

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

EXAMINATION REPORT
OF
TOWN OF YORKTOWN
DELAWARE COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
10/22/2010

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Beth A. Neff

01-01-08 to 12-31-11

President of the Town Council

Steve Lowry
Larry Crouch

01-01-08 to 12-31-09
01-01-10 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF YORKTOWN, DELAWARE COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Yorktown (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.

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 a required part 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

July 22, 2010

TOWN OF YORKTOWN
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, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 1,019,282	\$ 1,716,585	\$ 2,098,505	\$ 637,362
Motor Vehicle Highway	430,825	598,346	661,077	368,094
Local Road and Street	29,617	56,180	24,323	61,474
Cemetery Operating	7,628	2,100	5,748	3,980
Park and Recreation	281,361	165,684	189,788	257,257
D. A. R. E. Donation	198	-	-	198
Donations	290	-	-	290
Economic Development Area 1	172,256	70,937	126,357	116,836
Federal Grants (Fire/Police)	-	11,726	11,726	-
Rainy Day	21,099	5,040	-	26,139
Cumulative Capital Improvement	50,802	148,310	-	199,112
Clerk's Records Perpetuation	62,109	20,910	24,686	58,333
G O Bond 2008	-	1,994,471	1,581,773	412,698
Cumulative Fire	385,305	48,703	29,000	405,008
Cumulative Capital Development	241,397	73,192	239,552	75,037
Law Enforcement Continuing Education	4,427	4,622	555	8,494
Federal Grants (Capital Projects)	46,663	15,648	-	62,311
EDIT	125,000	125,000	125,000	125,000
Proprietary Funds:				
Water Utility - Operating	531,226	925,437	854,510	602,153
Water Utility - Bond and Interest	128,461	138,739	138,739	128,461
Water Utility - Depreciation	82,606	24,000	-	106,606
Water Utility - Customer Deposit	17,611	6,640	6,715	17,536
Water Utility - Reserve	148,750	-	-	148,750
Wastewater Utility - Operating	502,852	1,122,656	1,442,907	182,601
Wastewater Utility - Bond and Interest	333,776	129,495	351,445	111,826
Wastewater Utility - Depreciation	461,776	70,680	262,502	269,954
Wastewater Utility - Reserve	134,810	192,240	-	327,050
Sanitary Sewer Capitalized Interest	-	458,456	-	458,456
Sanitary Sewer Project	-	62,517	62,517	-
Sanitary Sewer - Retainage	41,956	3,145	45,101	-
Fiduciary Funds:				
Court Costs Due County	-	97,980	97,980	-
User Fee - Law Enforcement Continuing Education	28,815	21,475	21,475	28,815
Payroll	9,597	1,498,109	1,498,912	8,794
Town Court	65,049	1,140,148	1,114,957	90,240
Totals	<u>\$ 5,365,544</u>	<u>\$ 10,949,171</u>	<u>\$ 11,015,850</u>	<u>\$ 5,298,865</u>

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

TOWN OF YORKTOWN
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, 2008 And 2009
(Continued)

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 637,362	\$ 2,184,258	\$ 2,507,339	\$ 314,281
Motor Vehicle Highway	368,094	821,192	875,341	313,945
Local Road and Street	61,474	52,986	33,262	81,198
Cemetery Operating	3,980	10,335	842	13,473
Park and Recreation	257,257	705,021	805,005	157,273
D. A. R. E. Donation	198	-	-	198
Excess Levy	-	711	-	711
Donations	290	-	-	290
Economics Development Area 1	116,836	137,635	124,500	129,971
Rainy Day	26,139	73,190	-	99,329
Cumulative Capital Improvement	199,112	14,672	81,777	132,007
Clerk's Records Perpetuation	58,333	15,024	29,874	43,483
Economic Development Area 2	-	1,598,938	408,665	1,190,273
G O Bond 2008	412,698	-	412,698	-
Cumulative Fire	405,008	412,748	357,174	460,582
Cumulative Capital Development	75,037	98,830	78,789	95,078
Law Enforcement Continuing Education	8,494	5,616	4,114	9,996
Federal Grants (Capital Projects)	62,311	84,600	124,055	22,856
EDIT	125,000	-	125,000	-
Proprietary Funds:				
Water Utility - Operating	602,153	896,195	772,646	725,702
Water Utility - Bond and Interest	128,461	140,232	140,232	128,461
Water Utility - Depreciation	106,606	24,000	30,073	100,533
Water Utility - Customer Deposit	17,536	7,110	5,515	19,131
Water Utility - Construction	148,750	-	-	148,750
Wastewater Utility - Operating	182,601	1,093,164	1,139,793	135,972
Wastewater Utility - Bond and Interest	111,826	133,592	129,092	116,326
Wastewater Utility - Depreciation	269,954	80,680	74,615	276,019
Wastewater Utility - Reserve	327,050	-	-	327,050
Sanitary Sewer Capitalized Interest	458,456	-	105,768	352,688
Fiduciary Funds:				
Court Costs Due County	-	99,012	90,174	8,838
User Fee - Law Enforcement Continuing Education	28,815	25,479	25,443	28,851
Payroll	8,794	1,479,671	1,470,495	17,970
Town Court	90,240	1,113,894	1,132,519	71,615
Totals	\$ 5,298,865	\$ 11,308,785	\$ 11,084,800	\$ 5,522,850

