

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

TOWN OF ALFORDSVILLE

DAVISS COUNTY, INDIANA

January 1, 2012 to December 31, 2016



FILED
01/30/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Fiscal Officer	Marlin Kelso (deceased)	01-01-12 to 04-30-12
	Ben Helms	05-01-12 to 06-01-17
	(Vacant)	06-02-17 to 09-06-17
	Mary Ann Brown	09-07-17 to 12-31-18
President of the Town Council	Robert M. Raven	01-01-12 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF THE TOWN OF ALFORDSVILLE, DAVIESS COUNTY, INDIANA

We have reviewed the accompanying financial statements of the Town of Alfordsville (Town), for the period of January 1, 2012 to December 31, 2016. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Town's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with a regulatory basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana 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. This includes determining that the basis of accounting the Town uses is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.


INDEPENDENT ACCOUNTANT'S REVIEW REPORT
(Continued)

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the prescribed basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana 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. Our conclusion is not modified with respect to this matter.


Paul D. Joyce, CPA
State Examiner

December 21, 2017

FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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.

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TOWN OF ALFORDSVILLE
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Years Ended December 31, 2012 and 2013

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12	Receipts	Disbursements	Cash and Investments 12-31-13
General Fund	\$ 9,977	\$ 10,033	\$ 9,361	\$ 10,649	\$ 8,642	\$ 2,071	\$ 17,220
Motor Vehicle Highway	8,632	4,060	-	12,692	3,809	-	16,501
Local Road And Street	649	1,248	-	1,897	1,211	645	2,463
Rainy Day	2,052	-	-	2,052	-	-	2,052
EDIT	1,172	425	-	1,597	443	-	2,040
alfordsville water utility	<u>22,365</u>	<u>149,852</u>	<u>146,030</u>	<u>26,187</u>	<u>127,202</u>	<u>120,491</u>	<u>32,898</u>
Totals	<u>\$ 44,847</u>	<u>\$ 165,618</u>	<u>\$ 155,391</u>	<u>\$ 55,074</u>	<u>\$ 141,307</u>	<u>\$ 123,207</u>	<u>\$ 73,174</u>

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

TOWN OF ALFORDSVILLE
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Years Ended December 31, 2014 and 2015

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14	Receipts	Disbursements	Cash and Investments 12-31-15
General Fund	\$ 17,220	\$ 11,708	\$ 7,795	\$ 21,133	\$ 9,144	\$ 4,985	\$ 25,292
Motor Vehicle Highway	16,501	5,148	-	21,649	5,017	19,040	7,626
Local Road And Street	2,463	618	-	3,081	620	-	3,701
Rainy Day	2,052	-	-	2,052	-	-	2,052
EDIT	2,040	552	-	2,592	570	-	3,162
alfordsville water utility	<u>32,898</u>	<u>136,934</u>	<u>146,033</u>	<u>23,799</u>	<u>179,318</u>	<u>186,488</u>	<u>16,629</u>
Totals	<u>\$ 73,174</u>	<u>\$ 154,960</u>	<u>\$ 153,828</u>	<u>\$ 74,306</u>	<u>\$ 194,669</u>	<u>\$ 210,513</u>	<u>\$ 58,462</u>

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

TOWN OF ALFORDSVILLE
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16
General Fund	\$ 25,292	\$ 10,543	\$ 5,069	\$ 30,766
Motor Vehicle Highway	7,626	6,223	-	13,849
Local Road And Street	3,701	392	-	4,093
Rainy Day	2,052	-	-	2,052
EDIT	3,162	575	-	3,737
alfordsville water utility	<u>16,629</u>	<u>134,758</u>	<u>136,322</u>	<u>15,065</u>
Totals	<u>\$ 58,462</u>	<u>\$ 152,491</u>	<u>\$ 141,391</u>	<u>\$ 69,562</u>

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

TOWN OF ALFORDSVILLE
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: fire protection, highways and streets, public improvements, general administrative services and water.

The accompanying financial statements present the financial information for the Town.

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 include the following sources:

Taxes. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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.

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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.

Utility fees. Amounts received from charges for current services.

TOWN OF ALFORDSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Other receipts. Amounts received from various sources, including, but 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 include the following uses:

Personal services. Amounts disbursed 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. Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service - principal and interest. Amounts disbursed for 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. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses. Amounts disbursed for operating the utilities.

Other disbursements. Amounts disbursed for various other purposes including, but 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, make transfers 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 amounts 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 amounts accounted for in a specific fund may only be

TOWN OF ALFORDSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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, the following: 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.

