

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF CLOVERDALE

PUTNAM COUNTY, INDIANA

January 1, 2009 to December 31, 2010



FILED
12/12/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Patti Truax Vacant Cathleen Monaco	01-01-08 to 06-30-10 07-01-10 to 07-11-10 07-12-10 to 12-31-11
President of the Town Council	Donald Sublett Cathy Tipton	01-01-09 to 12-31-09 01-01-10 to 12-31-11
Superintendent of Utilities	Donald Guthrie J. Richard Saucermen (Interim)	01-01-09 to 07-02-10 07-03-10 to 12-31-11
Superintendent of Water Utility	J. Richard Saucerman	01-01-09 to 12-31-11
Superintendent of Wastewater Utility	Shawn Barger Charles B. Shurig	01-01-09 to 06-22-09 06-23-09 to 12-31-11



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 CLOVERDALE, PUTNAM COUNTY, INDIANA

We have examined the financial statements of the Town of Cloverdale (Town), for the period of January 1, 2009 to December 31, 2010. The Town's management is responsible for the financial statements. 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2009 and 2010, on the basis of accounting described in Note 1.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, 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 financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.

The Town's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, and Town Council, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

November 17, 2011

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FINANCIAL STATEMENTS

The financial statements and accompanying notes were approved by management of the Town. The financial statements and notes are presented as intended by the Town.

TOWN OF CLOVERDALE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
General	\$ 18,566	\$ 740,116	\$ 564,759	\$ 193,923
Motor Vehicle Highway	109,746	92,920	98,860	103,806
Local Road And Street	3,054	11,244	9,109	5,189
Law Enforcement Continuing Ed	3,022	1,502	800	3,724
Unsafe Building	380	150	231	299
Riverboat	44,878	14,037	26,441	32,474
Park Donation	218	225	-	443
Rainy Day	17,991	6,051	-	24,042
Police Donation	1,309	1,242	49	2,502
Criminal Investigation	1,454	-	-	1,454
Police Reserves	2,031	1,713	1,746	1,998
Economic Dev Income Tax	40,726	87,837	31,208	97,355
Cops Grant Justice Program	14	-	-	14
Rd Cap Int	-	21,616	21,308	308
Rd Tax Increment	-	141,139	22,113	119,026
Visa	132	603	405	330
Rd Debt Reserve	44,048	21,308	21,308	44,048
Cumulative Capl Imprv Cigarette Tax	18,561	6,944	-	25,505
Cumulative Capital Development	17,878	44,157	12,572	49,463
Redevelopment Capital	35,949	212	34,617	1,544
Cedit Bond	301	-	-	301
Payroll	3,878	317,326	315,828	5,376
Wastewater Utility-Operating	111,341	819,909	897,493	33,757
Wastewater Utility - Tap Fee	30,820	4,980	2,480	33,320
Wastewater Utility - Depreciation	94,157	133,463	145,274	82,346
Sewage Surplus 231 Project	2,856	-	-	2,856
Sewage Srf 2001A Town Of Cloverdale	3,264	-	-	3,264
Srf - Dsr	190,647	35,420	101	225,966
Srf - Sinking	18,900	261,582	68,208	212,274
Water Utility-Operating	25,318	584,181	597,694	11,805
Water Utility-Bond And Interest	8,385	94,388	94,388	8,385
Water Utility - Tap Fee	11,466	6,000	17,466	-
Water Utility - Depreciation	118,156	87,372	113,485	92,043
Water Utility - Meter Deposit	20,499	9,068	8,410	21,157
Debt Service Water	95,163	-	-	95,163
Totals	<u>\$ 1,095,108</u>	<u>\$ 3,546,705</u>	<u>\$ 3,106,353</u>	<u>\$ 1,535,460</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF CLOVERDALE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 193,923	\$ 436,479	\$ 449,683	\$ 180,719
Motor Vehicle Highway	103,806	91,291	124,501	70,596
Local Road And Street	5,189	11,544	2,379	14,354
Law Enforcement Continuing Ed	3,724	945	205	4,464
Unsafe Building	299	74	4,000	(3,627)
Riverboat	32,474	14,037	8,700	37,811
Park Donation	443	1,035	90	1,388
Rainy Day	24,042	9,361	12,075	21,328
Levy Excess Fund	-	1,033	-	1,033
Police Donation	2,502	200	-	2,702
Criminal Investigation	1,454	-	-	1,454
Police Reserves	1,998	925	307	2,616
Economic Dev Income Tax	97,355	-	-	97,355
Cops Grant Justice Program	14	-	-	14
Rd Cap Int	308	462	21,885	(21,115)
Rd Tax Increment	119,026	-	21,657	97,369
Visa	330	121,993	76,006	46,317
Rd Debt Reserve	44,048	-	-	44,048
Cumulative Capl Imprv Cigarette Tax	25,505	6,597	-	32,102
Cumulative Capital Development	49,463	23,774	-	73,237
Redevelopment Capital	1,544	-	-	1,544
Cedit Bond	301	-	-	301
Payroll	5,376	574,446	561,514	18,308
Wastewater Utility-Operating	33,757	826,785	910,533	(49,991)
Wastewater Utility - Tap Fee	33,320	1,000	34,320	-
Wastewater Utility - Depreciation	82,346	118	58,025	24,439
Sewage Surplus 231 Project	2,856	-	-	2,856
Sewage Srf 2001A Town Of Cloverdale	3,264	-	-	3,264
Srf - Dsr	225,966	41,674	34	267,606
Srf - Sinking	212,274	313,396	282,606	243,064
Water Utility-Operating	11,805	540,067	569,205	(17,333)
Water Utility-Bond And Interest	8,385	82,853	91,238	-
Tap Fees	-	1,000	1,000	-
Water Utility - Depreciation	92,043	290	63,487	28,846
Water Utility - Meter Deposit	21,157	8,275	7,160	22,272
Debt Service Water	95,163	-	-	95,163
Totals	<u>\$ 1,535,460</u>	<u>\$ 3,109,654</u>	<u>\$ 3,300,610</u>	<u>\$ 1,344,504</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF CLOVERDALE
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statements present the financial information for the Town (primary government), and does not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government).

