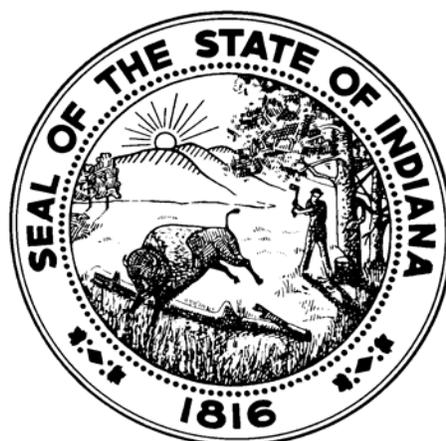


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT
OF
TOWN OF HEBRON
PORTER COUNTY, INDIANA
January 1, 2004 to December 31, 2005



FILED
08/07/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jamie E. Uzelac	01-01-04 to 12-31-07
President of the Town Council and the Utility Service Board	Donald Ensign Pete Breuckman	01-01-04 to 12-31-04 01-01-05 to 12-31-06
President of the Stormwater Board	David Diehl Marianne Struble Peter Barlow Jay Rans Bruce Torbeson	01-01-04 to 08-10-04 08-11-04 to 03-08-05 03-09-05 to 10-03-05 10-04-05 to 02-28-06 03-01-06 to 12-31-06
Director of Public Works	Perry Vannest Vacant Steven Martin	01-01-04 to 10-04-05 10-05-05 to 12-31-05 01-01-06 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF HEBRON, PORTER COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Hebron (Town), for the period of January 1, 2004 to December 31, 2005. The Town's management is responsible for the schedules. 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 schedule of receipts, disbursements, and cash and investment balances 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 schedules referred to above present fairly, in all material respects, the cash transactions of the Town for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

Our examination was conducted for the purpose of forming opinions on the schedules of receipts, disbursements, and cash and investment balances that collectively comprise the Town's basic financial statements. The Schedule of Capital Assets, and Schedule of Debt, as listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements. The Schedule of Capital Assets and Schedule of Debt have not been subjected to the examination procedures applied by us in the examination of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

June 29, 2006

TOWN OF HEBRON
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2004 And 2005

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ 79,304	\$ 970,650	\$ 794,853	\$ 255,101
Motor Vehicle Highway	25,956	130,463	110,322	46,097
Local Road and Street	103,065	38,893	-	141,958
Law Enforcement Continuing Education	7,426	3,451	6,608	4,269
Garbage Fund	18,661	108,692	109,282	18,071
Riverboat State Distribution Fund	8,639	22,675	31,314	-
Rainy Day	-	10,000	-	10,000
Community Center Operating	44,300	20,954	17,502	47,752
ICJI Law Enforcement Block Grant 2001	257	-	-	257
ICJI Local Law Enforcement Block Grant 2002	1,507	-	1,213	294
2004 Porter County SAC DF Video Camera	-	3,825	3,825	-
2004 Porter County SAC DF Intox Grant	-	859	859	-
ICJI OPO Porter County Grant 2002	933	-	933	-
Brownfield Grant	-	6,000	6,000	-
Police Equipment	888	730	779	839
Police Gift	349	1,240	1,006	583
Park and Recreation Savings Gift	1,530	1,064	547	2,047
Downtown Beautification	1,386	50,283	3,262	48,407
Police Undercover	2,664	163	2,232	595
Unsafe Building Fund	-	1,000	-	1,000
Cumulative Capital Improvement	11,200	13,419	14,394	10,225
Cumulative Capital Development	833	39,174	31,766	8,241
County Economic Development Income Tax (CEDIT)	-	185,859	101,129	84,730
Proprietary Funds:				
Water Utility - Operating	124,406	1,948,900	1,962,983	110,323
Water Utility - Bond and Interest	29,862	198,002	209,340	18,524
Water Utility - Depreciation	6	-	-	6
Water Utility - Customer Deposit	38,981	19,220	19,026	39,175
Water Utility - Debt Reserve	109,611	42,430	-	152,041
Water Utility - Escrow Jeffrey Porter	56,000	-	-	56,000
Wastewater Utility - Operating	11,404	791,049	766,852	35,601
Wastewater Utility - Bond and Interest	173,235	3,578	175,044	1,769
Wastewater Utility - Debt Service	336,866	237,902	316,268	258,500
Wastewater Utility - Surplus Revenue	44,838	245,337	79,838	210,337
Stormwater Utility - Operating	484,883	238,152	262,958	460,077
Fiduciary Fund:				
Payroll	9,563	784,002	781,349	12,216
Totals	<u>\$ 1,728,553</u>	<u>\$ 6,117,966</u>	<u>\$ 5,811,484</u>	<u>\$ 2,035,035</u>

The accompanying notes are an integral part of the schedules.

