

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, 2006 to December 31, 2007



FILED
10/29/2008

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Kay Gipson

01-01-03 to 12-31-10

President of the Town Council

Steve R. Overmyer
Mike Murphy

01-01-06 to 12-31-07
01-01-08 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2006 to December 31, 2007. 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, 2006 and 2007, 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, 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

September 4, 2008

TOWN OF DALEVILLE
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 257,784	\$ 325,989	\$ 432,094	\$ 151,679
Motor Vehicle Highway	11,625	62,086	53,933	19,778
Local Road and Street	5,134	16,120	9,759	11,495
Sanitation	16,927	53,022	56,750	13,199
Law Enforcement Continuing Education	468	2,735	2,036	1,167
Riverboat	22,322	10,484	150	32,656
Rainy Day	1,089	1,360	1,360	1,089
Donation	-	4,686	2,417	2,269
DUI Grant	32	9,065	9,045	52
OPO Grant	223	2,020	2,233	10
Incentive Grant	-	3,920	3,866	54
LLE Grant	1,209	-	1,209	-
Seizure and Forfeiture	184	158	-	342
Award Grant	-	4,000	4,000	-
Levy Excess	28,084	8,610	36,694	-
Cumulative Capital Improvement	18,005	5,923	11,562	12,366
Cumulative Capital Development	36,741	14,802	14,151	37,392
Proprietary Funds:				
Water Utility - Operating	53,561	275,467	236,956	92,072
Water Utility - Customer Deposit	9,524	1,645	2,725	8,444
Storm Water - Operating	4,198	13,112	4,356	12,954
Totals	<u>\$ 467,110</u>	<u>\$ 815,204</u>	<u>\$ 885,296</u>	<u>\$ 397,018</u>
	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 151,679	\$ 415,396	\$ 393,130	\$ 173,945
Motor Vehicle Highway	19,778	60,790	61,096	19,472
Local Road and Street	11,495	15,878	322	27,051
Sanitation	13,199	75,832	83,160	5,871
Law Enforcement Continuing Education	1,167	3,545	4,298	414
Riverboat	32,656	10,455	43,000	111
Rainy Day	1,089	1,308	1,308	1,089
Donation	2,269	-	1,003	1,266
DUI Grant	52	9,723	9,706	69
OPO Grant	10	2,180	1,785	405
Incentive Grant	54	-	54	-
Seizure and Forfeiture	342	451	743	50
Defibrillator	-	600	-	600
K-9	-	2,227	-	2,227
Cumulative Capital Improvement	12,366	5,823	1,842	16,347
Cumulative Capital Development	37,392	15,823	4,850	48,365
Proprietary Funds:				
Water Utility - Operating	92,072	284,166	231,099	145,139
Water Utility - Customer Deposit	8,444	1,890	1,794	8,540
Storm Water - Operating	12,954	12,461	3,060	22,355
Totals	<u>\$ 397,018</u>	<u>\$ 918,548</u>	<u>\$ 842,250</u>	<u>\$ 473,316</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. 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 DALEVILLE
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 DALEVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

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.

There were no general infrastructure assets completed in the current years. 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	\$ 85,888
Buildings	171,914
Improvements other than buildings	35,641
Machinery and equipment	212,173
Construction in progress	<u>17,281</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 522,897</u>

<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	2,967,425
Machinery and equipment	<u>282,763</u>
 Total Water Utility capital assets	 <u>\$ 3,802,191</u>

TOWN OF DALEVILLE
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

Records presented for examination indicated the following disbursements in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Motor Vehicle Highway	2006	<u>\$ 1,297</u>

Indiana Code 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."

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded in the simplified cash journal. The detail of customer deposits was \$420 less than the cash balance at December 31, 2007.

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)

PERSONAL PROPERTY USE

The following items were noted during an investigation performed by the Indiana State Police:

1. Jay Shellabarger, Town Board member, used the Town's truck, snow plow, backhoe, and the utility trailer for personal use. The truck and snow plow were used to plow private drives.
2. Town employees repaired the Town's backhoe during work time. At the time, the backhoe was located at the home of Jay Shellabarger. The repair was billed to and paid by the Town.
3. Jay Shellabarger worked on his personal assets using Town property.

Assets of the governmental unit may not be used in a manner unrelated to the functions and purposes of the governmental unit.

Whenever an item or other asset owned by the political subdivision is entrusted to an officer or employee, to be used at times outside the normal work time for business purposes, such as a cellular phone, or vehicle, a log should be maintained which clearly shows the business use. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF DALEVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

PERMIT AND REGISTRATION PROCEDURES

Based on a review of records for permit and registration collections, the following items were noted:

1. The Building Commissioner, who is responsible for collecting permit and registration fees, was not bonded by the Town.
2. Receipts were not issued at the time permits and registrations collections were received. The Clerk- Treasurer completed a prescribed receipt (Town Form 217) once collections were remitted to her office. The prescribed receipt was attached to a copy of the permit.
3. Permit dates, which represent the collection date, were at times dated 15 days prior to the date of the receipt issued by the Clerk-Treasurer.
4. Street department employees collected the money received by the Building Commissioner and remitted the collections to the Clerk-Treasurer.
5. Permits were manually prenumbered.
6. It could not be determined if charges collected agreed with the rate ordinance since there was no documentation of square footage.
7. Town employees removed weeds on private properties however, no charge was made.
8. Form 362, Report of Collections, was not in use.

All employees who handle cash should be covered by some type of bond or crime insurance policy. (Accounting and Uniform Compliance Manual for Cities and Towns, Chapter 7)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-13-6-1(d) states in part: "A city or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories selected by the city or town as provided in an ordinance adopted by the city or the town and approved as depositories of state funds."

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

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 DALEVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONFLICT OF INTEREST

Jack Sater was appointed to the Water Commission and hired his personal company to perform work for the Town. Disbursements made to the private company totaled \$13,127 for the examination period.

Indiana Code 35-44-1-3 states in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony. . . .

(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant . . . and (B) makes a disclosure under subsection (d)(1) through (d)(6).

(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase. . . .

(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant. . . .

(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-9-2-2) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (1/2) of whose support is provided during a year by the public servant."

TOWN OF DALEVILLE
EXIT CONFERENCE

The contents of this report were discussed on September 4, 2008, with Kay Gipson, Clerk-Treasurer; and Mike Murphy, President of the Town Council.