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

TOWN OF CLOVERDALE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies, which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

TOWN OF CLOVERDALE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

TOWN OF CLOVERDALE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 3. *Property Taxes*

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. *Deposits and Investments*

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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 5. *Risk Management*

The Town may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement and replacement items purchased.

TOWN OF CLOVERDALE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 percent 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.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Reports can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Town which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and/or approved by management of the Town. It is presented as intended by the Town.

TOWN OF CLOVERDALE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009

	General	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Ed	Unsafe Building	Riverboat
Cash and investments - beginning	\$ 18,566	\$ 109,746	\$ 3,054	\$ 3,022	\$ 380	\$ 44,878
Receipts:						
Taxes	477,488	-	-	-	-	-
Licenses and permits	4,520	-	-	270	150	-
Intergovernmental	200,756	92,920	11,244	-	-	14,037
Charges for services	-	-	-	1,232	-	-
Other receipts	57,352	-	-	-	-	-
Total receipts	<u>740,116</u>	<u>92,920</u>	<u>11,244</u>	<u>1,502</u>	<u>150</u>	<u>14,037</u>
Disbursements:						
Personal services	205,933	51,725	-	-	-	-
Supplies	22,052	20,105	-	-	-	-
Other services and charges	142,203	2,983	9,109	790	231	-
Debt service - principal and interest	20,400	-	-	-	-	-
Capital outlay	4,171	24,047	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	170,000	-	-	10	-	26,441
Total disbursements	<u>564,759</u>	<u>98,860</u>	<u>9,109</u>	<u>800</u>	<u>231</u>	<u>26,441</u>
Excess (deficiency) of receipts over disbursements	<u>175,357</u>	<u>(5,940)</u>	<u>2,135</u>	<u>702</u>	<u>(81)</u>	<u>(12,404)</u>
Cash and investments - ending	<u>\$ 193,923</u>	<u>\$ 103,806</u>	<u>\$ 5,189</u>	<u>\$ 3,724</u>	<u>\$ 299</u>	<u>\$ 32,474</u>

