

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, 2006 to December 31, 2007



FILED
12/31/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jauna Harshman Kellie Anderson	01-01-06 to 09-17-07 09-18-07 to 12-31-08
President of the Town Council	Kevin Walker Max Knapp Kevin Walker	01-01-06 to 12-31-07 01-01-08 to 07-23-08 07-24-08 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 TRAFALGAR, JOHNSON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Trafalgar (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 Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. This schedule 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

November 19, 2008

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, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 72,071	\$ 350,344	\$ 360,491	\$ 61,924
Motor Vehicle Highway	38,481	34,350	103,395	(30,564)
Local Road and Street	60,175	12,414	11,377	61,212
Law Enforcement Continuing Education	1,256	2,959	117	4,098
Riverboat	15,110	5,022	-	20,132
Rainy Day	5,454	-	-	5,454
Cumulative Capital Improvement	5,446	2,851	-	8,297
Cumulative Capital Development	8,324	3,173	500	10,997
Proprietary Funds:				
Water Utility - Operating	1,570	260,691	231,124	31,137
Water Utility - Bond and Interest	4,104	48,344	47,230	5,218
Water Utility - Depreciation	87,661	-	-	87,661
Wastewater Utility - Operating	146,403	482,411	447,102	181,712
Wastewater Utility - Bond and Interest	197,447	153,360	127,623	223,184
Wastewater Utility - Depreciation	229,675	60,000	-	289,675
Fiduciary Fund:				
Payroll	2,759	257,169	281,081	(21,153)
Totals	<u>\$ 875,936</u>	<u>\$ 1,673,088</u>	<u>\$ 1,610,040</u>	<u>\$ 938,984</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 61,924	\$ 344,692	\$ 323,283	\$ 83,333
Motor Vehicle Highway	(30,564)	26,735	4,917	(8,746)
Local Road and Street	61,212	12,923	12,871	61,264
Law Enforcement Continuing Education	4,098	4,759	6,013	2,844
Riverboat	20,132	5,032	-	25,164
Rainy Day	5,454	5,987	-	11,441
Cumulative Capital Improvement	8,297	2,802	647	10,452
Cumulative Capital Development	10,997	2,111	3,719	9,389
Proprietary Funds:				
Water Utility - Operating	31,137	265,642	226,489	70,290
Water Utility - Bond and Interest	5,218	51,204	50,705	5,717
Water Utility - Depreciation	87,661	-	-	87,661
Wastewater Utility - Operating	181,712	425,981	556,574	51,119
Wastewater Utility - Bond and Interest	223,184	135,580	127,800	230,964
Wastewater Utility - Depreciation	289,675	65,000	-	354,675
Fiduciary Fund:				
Payroll	(21,153)	282,944	284,458	(22,667)
Totals	<u>\$ 938,984</u>	<u>\$ 1,631,392</u>	<u>\$ 1,597,476</u>	<u>\$ 972,900</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.

Note 6. Subsequent Events

The Town obtained a Bond Anticipation Note not to exceed \$900,000 on March 13, 2008, to upgrade the Wastewater Treatment Plant.

The Town joined the Public Employees' Retirement Fund and the 1977 Police Officers' and Firefighters' Pension and Disability Fund during 2008.

TOWN OF TRAFALGAR
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type Activities:		
Water Utility		
Revenue bonds:		
Water Improvements	\$ 435,000	\$ 49,475
Total Water Utility	<u>435,000</u>	<u>49,475</u>
Wastewater Utility		
Loans:		
Wastewater Improvements	1,666,954	127,800
Total Wastewater Utility	<u>1,666,954</u>	<u>127,800</u>
Total business-type activities debt:	<u>\$ 2,101,954</u>	<u>\$ 177,275</u>

TOWN OF TRAFALGAR
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

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

- (1) Record balances were not reconciled to depository balances in a timely manner during most of the two year period examined. Reconcilements were performed after the conclusion of the period examined; however, an unreconciled difference of \$1,758.67 has not been resolved as the date of the examination report.

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."

- (2) There were a considerable number of posting errors. These errors included deposits not receipted, checks and receipts not recorded in the proper funds and the same check number used for more than one disbursement. These posting errors resulted in the 2006 and the 2007 Clerk Treasurer's Annual Report (CTAR) being inaccurate.

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) 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)

OVERDRAWN FUND BALANCES

The Motor Vehicle Highway Fund and the Payroll Fund were overdrawn in 2006 and 2007.

The fund 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)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the examination period:

- (1) Some claims examined did not have board approval.
- (2) One claim examined did not have a contract on file.
- (3) One claim examined did not agree to the check amount due to the fact that there was no claim/check number on file. Therefore, the check amount could not be verified.
- (4) Some claims examined did not include authorization for purchase.

TOWN OF TRAFALGAR
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of employees was not certified to the County Treasurer for the year 2007.

Indiana Code 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 names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

CAPITAL ASSET RECORDS

No records are maintained for capital assets for the Town or Utilities.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. 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)

APPROPRIATIONS

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

TOWN OF TRAFALGAR
EXAMINATION RESULTS AND COMMENTS
(Continued)

Fund	Year	Excess Amount Expended
Motor Vehicle Highway	2006	<u>\$ 26,211.26</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."

PAYMENTS MADE WITHOUT CONTRACT

The Town paid the accounting firm of Reedy and Peters, LLC \$17,251.59 during 2006 and \$31,457.29 during 2007 to provide certain financial and related services without a written contract.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF TRAFALGAR
EXIT CONFERENCE

The contents of this report were discussed on November 19, 2008, with Kellie Anderson, Clerk-Treasurer; and Kevin Walker, President of the Town Council. The officials concurred with our findings.