capital Improvement	608	173	-	781
Economic Development Income Tax	1,260	177	1,651	(214)
Levy Excess	910	-	-	910
Proprietary Funds:				
Water Utility - Operating	34,954	89,606	105,248	19,312
Water Utility - Depreciation	5,969	3,000	-	8,969
Water Utility - Customer Deposit	1,325	-	-	1,325
Totals	<u>\$ 89,023</u>	<u>\$ 108,296</u>	<u>\$ 152,735</u>	<u>\$ 44,584</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 10,158	\$ 13,103	\$ 18,093	\$ 5,168
Motor Vehicle Highway	1,160	6,687	6,611	1,236
Local Road and Street	241	780	280	741
Rainy Day	1,942	1,202	-	3,144
Cumulative Capital Improvement	781	-	781	-
Economic Development Income Tax	(214)	-	-	(214)
Levy Excess	910	-	910	-
Proprietary Funds:				
Water Utility - Operating	19,312	110,361	103,133	26,540
Water Utility - Depreciation	8,969	3,000	5,220	6,749
Water Utility - Customer Deposit	1,325	-	1,325	-
Totals	<u>\$ 44,584</u>	<u>\$ 135,133</u>	<u>\$ 136,353</u>	<u>\$ 43,364</u>

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

TOWN OF ALFORDSVILLE
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.

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 ALFORDSVILLE
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

The Town and Utility do not record capital asset additions or disposals.

A similar comment appeared in prior reports.

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)

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping that were cited in the prior audit report, were again present during our period of audit:

- (1) Depository reconciliations of the fund balances were not presented for examination for the two year period.

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."

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)

- (2) There were a considerable number of posting errors. These errors included deposits not receipted, checks and receipts not recorded in the proper amounts, interest not posted, and nonsufficient funds checks incorrectly posted.

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)

- (3) The annual reports for both 2008 and 2009 were incorrect due to posting errors in the ledgers.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF ALFORDSVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

OVERDRAWN FUND BALANCES

The Economic Development Income Tax Fund was overdrawn in 2008 and 2009 in the amount of \$214.

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)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
General	2008	\$ 17,198
Local Road and Street	2008	840
Motor Vehicle Highway	2008	19,102
General	2009	7,512
Motor Vehicle Highway	2009	2,697
Cumulative Capital Improvement	2009	401

IC 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."

PAYROLL

During the examination of payroll the following deficiencies were noted:

1. The Water Utility pays the entire payroll and then twice a year the Town reimburses the Water Utility for the Town's Share. During 2008 and 2009, the Town did not transfer enough money to cover their share of the payroll cost. The Town owes the Water Utility \$33.55 for the years ending 2008 and 2009.

Also, the Water Utility did not repay the Town in the amount of \$382.62 for the expenses incurred by the water utility but paid by the town.

Payments or transfers which are not authorized by statute, ordinance, resolution, or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

2. Mathematical errors were made in 2008 and 2009 to the Employee's Earnings Record which resulted in errors made when filing the W-2's and 941s.

TOWN OF ALFORDSVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

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)

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)

3. The Clerk-Treasurer was underpaid \$15.67 in 2008, and \$2.78 in 2009, respectively, and the Water Utility employee was underpaid \$179.96 in 2008 and \$15.60 in 2009, respectively, according to the salary ordinance. The Town will correct the underpayment in 2010.

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)

SALES TAX

During the review of claims, it was noted multiple invoices had sales tax paid on purchases. Nine exceptions were found in the claims sample totaling \$84.13 paid in sales tax by the unit.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$34.10 were paid to the Internal Revenue Service on January 14, 2008, for the late payment of sales tax for the period November 2007, and \$9.95 were paid on October 21, 2008, for the period June 2008.

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 ALFORDSVILLE
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)

ANNUAL REPORT NOT FILED ELECTRONICALLY

The annual reports for 2008 and 2009 were not filed electronically.

IC 5-11-1 states in part:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner . . ."

SERVICE AND TIME RECORDS

Employee time, attendance, or service records were not maintained and were not presented for audit.

The Clerk-Treasurer, Water Operator, and Council members are paid \$10 per hour for outside work. There is no itemization of the hours worked or when the work was performed.

The Clerk-Treasurer was paid \$2,655 and \$1,015, in 2008 and 2009, respectively, for outside work performed for the town and the water utility. The Clerk-Treasurer is required to maintain records showing hours worked each day by officers and employees.

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)

IC 5-11-9-4 (b) states in part:

"The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees: (1) covered by section 1 or 2 of this chapter; and (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency described in section 1 or 2 of this chapter . . ."

TOWN OF ALFORDSVILLE
EXIT CONFERENCE

The contents of this report were discussed on July 12, 2009, with Marlin Kelso, Clerk-Treasurer.