TOWN OF CLOVERDALE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	Park Donation	Rainy Day	Police Donation	Criminal Investigation	Police Reserves	Economic Dev Income Tax
Cash and investments - beginning	\$ 218	\$ 17,991	\$ 1,309	\$ 1,454	\$ 2,031	\$ 40,726
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	6,051	-	-	-	47,534
Charges for services	-	-	-	-	-	-
Other receipts	225	-	1,242	-	1,713	40,303
Total receipts	<u>225</u>	<u>6,051</u>	<u>1,242</u>	<u>-</u>	<u>1,713</u>	<u>87,837</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	1,056	-
Other services and charges	-	-	-	-	690	-
Debt service - principal and interest	-	-	-	-	-	22,113
Capital outlay	-	-	-	-	-	9,095
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	49	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>49</u>	<u>-</u>	<u>1,746</u>	<u>31,208</u>
Excess (deficiency) of receipts over disbursements	<u>225</u>	<u>6,051</u>	<u>1,193</u>	<u>-</u>	<u>(33)</u>	<u>56,629</u>
Cash and investments - ending	<u>\$ 443</u>	<u>\$ 24,042</u>	<u>\$ 2,502</u>	<u>\$ 1,454</u>	<u>\$ 1,998</u>	<u>\$ 97,355</u>

TOWN OF CLOVERDALE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	Cops Grant Justice Program	Rd Cap Int	Rd Tax Increment	Visa	Rd Debt Reserve	Cumulative Capl Imprv Cigarette Tax
Cash and investments - beginning	\$ 14	\$ -	\$ -	\$ 132	\$ 44,048	\$ 18,561
Receipts:						
Taxes	-	21,308	141,139	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	6,921
Charges for services	-	-	-	-	-	-
Other receipts	-	308	-	603	21,308	23
Total receipts	-	21,616	141,139	603	21,308	6,944
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	405	-	-
Debt service - principal and interest	-	-	-	-	21,308	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	21,308	22,113	-	-	-
Total disbursements	-	21,308	22,113	405	21,308	-
Excess (deficiency) of receipts over disbursements	-	308	119,026	198	-	6,944
Cash and investments - ending	\$ 14	\$ 308	\$ 119,026	\$ 330	\$ 44,048	\$ 25,505

TOWN OF CLOVERDALE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	Cumulative Capital Development	Redevelopment Capital	Cedit Bond	Payroll	Wastewater Utility-Operating	Wastewater Utility - Tap Fee
Cash and investments - beginning	\$ 17,878	\$ 35,949	\$ 301	\$ 3,878	\$ 111,341	\$ 30,820
Receipts:						
Taxes	39,854	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	4,116	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Other receipts	187	212	-	317,326	819,909	4,980
Total receipts	44,157	212	-	317,326	819,909	4,980
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	1,024	-	-	-	-
Debt service - principal and interest	12,572	-	-	-	8,419	-
Capital outlay	-	33,593	-	-	44,714	-
Utility operating expenses	-	-	-	-	514,374	2,480
Other disbursements	-	-	-	315,828	329,986	-
Total disbursements	12,572	34,617	-	315,828	897,493	2,480
Excess (deficiency) of receipts over disbursements	31,585	(34,405)	-	1,498	(77,584)	2,500
Cash and investments - ending	\$ 49,463	\$ 1,544	\$ 301	\$ 5,376	\$ 33,757	\$ 33,320

TOWN OF CLOVERDALE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	Wastewater Utility - Depreciation	Sewage Surplus 231 Project	Sewage Srf 2001A Town Of Cloverdale	Srf - Dsr	Srf - Sinking	Water Utility-Operating
Cash and investments - beginning	\$ 94,157	\$ 2,856	\$ 3,264	\$ 190,647	\$ 18,900	\$ 25,318
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Other receipts	133,463	-	-	35,420	261,582	584,181
Total receipts	133,463	-	-	35,420	261,582	584,181
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	30,000	-	-	-	-	15,529
Capital outlay	65,791	-	-	-	-	48,374
Utility operating expenses	-	-	-	101	68,119	370,323
Other disbursements	49,483	-	-	-	89	163,468
Total disbursements	145,274	-	-	101	68,208	597,694
Excess (deficiency) of receipts over disbursements	(11,811)	-	-	35,319	193,374	(13,513)
Cash and investments - ending	\$ 82,346	\$ 2,856	\$ 3,264	\$ 225,966	\$ 212,274	\$ 11,805