TOWN OF ALFORDSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

TOWN OF ALFORDSVILLE
REVIEW RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

The same comment also appeared in prior Report B41443.

Penalties and interest totaling \$457 were paid to the Internal Revenue Service and Indiana Department of Revenue from September 10, 2012 through August 3, 2015, for payroll taxes not remitted timely from 2011 through 2015.

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 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 unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CONDITION OF RECORDS

The same comment also appeared in prior Report B41443.

The following deficiencies were noted in recordkeeping during the current review period:

1. Record balances were not reconciled to depository balances for any of the 60 months during the review period. As of December 31, 2016, the reconciled bank balance was \$610 less than the reported record balances.
2. Prescribed Form No. 319, Simplified Cash Journal Water Utility, nor any other ledger was maintained for Water Utility funds during the review period.
3. The Annual Financial Reports filed from 2012 through 2016 were incorrect and did not reflect depository transactions for Water Utility funds. Adjustments were proposed and approved by management to accurately reflect the financial transactions of the Water Utility as presented in the financial statements.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

A prescribed form is one which is put into general use for all offices of the same class, whereas an approved form is a computerized form for special use in a particular office.

Although the SBOA prescribes forms, copies of forms must be purchased from a public printer or other source.

Many computer software programs can create exact replicas of prescribed forms. Exact replica may be used as a prescribed form. If it is desirable to use a form other than a prescribed form that is not an exact replica, the new form must be approved.

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN OF ALFORDSVILLE
REVIEW RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

APPROPRIATIONS

The same comment also appeared in prior Report B41443.

The records presented for review indicated disbursements in 2014 for the Local Road and Street fund exceeded the budgeted appropriations \$18,540.

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."

UTILITY RECEIPTS TAXES NOT FILED

All Water Utilities are required to file Utility Receipts Tax (URT) on consumer revenues to the Indiana Department of Revenue. Estimated taxes are paid quarterly with a year-end report to be filed by January 31 of the following year with the 4th quarter payment.

URT taxes were not remitted and a year-end report was not filed with the Indiana Department of Revenue for 2012, 2013, 2014, 2015, and 2016.

Units are required to comply with all grants agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Uniform and Compliance Guidelines Manual for Cities and Towns, Chapter 1)

DEPOSITS

On average, Water Utility cash payments were made by customers 3 to 5 days a month according to the daily deposit reports. However, cash deposits were not made timely to the bank when cash payments were received. Cash was collected and held by the Clerk-Treasurer for up to 146 days before a cash deposit was made. On average, cash collections were held 56 days before deposits were made.

Of the 28 total cash deposits made from Water Utility collections during the review period, 21 of them did not agree with the total cash collected according to the daily deposit reports for the time period the deposit was for.

TOWN OF ALFORDSVILLE
REVIEW RESULTS AND COMMENTS
(Continued)

Indiana Code 5-13-6-1(d) states in part:

"Except as provided in subsection (g), a city . . . or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories:

- (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and
- (2) approved as depositories of state funds."

Indiana Code 5-13-6-1(g) states in part:

"The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500): . . .

- (2) A local officer of a political subdivision required to deposit funds under subsection (c) other than a township trustee.
- (3) A city or a town required to deposit funds under subsection (d). . . ."

CASH DISBURSEMENTS

Cash disbursements totaling \$1,660 from Water Utility customer cash collections were made during the review period. The disbursements were for office supplies, fuel, and stamps.

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ADOPTION OF INTERNAL CONTROL STANDARDS

The Town had not developed or adopted internal control standards and procedures by the end of the review period as required by Indiana Code 5-11-1-27(g) after June 30, 2016.

Subsequent to the review period, internal control standards were adopted by the Town Council on November 6, 2017.

Indiana 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

TOWN OF ALFORDSVILLE
REVIEW RESULTS AND COMMENTS
(Continued)

TRAINING ON INTERNAL CONTROL STANDARDS

The officials of the Town had not received training on internal control standards and procedures by the end of the review period as required by Indiana Code 5-11-1-27(g) after June 30, 2016.

Subsequent to the review period, the officials of the Town all received certified training on internal control standards by November 4, 2017.

Indiana 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

TOWN OF ALFORDSVILLE
EXIT CONFERENCE

The contents of this report were discussed on December 21, 2017, with Mary Ann Brown, Fiscal Officer; Robert M. Raven, President of the Town Council; Charles Robbins, Town Council member; and Barry Tedrow, Town Council member.