

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

EXAMINATION REPORT  
OF  
TOWN OF TRAFALGAR  
JOHNSON COUNTY, INDIANA  
January 1, 2008 to December 31, 2009



**FILED**  
12/29/2010



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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Kellie Anderson

01-01-08 to 12-31-10

President of the  
Town Council

Kevin Walker

01-01-08 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF TRAFALGAR, JOHNSON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Trafalgar (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 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 27, 2010

TOWN OF TRAFALGAR  
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<br>Investments<br>01-01-08 | Receipts            | Disbursements       | Cash and<br>Investments<br>12-31-08 |
|---|-------------------------------------|---------------------|---------------------|-------------------------------------|
| <b>Governmental Funds:</b>                    |                                     |                     |                     |                                     |
| General                                       | \$ 83,333                           | \$ 483,187          | \$ 563,770          | \$ 2,750                            |
| Motor Vehicle Highway                         | (8,746)                             | 59,161              | 15,402              | 35,013                              |
| Local Road and Street                         | 61,264                              | 11,725              | 17,541              | 55,448                              |
| Law Enforcement                               | -                                   | 129                 | 129                 | -                                   |
| Law Enforcement Continuing Education          | 2,844                               | 2,251               | 389                 | 4,706                               |
| Riverboat                                     | 25,164                              | 5,006               | 30,170              | -                                   |
| Rainy Day                                     | 11,441                              | 10,072              | -                   | 21,513                              |
| Cumulative Capital Improvement                | 10,452                              | 2,595               | -                   | 13,047                              |
| Cumulative Capital Development                | 9,389                               | 41,798              | 14,425              | 36,762                              |
| Redevelopment Commission                      | -                                   | 4,003               | -                   | 4,003                               |
| <b>Proprietary Funds:</b>                     |                                     |                     |                     |                                     |
| Water Utility - Operating                     | 70,290                              | 266,120             | 318,055             | 18,354                              |
| Water Utility - Bond and Interest             | 5,717                               | 45,439              | 50,482              | 674                                 |
| Water Utility - Depreciation                  | 87,661                              | -                   | -                   | 87,661                              |
| Wastewater Utility - Operating                | 51,119                              | 793,694             | 575,452             | 269,361                             |
| Wastewater Utility - Bond and Interest        | 230,964                             | 166,140             | 383,223             | 13,881                              |
| Wastewater Utility - Depreciation             | 354,675                             | -                   | -                   | 354,675                             |
| Wastewater Utility - Construction in Progress | -                                   | 123,205             | 121,986             | 1,219                               |
| Wastewater Utility - Debt Reserve             | -                                   | 127,800             | -                   | 127,800                             |
| <b>Fiduciary Fund:</b>                        |                                     |                     |                     |                                     |
| Payroll                                       | (20,908)                            | 366,939             | 346,120             | (89)                                |
| <b>Totals</b>                                 | <u>\$ 974,659</u>                   | <u>\$ 2,509,264</u> | <u>\$ 2,437,144</u> | <u>\$ 1,046,778</u>                 |

|   | Cash and<br>Investments<br>01-01-09 | Receipts            | Disbursements       | Cash and<br>Investments<br>12-31-09 |
|---|-------------------------------------|---------------------|---------------------|-------------------------------------|
| <b>Governmental Funds:</b>                    |                                     |                     |                     |                                     |
| General                                       | \$ 2,750                            | \$ 490,031          | \$ 470,295          | \$ 22,486                           |
| Motor Vehicle Highway                         | 35,013                              | 50,442              | 21,460              | 63,995                              |
| Local Road and Street                         | 55,448                              | 16,919              | 4,877               | 67,490                              |
| Law Enforcement                               | -                                   | 18                  | 18                  | -                                   |
| Law Enforcement Continuing Education          | 4,706                               | 818                 | 791                 | 4,733                               |
| Riverboat                                     | -                                   | 4,994               | 4,994               | -                                   |
| Rainy Day                                     | 21,513                              | -                   | 21,513              | -                                   |
| Cumulative Capital Improvement                | 13,047                              | 2,447               | 14,824              | 670                                 |
| Cumulative Capital Development                | 36,762                              | 16,396              | 29,194              | 23,964                              |
| Redevelopment Commission                      | 4,003                               | 2,840               | -                   | 6,843                               |
| <b>Proprietary Funds:</b>                     |                                     |                     |                     |                                     |
| Water Utility - Operating                     | 18,354                              | 241,994             | 237,063             | 23,285                              |
| Water Utility - Bond and Interest             | 674                                 | 48,161              | 48,726              | 109                                 |
| Water Utility - Depreciation                  | 87,661                              | -                   | -                   | 87,661                              |
| Wastewater Utility - Operating                | 269,361                             | 479,905             | 481,627             | 267,639                             |
| Wastewater Utility - Bond and Interest        | 13,881                              | 140,580             | 127,800             | 26,661                              |
| Wastewater Utility - Depreciation             | 354,675                             | 10,000              | 75,372              | 289,303                             |
| Wastewater Utility - Construction in Progress | 1,219                               | 684,020             | 499,104             | 186,135                             |
| Wastewater Utility - Debt Reserve             | 127,800                             | -                   | -                   | 127,800                             |
| <b>Fiduciary Funds:</b>                       |                                     |                     |                     |                                     |
| Payroll                                       | (89)                                | 389,340             | 389,154             | 97                                  |
| <b>Totals</b>                                 | <u>\$ 1,046,778</u>                 | <u>\$ 2,578,905</u> | <u>\$ 2,426,812</u> | <u>\$ 1,198,871</u>                 |

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

TOWN OF TRAFALGAR  
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 TRAFALGAR  
NOTES TO FINANCIAL INFORMATION

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.