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

TOWN OF YORKTOWN
DELAWARE COUNTY
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, economic development, general administrative services, water, wastewater and sanitation.

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 (Indiana Code 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 YORKTOWN
DELAWARE COUNTY
NOTES TO FINANCIAL INFORMATION
(Continued)

State statute (Indiana Code 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 (Indiana Code 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 YORKTOWN
 SUPPLEMENTAL INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2009

Assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost.
 Contributed or donated assets are reported

<u>PRIMARY GOVERNMENT</u>	<u>ENDING BALANCE</u>
Governmental activities:	
Capital assets, not being depreciated	
Land	\$ 821,655.82
Infrastructure	5,959,087.31
Buildings	2,494,164.11
Improvements other than buildings	1,682,384.27
Machinery and equipment	<u>3,307,200.35</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 14,264,491.86</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated	
Land	\$ 7,835.90
Infrastructure	5,452,883.98
Buildings	91,666.97
Improvements other than buildings	1,285,609.23
Machinery and equipment	<u>602,421.41</u>
Total Water Utility capital assets not being depreciated	<u>7,440,417.49</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	109,698.64
Infrastructure	12,102,073.05
Buildings	1,784,284.03
Improvements other than buildings	4,500,850.15
Machinery and equipment	<u>1,651,165.87</u>
Total Wastewater Utility capital assets not being depreciated	<u>20,148,071.74</u>
Total business type activities capital assets	<u>\$ 27,588,489.23</u>

TOWN OF YORKTOWN
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2009

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Economic Development	\$ 1,385,000	\$ 108,215
Street Sweeper	46,440	15,480
Dump Truck	16,455	10,970
Backhoe	142,202	20,315
Police Cars	84,711	24,203
Bonds payable:		
Redevelopment District Bonds of 2009	1,500,000	79,154
General obligation bonds: Parks, Street, Water and Sewage	<u>1,870,000</u>	<u>153,605</u>
Total governmental activities debt	<u>\$ 5,044,808.00</u>	<u>\$ 411,942.00</u>
Business-type activities:		
Water Utility:		
Notes and loans payable		
Improvements - Loaned in 2003	\$ 490,000	\$ 35,000
Revenue bonds:		
Water Improvements - Issued 1999	<u>1,110,000</u>	<u>138,707</u>
Total Water Utility	<u>1,600,000</u>	<u>173,707</u>
Wastewater Utility:		
Revenue bonds:		
Wastewater Improvements - Issued 2008	3,220,000	191,687
Wastewater Improvements - Issued 1993	<u>565,000</u>	<u>128,325</u>
Total Wastewater Utility	<u>3,785,000</u>	<u>320,012</u>
Total business-type activities debt	<u>\$ 5,385,000</u>	<u>\$ 493,719</u>

TOWN OF YORKTOWN
DELAWARE COUNTY
EXAMINATION RESULTS AND COMMENTS

CONTRACTS

The Redevelopment Commission advertised for bids to construct the Yorktown Sports Park - Phase 2. The winning bid was submitted by York Construction Company on February 27, 2009. The bid had a base amount of \$613,665.38 with 36 alternate items totaling \$836,919.47. As of December 15, 2009, the Redevelopment Commission has prepared 5 notices of awards:

