

B37747

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

EXAMINATION REPORT
OF
TOWN OF DUGGER
SULLIVAN COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
11/08/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Terri N. McCoy	07-16-07 to 05-30-08
	Reva Gambill	05-31-08 to 09-25-08
	(Vacant)	09-26-08 to 10-19-08
	Michelle Cooksey	10-20-08 to 12-31-11
President of the Town Council	Bill Pirtle	01-01-08 to 12-31-10
Superintendent of Utilities	John Cliver	01-01-08 to 12-31-08
	Lonni Boyd	01-01-09 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 DUGGER, SULLIVAN COUNTY, INDIANA

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

July 28, 2010

TOWN OF DUGGER
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL 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	\$ 9,663	\$ 227,014	\$ 235,677	\$ 1,000
Motor Vehicle Highway	36,714	31,228	3,938	64,004
Local Road and Street	4,180	3,539	1,850	5,869
Cemetery Maintenance and Improvement	336,894	36,374	40,459	332,809
Law Enforcement Continuing Education	2,337	494	1,440	1,391
Riverboat	8,395	5,991	336	14,050
Community Development Block Grant	-	295,969	295,969	-
Donation	5,385	-	78	5,307
Cumulative Capital Improvement	-	3,106	-	3,106
CDBG Grant Lien	1,241	-	-	1,241
Economic Development	-	37,484	35,283	2,201
Levy Excess	378	-	-	378
Proprietary Funds:				
Water Utility - Operating	20,948	353,502	355,515	18,935
Water Utility - Depreciation	108,058	2,400	45,000	65,458
Water Utility - Customer Deposit	39,523	4,914	8,086	36,351
Wastewater Utility - Operating	33,383	119,065	147,447	5,001
Wastewater Utility - Bond and Interest	667	2,251	-	2,918
Fiduciary Fund:				
Payroll	15,404	228,902	236,559	7,747
Totals	<u>\$ 623,170</u>	<u>\$ 1,352,233</u>	<u>\$ 1,407,637</u>	<u>\$ 567,766</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 1,000	\$ 287,448	\$ 288,448	\$ -
Motor Vehicle Highway	64,004	30,847	90,599	4,252
Local Road and Street	5,869	3,366	3,611	5,624
Cemetery Maintenance and Improvement	332,809	28,108	22,651	338,266
Law Enforcement Continuing Education	1,391	462	-	1,853
Riverboat	14,050	5,976	14,049	5,977
Community Development Block Grant	-	258,654	237,327	21,327
Donation	5,307	-	215	5,092
Cumulative Capital Improvement	3,106	2,928	-	6,034
CDBG Grant Lien	1,241	-	-	1,241
Economic Development	2,201	68,469	70,670	-
Levy Excess	378	-	-	378
Proprietary Funds:				
Water Utility - Operating	18,935	334,268	321,873	31,330
Water Utility - Depreciation	65,458	-	16,835	48,623
Water Utility - Customer Deposit	36,351	2,683	1,925	37,109
Wastewater Utility - Operating	5,001	139,507	126,701	17,807
Wastewater Utility - Bond and Interest	2,918	5	-	2,923
Wastewater Utility - 09 Bond and Interest	-	149,101	128,110	20,991
Wastewater Utility - 09 Debt Reserve	-	1,457	-	1,457
Fiduciary Fund:				
Payroll	7,747	261,512	266,362	2,897
Totals	<u>\$ 567,766</u>	<u>\$ 1,574,791</u>	<u>\$ 1,589,376</u>	<u>\$ 553,181</u>

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

TOWN OF DUGGER
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 utility, wastewater utility, 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 DUGGER
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 DUGGER
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Water Utility:		
State Revolving Loan:		
Water Utility Improvements	\$ 63,000	\$ 9,588
Wastewater Utility:		
Revenue bonds:		
Upgrades to Wastewater Treatment System	311,200	32,019
Total Wastewater Utility	311,200	32,019
Total business-type activities debt	\$ 374,200	\$ 41,607

TOWN OF DUGGER
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

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

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
General	2008	\$ 41,403
General	2009	288,448
Motor Vehicle Highway	2009	90,599
Local Road and Street	2009	3,611

In 2009, the Town of Dugger did not have an approved budget.

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."

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$1,138.85 were paid to the Internal Revenue Service on various dates for various reporting periods. Payments for penalties and interest totaling \$3,755.11 were paid to the Indiana Department of Revenue - Sales Tax Division on various dates for various reporting periods. Additional payments for penalties and interest totaling \$1,234.26 were paid to the Indiana Department of Revenue - Withholding Division on various dates for various reporting periods. Penalties and Interest totaling \$398.74 were paid to the Indiana Department of Workforce Development on April 7, 2008, for various reporting periods.

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.

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)

TOWN OF DUGGER
EXAMINATION RESULTS AND COMMENTS
(Continued)

ERRORS ON CLAIMS

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

- (1) Claims were not presented for examination for all disbursements.
- (2) Claims were not adequately itemized.
- (3) Claims did not indicate board approval.
- (4) Claims or invoices did not reflect evidence in support of the receipt of goods or services.
- (5) Claims did not indicate fiscal officer certification.

IC 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."

