

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

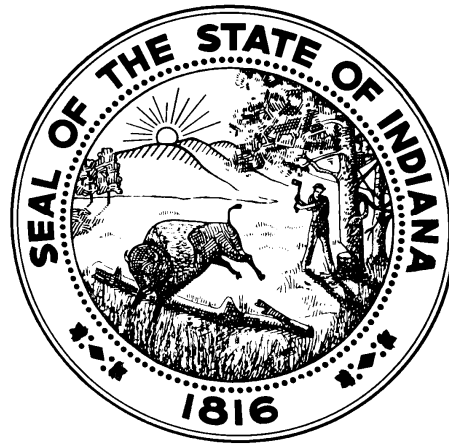
EXAMINATION REPORT

OF

TOWN OF ALFORDSVILLE

DAVISS COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
11/05/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5
Examination Results and Comments:	
Condition of Records	6
Payroll.....	6-7
Appropriations.....	7
Capital Asset Records	8
Exit Conference.....	9

OFFICIALS

Office

Official

Term

Clerk-Treasurer

Marlin Kelso

01-01-04 to 12-31-11

President of the Town Council

Dale Hovis

01-01-06 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 ALFORDSVILLE, DAVIESS COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Alfordsville (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.

STATE BOARD OF ACCOUNTS

September 18, 2008

TOWN OF ALFORDSVILLE
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	\$ 21,720	\$ 9,213	\$ 10,754	\$ 20,179
Motor Vehicle Highway	11,748	4,838	1,916	14,670
Local Road and Street	1,215	678	1,476	417
Cumulative Capital Improvement	3,047	400	3,232	215
Economic Development Income Tax	235	429	-	664
Levy Excess	-	910	-	910
Proprietary Funds:				
Water Utility - Operating	50,806	86,510	91,734	45,582
Water Utility - Depreciation	8,040	3,000	8,071	2,969
Water Utility - Customer Deposit	1,325	-	-	1,325
Totals	\$ 98,136	\$ 105,978	\$ 117,183	\$ 86,931

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 20,179	\$ 8,611	\$ 3,707	\$ 25,083
Motor Vehicle Highway	14,670	4,781	1,553	17,898
Local Road and Street	417	690	91	1,016
Cumulative Capital Improvement	215	393	-	608
Economic Development Income Tax	664	596	-	1,260
Levy Excess	910	-	-	910
Proprietary Funds:				
Water Utility - Operating	45,582	136,866	147,494	34,954
Water Utility - Depreciation	2,969	3,000	-	5,969
Water Utility - Customer Deposit	1,325	-	-	1,325
Totals	\$ 86,931	\$ 154,937	\$ 152,845	\$ 89,023

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

TOWN OF ALFORDSVILLE
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, highways and streets, general administrative services, and water.

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.

Note 6. Subsequent Events

In April 2008, the Town and the Water Utility jointly purchased a tractor/loader/backhoe for \$21,500.

Due to excessive rain in the spring of 2008, the Town spent significantly more, approximately \$10,000-\$13,000, on work to repair culverts and ditches.

TOWN OF ALFORDSVILLE
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

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

- (1) Depository reconciliations of the fund balances to the bank balances were sometimes incorrect.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or 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)

- (2) There were a considerable number of posting errors. These errors included deposits not receipted, checks and receipts not recorded in the proper amounts, and interest not posted.

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)

- (3) The annual reports for both 2006 and 2007 were incorrect due to posting errors in the ledgers.

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)

PAYROLL

During the examination of payroll the following deficiencies were noted:

- (1) The Clerk-Treasurer was underpaid \$55.00 in 2006 according to the salary ordinance. The Town will correct the underpayment in 2008.

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)

- (2) One Water Utility employee was overpaid \$103.50 in 2006 and \$73.00 in 2007 for a total of \$176.50. The Water Utility is pursuing collection of the overpayment during 2008.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF ALFORDSVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (3) The Water Utility pays the entire payroll and then twice a year the Town reimburses the Water Utility for the Town's Share. During 2006 and 2007, the Town transferred more than their share by a total of \$382.62.

Payments or transfers which are not authorized by statute, ordinance, resolution, or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

- (4) Mathematical errors made in 2007 when posting the Employee's Earnings Record which resulted in errors made when filing the W-2s and 941s.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (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)

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General	2006	\$ 5,244
Local Road and Street	2006	863
Cumulative Capital Improvement	2006	2,849

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."

TOWN OF ALFORDSVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

The Town and Utility did not maintain sufficient detailed records of capital assets.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Asset Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF ALFORDSVILLE
EXIT CONFERENCE

The contents of this report were discussed on September 18, 2008, with Marlin Kelso, Clerk-Treasurer. The official concurred with our findings.