TOWN OF CLOVERDALE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	Water Utility-Bond And Interest	Water Utility - Tap Fee	Water Utility - Depreciation	Water Utility - Meter Deposit	Debt Service Water	Totals
Cash and investments - beginning	\$ 8,385	\$ 11,466	\$ 118,156	\$ 20,499	\$ 95,163	\$ 1,095,108
Receipts:						
Taxes	-	-	-	-	-	679,789
Licenses and permits	-	-	-	-	-	4,940
Intergovernmental	-	-	-	-	-	383,579
Charges for services	-	-	-	-	-	1,232
Other receipts	94,388	6,000	87,372	9,068	-	2,477,165
Total receipts	94,388	6,000	87,372	9,068	-	3,546,705
Disbursements:						
Personal services	-	-	-	-	-	257,658
Supplies	-	-	-	-	-	43,213
Other services and charges	-	-	-	-	-	157,435
Debt service - principal and interest	94,388	-	-	-	-	224,729
Capital outlay	-	-	120	-	-	229,905
Utility operating expenses	-	2,000	113,365	-	-	1,070,762
Other disbursements	-	15,466	-	8,410	-	1,122,651
Total disbursements	94,388	17,466	113,485	8,410	-	3,106,353
Excess (deficiency) of receipts over disbursements	-	(11,466)	(26,113)	658	-	440,352
Cash and investments - ending	\$ 8,385	\$ -	\$ 92,043	\$ 21,157	\$ 95,163	\$ 1,535,460

TOWN OF CLOVERDALE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Ed	Unsafe Building	Riverboat	Park Donation
Cash and investments - beginning	\$ 193,923	\$ 103,806	\$ 5,189	\$ 3,724	\$ 299	\$ 32,474	\$ 443
Receipts:							
Taxes	155,907	-	-	-	-	-	-
Licenses and permits	4,210	-	-	830	74	-	-
Intergovernmental	196,228	90,014	11,544	-	-	14,037	-
Charges for services	36	-	-	115	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	80,098	1,277	-	-	-	-	1,035
Total receipts	<u>436,479</u>	<u>91,291</u>	<u>11,544</u>	<u>945</u>	<u>74</u>	<u>14,037</u>	<u>1,035</u>
Disbursements:							
Personal services	199,114	64,387	-	-	-	-	-
Supplies	40,907	48,954	-	-	-	-	-
Other services and charges	148,565	4,772	-	205	4,000	8,700	90
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	6,388	2,379	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	61,097	-	-	-	-	-	-
Total disbursements	<u>449,683</u>	<u>124,501</u>	<u>2,379</u>	<u>205</u>	<u>4,000</u>	<u>8,700</u>	<u>90</u>
Excess (deficiency) of receipts over disbursements	<u>(13,204)</u>	<u>(33,210)</u>	<u>9,165</u>	<u>740</u>	<u>(3,926)</u>	<u>5,337</u>	<u>945</u>
Cash and investments - ending	<u>\$ 180,719</u>	<u>\$ 70,596</u>	<u>\$ 14,354</u>	<u>\$ 4,464</u>	<u>\$ (3,627)</u>	<u>\$ 37,811</u>	<u>\$ 1,388</u>

TOWN OF CLOVERDALE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Rainy Day	Levy Excess Fund	Police Donation	Criminal Investigation	Police Reserves	Economic Dev Income Tax
Cash and investments - beginning	\$ 24,042	\$ -	\$ 2,502	\$ 1,454	\$ 1,998	\$ 97,355
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	9,361	1,033	-	-	-	-
Charges for services	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	200	-	925	-
Total receipts	<u>9,361</u>	<u>1,033</u>	<u>200</u>	<u>-</u>	<u>925</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	307	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	12,075	-	-	-	-	-
Total disbursements	<u>12,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>307</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(2,714)</u>	<u>1,033</u>	<u>200</u>	<u>-</u>	<u>618</u>	<u>-</u>
Cash and investments - ending	<u>\$ 21,328</u>	<u>\$ 1,033</u>	<u>\$ 2,702</u>	<u>\$ 1,454</u>	<u>\$ 2,616</u>	<u>\$ 97,355</u>

TOWN OF CLOVERDALE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Cops Grant Justice Program	Rd Cap Int	Rd Tax Increment	Visa	Rd Debt Reserve	Cumulative Capl Imprv Cigarette Tax
Cash and investments - beginning	\$ 14	\$ 308	\$ 119,026	\$ 330	\$ 44,048	\$ 25,505
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	121,993	-	6,567
Charges for services	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	462	-	-	-	30
Total receipts	<u>-</u>	<u>462</u>	<u>-</u>	<u>121,993</u>	<u>-</u>	<u>6,597</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	21,885	21,657	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	76,006	-	-
Total disbursements	<u>-</u>	<u>21,885</u>	<u>21,657</u>	<u>76,006</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(21,423)</u>	<u>(21,657)</u>	<u>45,987</u>	<u>-</u>	<u>6,597</u>
Cash and investments - ending	<u>\$ 14</u>	<u>\$ (21,115)</u>	<u>\$ 97,369</u>	<u>\$ 46,317</u>	<u>\$ 44,048</u>	<u>\$ 32,102</u>