CAPITAL ASSET RECORDS

The Town did not present capital asset records for examination for the Town or the Utilities.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the Capital Assets Ledger. 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)

TOWN OF DUGGER
EXAMINATION RESULTS AND COMMENTS
(Continued)

ORDINANCES AND RESOLUTIONS

The Town of Dugger has an ordinance concerning Water Utility delinquencies. However, the Town did not disconnect service in accordance with the ordinance.

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)

ANNUAL REPORT

The Annual Report for 2008 was filed July 2009 and the Annual Report for 2009 was filed July 2010.

IC 5-11-1-4 states:

"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 that is compatible with the technology employed by the political subdivision."

PAYMENT TO WABASH VALLEY COMMUNITY FOUNDATION

The Town of Dugger paid \$10,200 from EDIT (Economic Development Income Tax) funds to the Wabash Valley Community Foundation to be held in the name of the utility in August of 2008. IC 36-1-14-1, which allows for the transfer of certain revenues to a foundation, does not appear to allow for a transfer of EDIT funds.

IC 36-1-14-1 states:

"(a) This section does not apply to donations of gaming revenue to a public school endowment corporation under IC 20-47-1-3.

(b) As used in this section, 'gaming revenue' means either of the following:

- (1) Tax revenue received by a unit under IC 4-33-12-6, IC 4-33-13, or an agreement to share a city's or county's part of the tax revenue.
- (2) Revenue received by a unit under IC 4-35-8.5 or an agreement to share revenue received by another unit under IC 4-35-8.5.

(c) Notwithstanding IC 8-1.5-2-6(d), a unit may donate the proceeds from the sale of a utility or facility or from a grant, a gift, a donation, an endowment, a bequest, a trust, or gaming revenue to a foundation under the following conditions:

- (1) The foundation is a charitable nonprofit community foundation.
- (2) The foundation retains all rights to the donation, including investment powers.

TOWN OF DUGGER
EXAMINATION RESULTS AND COMMENTS
(Continued)

(3) The foundation agrees to do the following:

- (A) Hold the donation as a permanent endowment.
- (B) Distribute the income from the donation only to the unit as directed by resolution of the fiscal body of the unit.
- (C) Return the donation to the general fund of the unit if the foundation:
 - (i) loses the foundation's status as a public charitable organization;
 - (ii) is liquidated; or
 - (iii) violates any condition of the endowment set by the fiscal body of the unit."

TEMPORARY TRANSFERS (LOANS)

Multiple temporary transfers were made in 2009, due to depleted funds: a transfer of \$67,670.78 from the EDIT Fund to the General Fund; a transfer of \$14,049.00 from the Riverboat Fund to the General Fund; a transfer of \$55,858.00 from the MVH Fund to the General Fund; and a transfer of \$2,776.00 from the LRS Fund to the General Fund. The transfers were not repaid as of December 31, 2009.

Multiple temporary loans were made between town funds during 2008 and 2009. One temporary loan of \$32,282.63 was made in 2008 from the EDIT Fund to the General Fund and was not repaid by December 31, 2008. The loan was paid January 1, 2009. Also in 2008, a temporary loan of \$20,000 was made from the Water Depreciation Fund to the Cemetery Maintenance Fund. As of the date of this examination, this loan has not been repaid. In 2009, three temporary loans were made: one for \$34,689.05 from the MVH Fund to the General Fund; one for \$10,000 from the General Fund to the Cemetery Maintenance Fund; and one for \$16,835.49 from the Water Operating to the Wastewater Operating. The General Fund did payback the temporary loan of \$34,689.05 to the MVH Fund on January 1, 2010.

No ordinances pertaining to temporary loans were presented for examination.

IC 36-1-8-4 concerning temporary transfers (loans) states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

TOWN OF DUGGER
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 36-5-4-13 allows towns with a population of more than 500 but less than 2,000 to transfer money in the motor vehicle highway fund and local road and street fund to any town fund after passage of an ordinance or resolution. The total amount of all money transferred may not exceed \$40,000.

PAYMENT FOR UNUSED VACATION LEAVE AND COMPENSATORY LEAVE

Three town employees and one elected official were paid for unused vacation leave and compensatory leave at year end. No ordinance was presented for examination that provides for payments to employees and officials for unused vacation, compensatory, or sick leave.

Since the board may adopt and follow a reasonable plan of allowing vacations and/or sick leave, such fringe benefits must be adopted by ordinance and provided to the employees of the municipality. Any provision for payments of unused vacation and/or sick leave must be clearly disclosed in the ordinance. (Accounting and Uniform compliance Guidelines Manual for Cities and Towns, Chapter 7)

PRESCRIBED FORMS

The following prescribed or approved forms were not always in use:

Form 211 - Capital Asset Record
Form 99A - Employee Service Record
Form 350 - Register of Investments

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)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

IC 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) a description of the premises, as shown by the records of the county auditor; and
 - (C) the amount of the delinquent fees, together with the penalty; or

TOWN OF DUGGER
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent.

- (c) The officer shall record a copy of each list or each individual instrument with the county recorder. . . .

- (e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May . . ."

TOWN OF DUGGER
EXIT CONFERENCE

The contents of this report were discussed on July 28, 2010, with Michelle Cooksey, Clerk-Treasurer, and Bill Pirtle, President of the Town Council. The officials concurred with our findings.

Another exit was held on August 9, 2010, with Michelle Cooksey, Clerk-Treasurer. The official concurred with our findings.