TOWN OF HEBRON
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2004 And 2005
(Continued)

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 255,101	\$ 664,677	\$ 742,034	\$ 177,744
Motor Vehicle Highway	46,097	113,205	131,211	28,091
Local Road and Street	141,958	39,249	164,477	16,730
Law Enforcement Continuing Education	4,269	4,722	5,709	3,282
Garbage Fund	18,071	109,196	112,817	14,450
Riverboat State Distribution Fund	-	22,675	-	22,675
Rainy Day	10,000	-	10,000	-
Community Center Operating	47,752	20,660	20,789	47,623
ICJI Law Enforcement Block Grant 2001	257	-	-	257
ICJI Local Law Enforcement Block Grant 2002	294	-	-	294
Brownfield Grant	-	2,400	2,400	-
Police Equipment	839	1,581	1,743	677
Police Gift	583	5,652	5,016	1,219
Park and Recreation Savings Gift	2,047	2,641	2,698	1,990
Downtown Beautification	48,407	486	-	48,893
Police Undercover	595	5,317	2,916	2,996
Unsafe Building Fund	1,000	-	-	1,000
HRC Gift Savings	-	400	-	400
PCSAC Taser Guns Grant	-	1,675	-	1,675
Cumulative Capital Improvement	10,225	11,116	17,521	3,820
Cumulative Capital Development	8,241	27,732	19,855	16,118
County Economic Development Income Tax (CEDIT)	84,730	263,311	153,954	194,087
Proprietary Funds:				
Water Utility - Operating	110,323	2,010,418	2,001,030	119,711
Water Utility - Bond and Interest	18,524	212,369	210,245	20,648
Water Utility - Depreciation	6	-	-	6
Water Utility - Customer Deposit	39,175	26,976	20,376	45,775
Water Utility - Debt Reserve	152,041	42,430	-	194,471
Water Utility - Escrow Jeffrey Porter	56,000	941	-	56,941
Wastewater Utility - Operating	35,601	800,163	808,851	26,913
Wastewater Utility - Bond and Interest	1,769	2,645	1,000	3,414
Wastewater Utility - Debt Service	258,500	244,235	244,235	258,500
Wastewater Utility - Surplus Revenue	210,337	553,480	505,553	258,264
Wastewater Utility - Construction	-	2,348,809	1,700,225	648,584
Wastewater Utility - Debt Service 2005	-	3,000	-	3,000
Wastewater Utility - Debt Reserve 2005	-	9,731	9,731	-
Wastewater Utility - Escrow Grimmer Construction	-	14,489	-	14,489
Stormwater Utility - Operating	460,077	88,293	252,772	295,598
Fiduciary Fund:				
Payroll	12,216	793,842	791,080	14,978
Totals	<u>\$ 2,035,035</u>	<u>\$ 8,448,516</u>	<u>\$ 7,938,238</u>	<u>\$ 2,545,313</u>

The accompanying notes are an integral part of the schedules.

TOWN OF HEBRON
NOTES TO SCHEDULES

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, public improvements, planning and zoning, general administrative services, water, wastewater, and stormwater.

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.

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 HEBRON
NOTES TO SCHEDULES
(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.

Note 7. Long-Term Debt

The Town has entered into various debts such as bonds and loans for the Water and Wastewater Utilities and a capital lease for vehicles. The outstanding principal at December 31, 2005, was \$2,460,393, \$2,860,000, and \$15,232, respectively.

Note 8. Subsequent Event

The Town entered into a four-year lease on March 31, 2006, for the purchase of three trucks. The Town is currently negotiating a lease for three police cars.

Note 9. Contingent Liabilities

The Town is a defendant in a lawsuit in the amount of \$109,809 alleging breach of contract by a contractor. Per the attorney, it is unlikely there will be any substantial loss to the Town.