TOWN OF CLOVERDALE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Cumulative Capital Development	Redevelopment Capital	Cedit Bond	Payroll	Wastewater Utility-Operating	Wastewater Utility - Tap Fee
Cash and investments - beginning	\$ 49,463	\$ 1,544	\$ 301	\$ 5,376	\$ 33,757	\$ 33,320
Receipts:						
Taxes	20,855	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	2,919	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Utility fees	-	-	-	-	747,291	-
Other receipts	-	-	-	574,446	79,494	1,000
Total receipts	<u>23,774</u>	<u>-</u>	<u>-</u>	<u>574,446</u>	<u>826,785</u>	<u>1,000</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	355	-
Capital outlay	-	-	-	-	79,352	-
Utility operating expenses	-	-	-	-	462,060	295
Other disbursements	-	-	-	561,514	368,766	34,025
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>561,514</u>	<u>910,533</u>	<u>34,320</u>
Excess (deficiency) of receipts over disbursements	<u>23,774</u>	<u>-</u>	<u>-</u>	<u>12,932</u>	<u>(83,748)</u>	<u>(33,320)</u>
Cash and investments - ending	<u>\$ 73,237</u>	<u>\$ 1,544</u>	<u>\$ 301</u>	<u>\$ 18,308</u>	<u>\$ (49,991)</u>	<u>\$ -</u>

TOWN OF CLOVERDALE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Wastewater Utility - Depreciation	Sewage Surplus 231 Project	Sewage Srf 2001A Town Of Cloverdale	Srf - Dsr	Srf - Sinking	Water Utility-Operating
Cash and investments - beginning	\$ 82,346	\$ 2,856	\$ 3,264	\$ 225,966	\$ 212,274	\$ 11,805
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Utility fees	-	-	-	-	-	484,416
Other receipts	118	-	-	41,674	313,396	55,651
Total receipts	<u>118</u>	<u>-</u>	<u>-</u>	<u>41,674</u>	<u>313,396</u>	<u>540,067</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	282,588	-
Capital outlay	48,025	-	-	-	-	43,404
Utility operating expenses	-	-	-	-	-	407,977
Other disbursements	10,000	-	-	34	18	117,824
Total disbursements	<u>58,025</u>	<u>-</u>	<u>-</u>	<u>34</u>	<u>282,606</u>	<u>569,205</u>
Excess (deficiency) of receipts over disbursements	<u>(57,907)</u>	<u>-</u>	<u>-</u>	<u>41,640</u>	<u>30,790</u>	<u>(29,138)</u>
Cash and investments - ending	<u>\$ 24,439</u>	<u>\$ 2,856</u>	<u>\$ 3,264</u>	<u>\$ 267,606</u>	<u>\$ 243,064</u>	<u>\$ (17,333)</u>

TOWN OF CLOVERDALE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Water Utility-Bond And Interest	Tap Fees	Water Utility - Depreciation	Water Utility - Meter Deposit	Debt Service Water	Totals
Cash and investments - beginning	\$ 8,385	\$ -	\$ 92,043	\$ 21,157	\$ 95,163	\$ 1,535,460
Receipts:						
Taxes	-	-	-	-	-	176,762
Licenses and permits	-	-	-	-	-	5,114
Intergovernmental	-	-	-	-	-	453,696
Charges for services	-	-	-	-	-	151
Utility fees	-	-	-	-	-	1,231,707
Other receipts	82,853	1,000	290	8,275	-	1,242,224
Total receipts	<u>82,853</u>	<u>1,000</u>	<u>290</u>	<u>8,275</u>	<u>-</u>	<u>3,109,654</u>
Disbursements:						
Personal services	-	-	-	-	-	263,501
Supplies	-	-	-	-	-	89,861
Other services and charges	-	-	-	-	-	166,639
Debt service - principal and interest	91,238	-	-	-	-	417,723
Capital outlay	-	-	17,157	-	-	196,705
Utility operating expenses	-	-	-	-	-	870,332
Other disbursements	-	1,000	46,330	7,160	-	1,295,849
Total disbursements	<u>91,238</u>	<u>1,000</u>	<u>63,487</u>	<u>7,160</u>	<u>-</u>	<u>3,300,610</u>
Excess (deficiency) of receipts over disbursements	<u>(8,385)</u>	<u>-</u>	<u>(63,197)</u>	<u>1,115</u>	<u>-</u>	<u>(190,956)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,846</u>	<u>\$ 22,272</u>	<u>\$ 95,163</u>	<u>\$ 1,344,504</u>

