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

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



FILED
12/10/2010

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Kay Gipson
Marilyn Ellis
Carol Harris

01-01-08 to 02-12-09
02-13-09 to 03-18-09
03-19-09 to 12-31-11

President of the
Town Council

Mike Murphy
Marcus Joe Scott

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



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 DALEVILLE, DELAWARE COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Daleville (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 as listed in the Table of Contents, are presented for additional analysis and are 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

September 23, 2010

TOWN OF DALEVILLE
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	\$ 173,945	\$ 410,293	\$ 433,869	\$ 150,369
Motor Vehicle Highway	19,472	45,988	55,125	10,335
Local Road and Street	27,051	15,012	595	41,468
Major Moves	-	16,267	-	16,267
Law Enforcement Continuing Education	414	3,840	2,608	1,646
Riverboat	111	54,699	16,305	38,505
Rainy Day	1,089	2,944	-	4,033
Parks and Recreation Donation	1,266	36	-	1,302
Sanitation	5,871	93,543	98,886	528
DUI Grant	69	5,390	5,459	-
OPO Grant	405	2,245	2,389	261
Seizures and Forfeitures	50	2,876	2,876	50
Incentive Fatality Grant	-	2,450	2,450	-
Police Donations	600	-	95	505
K-9	2,227	8,302	10,290	239
Cumulative Capital Improvement	16,347	5,392	962	20,777
Cumulative Capital Development	48,365	13,915	51,868	10,412
Proprietary Funds:				
Water Utility - Operating	145,139	309,942	248,169	206,912
Water Utility - Customer Deposit	8,540	1,645	700	9,485
Storm Water - Operating	22,355	12,756	29,768	5,343
Totals	<u>\$ 473,316</u>	<u>\$ 1,007,535</u>	<u>\$ 962,414</u>	<u>\$ 518,437</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 150,369	\$ 355,863	\$ 420,806	\$ 85,426
Motor Vehicle Highway	10,335	44,998	41,941	13,392
Local Road and Street	41,468	14,022	19,196	36,294
Major Moves	16,267	-	309	15,958
Law Enforcement Continuing Education	1,646	7,948	1,442	8,152
Riverboat	38,505	12,164	2,147	48,522
Rainy Day	4,033	-	3,826	207
Parks and Recreation Donation	1,302	-	-	1,302
Sanitation	528	101,330	101,421	437
DUI Grant	-	8,995	9,576	(581)
OPO Grant	261	2,080	2,514	(173)
Seizures and Forfeitures	50	-	-	50
Incentive Fatality Grant	-	7,385	7,948	(563)
Police Donations	505	2,310	2,978	(163)
K-9	239	1,723	826	1,136
Cumulative Capital Improvement	20,777	5,084	11,388	14,473
Cumulative Capital Development	10,412	12,890	2,004	21,298
Proprietary Funds:				
Water Utility - Operating	206,912	320,041	285,969	240,984
Water Utility - Customer Deposit	9,485	1,120	27	10,578
Storm Water - Operating	5,343	13,037	3,390	14,990
Fiduciary Fund:				
Payroll	-	220,157	218,803	1,354
Totals	<u>\$ 518,437</u>	<u>\$ 1,131,147</u>	<u>\$ 1,136,511</u>	<u>\$ 513,073</u>

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

TOWN OF DALEVILLE
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, culture and recreation, general administrative services, water and storm water 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. Due to changes in property tax laws, the final distributions for 2008 and 2009 were not received until March 2009 and April 2010, 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 DALEVILLE
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 DALEVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2009

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.

Retroactive reporting of general infrastructure assets will not occur.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 85,880
Buildings	175,532
Infrastructure	3,272
Improvements other than buildings	52,922
Machinery and equipment	245,357
Total governmental activities, capital assets not being depreciated	\$ 562,963

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 52,003
Buildings	500,000
Improvements other than buildings	2,973,937
Machinery and equipment	303,223
Total Water Utility capital assets	\$ 3,829,163

TOWN OF DALEVILLE
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping were present during our period of examination:

- (1) Record balances reconciled to depository balances during the two year period contained immaterial errors.
- (2) There were a considerable number of posting errors. These errors included checks and receipts not recorded in the proper amounts and nonsufficient funds checks incorrectly posted.
- (3) The City and Town Annual Report (CTAR) prepared by the unit contained numerous errors.

IC 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."

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)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger. The detail of customer deposit register was \$178 less than the cash balance at December 31, 2009.

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)

TEMPORARY TRANSFER OF FUNDS

A temporary transfer of \$76,000 was made in 2008 from the Cumulative Capital Development Fund and the Storm Water Fund to the General Fund and has not been repaid.

IC 36-1-8-4 concerning temporary transfer 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

TOWN OF DALEVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

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."

APPROPRIATIONS

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

<u>Fund</u>	<u>Fund</u>	<u>Excess Amount Expended</u>
Motor Vehicle Highway	2008	\$ 231
Law Enforcement Continuing Education	2008	2,608
Law Enforcement Continuing Education	2009	1,442
Major Moves	2009	309
Rainy Day	2009	3,826

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."

OVERDRAWN CASH BALANCES

The cash balances of the DUI Grant Fund, the OPO Grant Fund, the Incentive Fatality Grant Fund and the Police Donations Fund were overdrawn in 2009.

The cash 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)

TOWN OF DALEVILLE
DELAWARE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 23, 2010, with Carol Harris, Clerk-Treasurer; Marcus Joe Scott, President of the Town Council; and Amanda Simpson, Town Council member. The official response has been made a part of this report and may be found on page 11.

October 1, 2010

State Board of Accounts
"Official Response"
302 West Washington Street, Rm E418
Indianapolis, IN 46204-2765

To Whom It May Concern:

Please allow me to respond to the examination results and comments presented at the exit conference on September 23, 2010. The Town of Daleville suffered a great loss with the passing of Clerk-Treasurer, Kay Gipson. Kay was diagnosed with cancer in 2007 and continued to work until passing in Feb. 2009. My appointment began in the spring of 2009. The council ceased this opportunity to purchase Keystone Software and move the office forward during the transition. I have spent the majority of my time in office transferring records and data to the computer.

On behalf of the town, I request you take this into consideration as you read the results of the audit. After discussion with the council members that were present, and meeting with department heads, I believe we have addressed all issues within our power. More checks-and-balances have been put into place, and the new software has cleared up accounting errors.

Sincerely,

Carol Harris
Clerk-Treasurer