1. March 3, 2009, in the amount of \$756,979.38 - This notice of award did not specify which of the alternative items were accepted, and we were not able to determine which items were included.
2. June 1, 2009, in the amount of \$757,013.48 - This notice did specify alternative items added and deducted, the effective of which should have decreased the contract by \$2,892.75; however, the contract was increased by \$34.10.
3. August 10, 2009, in the amount of \$789,013.48 - This notice specifies that alternative 29 was added, but in the amount of \$32,000 instead of \$42,000, which was specified in the original bid.
4. October 21, 2009, in the amount of \$1,255,328.00 - This notice specifies a number of alternatives to be added (\$421,401.14) plus two change orders (\$45,367.50), which should have increased the contract by \$466,768.64; however, the contract was increased by \$466,314.52, which was \$454.12 less than the change orders and alternatives specified. The notice states that there had been some "adjustments" and "modifications" to the fence, infield soil, and asphalt prices.
5. December 15, 2009, in the amount of \$1,230,803.00 - This notice specifies several alternative items that had been deleted, totaling \$110,565; however, the contract was only lowered by \$24,525.00.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS

The financial records presented for examination noted the following problems in accounting for utility receipts:

1. Upon collection, not all of the utility bill stubs, which were maintained for examination, were marked "Paid" or had the date of collection noted.
2. Not all of the utility payments received over the counter were processed through the cash register.

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 YORKTOWN
DELAWARE COUNTY
EXIT CONFERENCE

The remaining contents of this report were discussed on July 22, 2010, with Beth A. Neff, Clerk-Treasurer; Larry Crouch, President of the Town Council; and Pete Olson, Town Manager. The official response has been made a part of this report and may be found on pages 12 and 13.



Town of Yorktown

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Yorktown, IN 47396
765-759-4003p • 765-759-4016f
www.yorktownindiana.org

10/6/2010

Bill Vinson
SBOA Field Examiner

Dear Mr. Vinson:

Below are statements drafted jointly between the Town and RMA Surveying and Engineering in response to the Audit results for the Town of Yorktown. The Town and RMA understand the comments made and offer the following explanations for the five point items.

This letter is to address the concerns of the contract for the Yorktown Sports Park – Phase 2 portion of the audit performed by the State Board of Accounts. The following is our response to the audit comments:

- 1) *March 3, 2009 - This was the original contract for York Construction. The alternates selected were #3, #10, #11, #27, #28. The contract amount was in error by \$0.50. The contract was to be in the amount of \$756,979.88.*
- 2) *June 1, 2009 - This contract was the first modification to the original contract to York Construction. The contract amount is in error due to scrivener's error and miscalculation by the engineer. Using the original base bid amount and the selected alternates the total contract amount should have been \$773,277.98 which is \$16,298.10 more than the original contract as stated in item number one above.*
- 3) *August 10, 2009 - This was the second modification to the contract for York Construction. This modification simply added alternate #29 to the contract in the amount of \$32,000.00. This alternate price was negotiated with York Construction and the price was reduced down from the original bid amount of \$42,000.00. This modification was again, in error due to the errors from modification two and should have been written as \$805,277.98 and not \$789,013.48.*
- 4) *October 21, 2009 - This was the third modification to the contract for York Construction. This contract added the alternates as shown, but prices and quantities had been negotiated with York*

Construction. These adjusted prices included the adjustment of base bid item number 40 (CHAIN LINK FENCE, 6' HIGH) from \$23,625.00 to \$48,642.00 making the new base bid amount \$638,682.38. The remaining adjusted prices were included in the new alternates selected. A scrivener's error was also found in the adjusted price of the asphalt for the North and South Parking Lot and should have been \$148,811.25 not \$14811.25. This contract amount should have been in the sum of \$1,271,592.58 and not \$1,255,328.00.

- 5) December 15, 2009 -This was the 4th and final contract modification for York Construction. This modification retracted alternates #22, #23, #24, #25, and #26 pertaining to the infield soil installation. This modification should have been in the amount of \$1,247,067.58 and not \$1,230,803.00.*

Due to the errors, omissions, and incorrect contract amounts as stated above there will be a final contract modification describing in detail the reason for the modification along with the final adjusted Base Bid amount, the alternates selected, and the final agreed cost between the contractor, town and engineer for the alternates selected.

Respectfully Submitted,

**Peter L. Olson
Town Manager**