TOWN OF CLOVERDALE
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
Decemeber 31, 2010

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.

	<u>Ending Balance</u>
Other:	
Capital assets, not being depreciated:	
Land	\$ 37,896
Infrastructure	282,469
Buildings	100,680
Improvements other than buildings	304,843
Machinery and equipment	<u>612,851</u>
 Total other capital assets	 <u>1,338,739</u>
 Water Utility:	
Capital assets, not being depreciated:	
Land	44,943
Construction in progress	8,000
Buildings	9,938
Improvements other than buildings	3,142,646
Machinery and equipment	<u>618,061</u>
 Total Water Utility capital assets	 <u>3,823,588</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	200
Buildings	1,597,970
Improvements other than buildings	2,476,712
Machinery and equipment	<u>1,735,326</u>
 Total Wastewater Utility capital assets	 <u>5,810,208</u>
 Storm Water Utility:	
Capital assets, not being depreciated:	
Improvements other than buildings	<u>30,817</u>
 Total capital assets not being depreciated	 <u><u>\$ 11,003,352</u></u>

TOWN OF CLOVERDALE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	Fund/ Department
Capital leases:			
Town Hall Building	\$ 412,000	\$ 61,200	1/3 General, 1/3 Water Utility Operating, 1/3 Wastewater Utility Operating
Backhoe	47,894	16,971	1/3 Motor Vehicle Highway, 1/3 Water Utility Operating, 1/3 Wastewater Utility Operating
Jetter Vacuum	40,644	17,692	Wastewater Utility Operating
Bonds payable:			
Revenue bonds:			
Redevelopment District 2007 Tax Increment Financing	444,000	21,430	Rd Cap Int
Waterworks 1998	565,000	14,044	Water Utility Bond and Interest
Wastewater 2003	985,000	92,320	SRF Sinking
Wastewater 2006	1,948,000	137,636	SRF Sinking
Wastewater 2007	671,000	51,991	SRF Sinking
Total debt	<u>\$ 5,113,538</u>	<u>\$ 413,284</u>	

TOWN OF CLOVERDALE
EXAMINATION RESULTS AND COMMENTS

BOARD MINUTES (Applies to Town)

Not all minutes of meetings of the governing body were available for examination.

Minutes were not provided for February through June 2010 and November 2010 through November 2011 Town Council meetings.

Indiana Code 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

DELINQUENT WASTEWATER ACCOUNTS (Applies to Wastewater Utility)

During the examination period, 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.

The Town Council had passed an ordinance delegating all duties for the Utilities to the Utility Office Manager.

Indiana Code 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.
 - (C) The amount of the delinquent fees, together with the penalty.

TOWN OF CLOVERDALE
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. . . ."

FUND SOURCES AND USES (Applies to Town)

Funds were disbursed from the Motor Vehicle Highway Fund for law enforcement purposes. However, the amount disbursed in 2009 and 2010 exceeded the 15 percent statutory limit by \$8,864 and \$8,964, respectively.

Indiana Code 8-14-1-5 allows cities and towns to use a portion of motor vehicle highway funds for law enforcement purposes, subject to the following limitations:

- (1) For cities and towns with a population of 5,000 or more, no more than 10% of the amounts distributed may be spent for law enforcement purposes.
- (2) For cities and towns with a population of less than 5,000, no more than 15% of the amounts distributed may be spent for law enforcement purposes.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OLD OUTSTANDING CHECKS (Applies to Town)

Our examination of the bank reconciliements as of December 31, 2010, revealed checks outstanding in excess of two years.