TOWN OF HEBRON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2005

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>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 59,053
Buildings	914,427
Machinery and equipment	<u>556,017</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 1,529,497</u>
<u>Primary Government</u>	
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 92,075
Buildings	423,000
Improvements other than buildings	3,312,804
Machinery and equipment	<u>2,014,750</u>
Total Water Utility capital assets	<u>5,842,629</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	22,992
Construction in progress	199,871
Buildings	490,815
Improvements other than buildings	2,485,778
Machinery and equipment	<u>1,127,972</u>
Total Wastewater Utility capital assets	<u>4,327,428</u>
Total business-type activities capital assets	<u>\$ 10,170,057</u>

TOWN OF HEBRON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF DEBT
 For The Year Ended December 31, 2005

CAPITAL LEASES

The Town has entered into the following capital leases:

<u>Description of Asset</u>	<u>Present Value of Net Minimum Lease Payments</u>	<u>Due Within One Year</u>
Two police cars	\$ 15,232	\$ 15,232
	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
2001 series	\$ 2,460,393	\$ 114,000
Wastewater Utility:		
Revenue bonds:		
2001 refunding	1,960,000	155,000
2005 series	<u>900,000</u>	<u>-</u>
Total Wastewater Utility	<u>2,860,000</u>	<u>155,000</u>
Total business-type activities	<u>\$ 5,320,393</u>	<u>\$ 269,000</u>

TOWN OF HEBRON
EXAMINATION RESULTS AND COMMENTS

MOVING TRAFFIC VIOLATIONS

The Hebron Police Department is issuing moving traffic violations which are being enforced as ordinance violations. These moving violations are not being heard in any circuit, superior, county, city, or town court. The fines are being collected by the Town and not through the county court system.

Indiana Code 36-1-6-3 states:

"(a) Certain ordinances may be enforced by a municipal corporation without proceeding in court through:

- (1) an admission of violation before the violations clerk under IC 33-6-3; or
- (2) administrative enforcement under section 9 of this chapter.

(b) Except as provided in subsection (a), a proceeding to enforce an ordinance must be brought in accordance with IC 34-28-5, section 4 of this chapter, or both.

(c) An ordinance defining a moving traffic violation may not be enforced under IC 33-6-3 and must be enforced in accordance with IC 34-28-5."

An ordinance defining a moving traffic violation may not be enforced under IC 33-36 and must be enforced in accordance with IC 34-28-5 which requires such cases to be heard in any circuit, superior, county, city or town court or traffic violations bureau designated by these courts (IC 36-1-6-3). (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2004)

Indiana Code 34-28-5-8 states in part:

"The violations clerk or deputy violations clerk shall:

- (2) issue receipts and account for any judgments (including costs) collected; and
- (3) pay the judgments (including costs) collected to the appropriate unit of government as provided by law."

TOWN OF HEBRON
EXAMINATION RESULTS AND COMMENTS
(Continued)

RECEIPT REMITTANCE - POLICE DEPARTMENT

Approximately 42% of the reports of collections tested were remitted to the Clerk-Treasurer from 8 to 14 days after the date of collection.

Accident report and gun permit receipts shall be remitted to the Town Clerk-Treasurer at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September, 2003, Page 5)

CLAIM ITEMIZATION

Approximately 35% of invoices tested were not adequately itemized.

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; . . ."

STORMWATER FEES

The Stormwater board established fees to be charged and collected for financing storm water drainage systems. The fees assessed are based upon a property's zoning. The Utility did not assess the fee for church properties and no authorization for the exemption was available for audit.

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)

TOWN OF HEBRON
EXIT CONFERENCE

The contents of this report were discussed on June 29, 2006, with Jamie E. Uzelac, Clerk-Treasurer; and David Fishero, Councilman. The official response has been made a part of this report and may be found on page 13.

Town Of Hebron

Office Of Clerk - Treasurer
(219) 996 - 4641



P.O. Box 478
106 E. Sigler St.
Hebron, In. 46341

June 29, 2006

State Board of Accounts
Bruce Hartman
302 West Washington Street
Room E 418
Indianapolis, Indiana 46204-2738

Re: Official Response

Dear Mr. Hartman,

Moving Traffic Violations:

The moving traffic violations were stopped the day that the auditors talked to the Chief and his head dispatcher.

Receipt Remittance-Police Department:

I will be sending a letter to the Police Chief requesting that the report of collections be turned in every Friday.

Claim Itemization:

The claims that were not adequately itemized were from the Town's legal firm. We have since discussed this matter with the attorney's and they will be itemizing all extra billing.

Stormwater Fees:

At our June 20, 2006 Town Council meeting this matter was discussed. Letters were sent to customers that were currently not being billed for drainage and they were informed that as of June 30, 2006 they would be required to pay drainage fees.

Sincerely,


Jamie E. Uzelac
Clerk treasurer