Note 7. Restatement

For the year ended December 31, 2008, certain changes have been made to the financial statements to more appropriately reflect financial activity of the Town. The previously reported balance of the payroll fund at December 31, 2007, of (\$22,667) has been restated to a balance at January 1, 2008, of (\$20,908).

Note 8. Subsequent Events

On March 9, 2010, the Town entered into a capital lease with the Trafalgar Municipal Facilities Corporation in the amount of \$550,000 for the acquisition and construction of the Town Hall facilities and issued revenue bonds in the amount of \$400,000 for the construction of additions and improvements to the sewage works treatment plant.

The Town entered into a lease agreement in the amount of approximately \$22,531 for a 2010 Dodge Ram Truck.

TOWN OF TRAFALGAR  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended December 31, 2009

| <u>Primary Government</u>  | <u>Ending<br/>Balance</u> |
|--|---------------------------|
| Governmental activities:   |                           |
| Capital assets, not being depreciated:                                 |                           |
| Infrastructure   | \$ 6,038,584              |
| Machinery and equipment  | <u>325,125</u>            |
| Total governmental activities, capital<br>assets not being depreciated | <u>\$ 6,363,709</u>       |
| Business-type activities:  |                           |
| Water Utility:   |                           |
| Capital assets, not being depreciated:                                 |                           |
| Improvements other than buildings                                      | \$ 2,344,853              |
| Total Water Utility capital assets                                     | <u>2,344,853</u>          |
| Wastewater Utility:  |                           |
| Capital assets, not being depreciated:                                 |                           |
| Buildings  | 10,000                    |
| Improvements other than buildings                                      | 4,486,382                 |
| Machinery and equipment  | <u>50,000</u>             |
| Total Wastewater Utility capital assets                                | <u>4,546,382</u>          |
| Total business-type activities<br>capital assets                       | <u>\$ 6,891,235</u>       |

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

The Town has entered into the following debt:

| Description of Debt              | Ending<br>Principal<br>Balance | Principal and<br>Interest Due<br>Within One<br>Year |
|----------------------------------|--------------------------------|---|
| Business-type activities:        |                                |   |
| Water Utility:                   |                                |   |
| Revenue bonds:                   |                                |   |
| Water Improvements               | \$ 375,000                     | \$ 51,955   |
| Wastewater Utility:              |                                |   |
| Loans:                           |                                |   |
| Wastewater Improvements          | 1,411,354                      | 127,800   |
| Bond Anticipation Note:          |                                |   |
| Wastewater and Town Improvements | <u>807,226</u>                 | <u>821,898</u>                                      |
| Total debt                       | <u>\$ 2,593,580</u>            | <u>\$ 1,001,653</u>                                 |

TOWN OF TRAFALGAR  
EXAMINATION RESULTS AND COMMENTS

ORDINANCES AND RESOLUTIONS

The Town of Trafalgar has an ordinance concerning payments in lieu of taxes (PILOT) and a reasonable return of investment (ROI) on the Town's Water and Wastewater utilities; however, in 2009, the Water and Wastewater utilities failed to remit payments as stipulated in the ordinance. Neither utility operating fund had a sufficient cash balance to make the payments. The Town conducted rate studies and implemented rate adjustments in 2010 to address the inadequacy of funds.

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)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of employees was not certified to the County Treasurer for the year 2009.

IC 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the name and address of each person who has money due the person from the political subdivision to the treasurer of each county in which the political subdivision is located."

CONDITION OF RECORDS

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

- (1) There were a considerable number of posting errors. These errors included double posting of receipts; adjustments being carried as reconciling items; and improper correction of errors.
- (2) Although many adjustments identified in the 2006-2007 audit were corrected in 2008 and 2009, a portion of receipt and disbursement corrections or other errors from the 2006-2007 examination period were not recorded until 2009 and 2010, resulting in misstatement of receipts and disbursements and inaccurate beginning balances at January 1, 2008, relative to the 2008 Clerk Treasurer's Annual Report (CTAR).
- (3) Some transactions were recorded as "negative" receipts and disbursements.

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)

OFFICIAL BONDS

There were no bonds filed and recorded for the Clerk-Treasurer or the Utility Clerk; however, the Clerk-Treasurer had these bonds in her possession and they were valid and up to date. These bonds have now been recorded with the Johnson County Recorder's Office as of September 29, 2010.

IC 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

TOWN OF TRAFALGAR  
EXIT CONFERENCE

The contents of this report were discussed on September 30, 2010, with Kellie Anderson, Clerk-Treasurer, and Kevin Walker, President of the Town Council. The officials concurred with our findings.