Indiana Code 5-11-10.5-2 states in part:

"All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

Indiana Code 5-11-10.5-3 states in part:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the board of finance of the political subdivision or the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing

TOWN OF CLOVERDALE
EXAMINATION RESULTS AND COMMENTS
(Continued)

officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

OVERDRAWN CASH BALANCES (Applies to Town, Water Utility, and Wastewater Utility)

The cash balance of the Unsafe Building Fund, Redevelopment Capitalization Interest Fund, Water Utility Operating Fund, and Wastewater Utility Operating Fund were overdrawn in 2010.

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)

PENALTIES, INTEREST, AND OTHER CHARGES (Applies to Town, Water Utility, and Wastewater Utility)

Penalties and interest totaling \$817 were paid to the State of Indiana in 2010. The assessments were paid from the Water Operating Fund for late payments made of May, June, and July 2010 sales tax.

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 CLOVERDALE
EXAMINATION RESULTS AND COMMENTS
(Continued)

PRESCRIBED FORM (Applies to Town)

The following prescribed or approved form was not always in use:

Register of Investments, General Form 350

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)

TOWN OF CLOVERDALE
EXIT CONFERENCE

The contents of this report were discussed on November 17, 2011, with Cathleen Monaco, Clerk-Treasurer; Jonathan Hughes, Attorney for the Clerk-Treasurer; Paula Walker, Financial Consultant; and Cathy Tipton, President of the Town Council. The Official Response has been made a part of this report and may be found on pages 33 through 35.

Clerk-Treasurer Town of Cloverdale
Cloverdale Town Hall
154 S. Main
P.O. Box 222
Cloverdale, IN 46120
Office: 765-795-6033

November 23, 2011

“OFFICIAL RESPONSE”

State Board of Accounts
302 West Washington Street
Room E418
Indianapolis, IN 46204-2765

Re: Town of Cloverdale Response to 2009 and 2010 Examination Results and Audit
Comments as Presented by the State Board of Accounts (“SBOA”) in Exit
Interview

To Whom It May Concern:

The Town Clerk-Treasurer of Cloverdale (“Clerk-Treasurer”) wishes to formally respond to the audit comments presented to the Town at a November 17, 2011 meeting with SBOA auditors.

The Clerk-Treasurer notes at the outset that she is pleased to learn that the SBOA has found the Town’s financial statements to be materially accurate, and the Town has received an unqualified opinion report. This type of report is issued by an auditor when the financial statements presented are free of material misstatements and are represented fairly in accordance with General Accounting Principles (GAAP), and it is the best type of report the Town may receive from an auditor. The current Clerk-Treasurer was appointed in mid-2010 to fill an unexpected vacancy in the office. The Clerk-Treasurer had a difficult job to learn, and multiple budget items to insure were balanced without the benefit of institutional knowledge. As the SBOA noted in the exit interview, the auditor did find a couple of errors which were directed at the previous clerk, however the current Clerk-Treasurer was able to overcome the previous errors and to end with an unqualified opinion. This sizeable undertaking has not only been confirmed in the results of the most recent financial audit, but has also resulted in a more transparent Town government.

As was explained to the Clerk-Treasurer and the Town Council President at the exit interview, although the Town’s accounts were in good shape and the Town received an unqualified opinion report, the auditors had a couple of comments which were identified for the purpose of helping the Town avoid future discrepancies. The Town and the Clerk-Treasurer

consider each such comment seriously, and are committed to putting appropriate resources and controls in place to help avoid unnecessary financial issues in the future.

There was one comment provided by the SBOA that the Clerk-Treasurer believes is more appropriately addressed to the Town's Utility Clerk. Specifically, the SBOA indicated that the officer in charge of collecting delinquent sewer fees had not abided by IC 36-9-23-33 in certifying delinquent sewer users to the county recorder to place liens on the property. Under IC 36-9-23-33, it is the "officer charged with the collection" of sewer fees and penalties who makes the certification. In March of 2009, the Town Council adopted Ordinance 2009-5, which amended the Town Code of the Town of Cloverdale by, among other things, providing that the "Utility Clerk is *directly responsible* for the billing and collection of the utilities [sic] rates and charges." (emphasis added). Accordingly, the Town Council has designated the Utility Clerk as the "officer charged with the collection" of sewer fees. During the exit interview, the SBOA indicated that the audit report would be revised to reflect that the SBOA's comment regarding collection of delinquent utility bills was directed at the Utility Clerk rather than the Clerk-Treasurer. However, out of an abundance of caution, the Clerk-Treasurer submits this response in order to clarify the obligations of town officials.

In regards to the Motor Vehicle Highway Fund ("MVH"), the SBOA indicated that the Town had drawn greater than 15% of MVH for law enforcement purposes. The primary reason for this discrepancy is found in the Town's salary ordinance. Pursuant to the Town's Salary Ordinance, fifteen percent (15%) of each police officer's salary is paid from MVH. Per the SBOA's comment, under IC 8-14-1-5, no more than fifteen percent (15%) of "the monies allocated" may be used for law enforcement purposes. Accordingly, the Clerk-Treasurer will bring this issue to the attention of the Town Council and suggest that the Salary Ordinance be amended in order to avoid future problems with the percentage discrepancies. Notably, since it is now November of 2011, the Clerk Treasurer anticipates that the next audit will reveal a similar discrepancy in MVH for 2011.

As pertains to the SBOA's findings regarding overdrawn accounts, the Clerk-Treasurer has notified the Town Council that the wastewater utility was not proving to be self-sufficient. At the exit interview the SBOA recommended a rate increase as a method that might need to be explored. The Clerk-Treasurer and the Town's Financial Advisors have advised of the Town's need to address this issue, and the Town has discussed measures in an effort to reduce costs. Pursuant to the SBOA's comments, the Clerk-Treasurer will again bring this issue to the Council to continue take action to prevent future overdrafts.

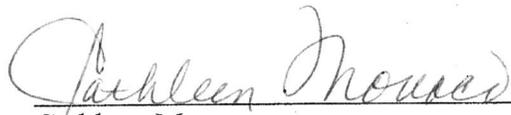
With respect to the findings regarding Minutes, the Clerk-Treasurer and the Town are aware of the need to produce minutes. However, the Clerk-Treasurer disagrees with the audit findings that minutes are outstanding from November of 2010 through October of 2011. In particular, all of the minutes for August, September and October of 2011 have been completed and are available at the Town Hall. Additionally, as of the writing of this letter, it is the Clerk-Treasurer's intent to have all of the minutes from January to December of 2011 by year end. If the SBOA needs to review any of the 2011 minutes, they may be obtained by contacting the

Clerk-Treasurer's office. As for the minutes from February through June of 2010, those minutes were in the possession and control of the previous Clerk-Treasurer.

In regard to Penalties, Interests and Other Charges, the Clerk-Treasurer notes that she did not assume office until July of 2010. Accordingly, all penalties, interests, and charges accrued prior to July of 2010 were not caused by the fault of the current Clerk-Treasurer. The Clerk-Treasurer acknowledges and appreciates the SBOA's decision not to charge her personally for the penalties and interests accrued. As discussed during the exit interview, the \$817 noted in the comments was accrued as a result of the Indiana Department of Revenue not sending additional coupons reflecting amounts due on Town obligations. After several attempts to recover the coupons, the IDOR eventually produced those to the Clerk-Treasurer, and the amounts were paid in time without additional costs. In the interest of full disclosure, in 2011 the IDOR again did not send new coupons. In order to properly document expenses, the Clerk-Treasurer requested that new coupons be sent. Penalties and interest may have been incurred during the brief period in which coupons were unavailable. However a new coupon book has been received, and the Clerk-Treasurer has made a note to request the coupons well in advance in order to prevent this issue from recurring in the future.

The Clerk-Treasurer believes that many, if not all, of the remaining comments identified by the SBOA are the result of staffing needs and employee turnover in its financial department. Since its last audit, the Town lost its deputy clerk-treasurer, hired a utility clerk, and had its Clerk-Treasurer quit in mid-2010. The current Clerk-Treasurer has taken on the responsibility and assisted in balancing the Town's accounts as a first priority. With the funds having no material discrepancies, the Clerk-Treasurer is now working on other matters including the completion of Minutes and advising the Council regarding its Salary Ordinance and issues which need to be cleaned up to assist with the fiscal matters of the town. Finally, the Clerk-Treasurer has also already taken steps to ensure that the proper reconciliations and disbursements outlined in the SBOA comments are identified and made.

Sincerely,



Cathleen Monaco
Clerk-Treasurer

cc: Cloverdale Town Council
Allan Yackey, Town Attorney
Jonathan Hughes, Clerk-Treasurer Attorney
O.W. Krohn & Associates, LLP