

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

EXAMINATION REPORT  
OF  
CITY OF WINCHESTER  
RANDOLPH COUNTY, INDIANA  
January 1, 2005 to December 31, 2005



**FILED**  
10/03/2006



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Vicki Haney	01-01-04 to 12-31-07
Mayor	Steve Croyle	01-01-04 to 12-31-07
President of the Town Council	Melanie Robinson	01-01-05 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF WINCHESTER, RANDOLPH COUNTY, INDIANA

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

STATE BOARD OF ACCOUNTS

September 12, 2006

CITY OF WINCHESTER  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, FIDUCIARY, AND PROPRIETARY FUND TYPES  
As Of And For The Year Ended December 31, 2005

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
<b>Governmental Funds:</b>				
General	\$ 270,824	\$ 2,235,156	\$ 2,148,944	\$ 357,036
Local Road and Street	134,724	19,306	-	154,030
Motor Vehicle Highway	246,926	655,882	789,444	113,364
Water and Lights	47,756	102,838	117,520	33,074
Community Focus Grants	13	-	13	-
Law Enforcement Continuing Education	2,431	2,901	499	4,833
Beeson Park	39,492	36,650	64,220	11,922
Cumulative Capital Improvement	304,127	15,571	310,000	9,698
Beeson Farm	191,905	18,209	31,474	178,640
Operation Pullover	964	1,400	1,920	444
Goodrich Park	54,338	151,014	189,040	16,312
Goodrich Park Repair	75,067	156,859	109,386	122,540
Fire Department Donation	450	750	-	1,200
Rainy Day	145,416	-	-	145,416
Substance Abuse Grant	155	-	-	155
Willow Ridge TIF District	181,837	135,575	105,402	212,010
Clerk's Record Perpetuation	8,811	2,750	600	10,961
Project Love Grant (Car Seats)	-	600	-	600
Fire Department Special CEDIT	25,000	-	9,750	15,250
Police Department Donation Wal-Mart	-	1,115	211	904
Indiana University (Car Seats)	-	2,500	1,017	1,483
Ambulance Non Reverting	-	2,693	88	2,605
Economic Development Income Tax	311,404	1,106,748	528,994	889,158
SART Forensic Equipment	-	550	505	45
BVP Grant	-	1,369	1,369	-
CJI Gas	-	200	200	-
Excess Levy	-	13,345	13,345	-
Cumulative Capital Development	229,778	64,732	39,253	255,257
Recycling	32,292	12,207	-	44,499
Animal Control	472	1,290	1,362	400
Animal Control Donation	-	2,121	-	2,121
Vision Park TIF	470,063	2,358,716	1,154,527	1,674,252
Confidential Funds	2,255	-	-	2,255
<b>Fiduciary Funds:</b>				
Police Officers' Pension	54,527	-	400	54,127
Firefighter's Pension	54,510	32,563	42,999	44,074
E.P. Miller Cemetery	5,354	259	354	5,259
Alice Bly Cemetery	10,000	-	-	10,000
Payroll	1,172	1,081,094	1,081,223	1,043
Court Costs Due County	-	21,716	21,716	-
City Court User Fee	14,570	53,822	52,272	16,120
City Court	10,103	227,691	232,050	5,744
<b>Proprietary Funds:</b>				
Wastewater Utility Operating	639,905	1,422,198	1,420,526	641,577
Wastewater Utility Bond and Interest	172,160	438,740	288,833	322,067
Wastewater Utility Improvement	274,035	-	110,954	163,081
Wastewater Utility Debt Service Reserve	401,000	-	-	401,000
Employee Benefit Insurance	497,483	647,558	536,057	608,984
<b>Totals</b>	<b>\$ 4,911,319</b>	<b>\$ 11,028,688</b>	<b>\$ 9,406,467</b>	<b>\$ 6,533,540</b>

The accompanying notes are an integral part of the schedules.

CITY OF WINCHESTER  
NOTES TO SCHEDULE

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The City 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 City 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 City 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 City 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.

CITY OF WINCHESTER  
NOTES TO SCHEDULE  
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City 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 City 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 City entered into various debts such as bonds for redevelopment and wastewater construction and capital leases for a sewer vacor and police cars. The outstanding principal for the bonds and capital leases at December 31, 2005, was \$4,729,000 and \$124,783, respectively.

Note 8. Subsequent Event

The City is constructing additional roadways at Vision Park at a cost of \$400,000.

The City has issued bonds in the amount of \$991,841 for the wastewater utility and entered into an agreement with Energy Systems Group to replace equipment to improve energy efficiency at the wastewater plant.

CITY OF WINCHESTER  
EXAMINATION RESULTS AND COMMENTS

OPTICAL IMAGES OF WARRANTS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

Indiana Code 5-15-6-3(a) concerning optical imaging of checks states in part:

"original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Further, Indiana Code 26-2-8-111(a) and (e) state in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a).

RECEIPT DEPOSITS – PARK DEPARTMENT

Receipts issued by the Park Department did not always indicate the make-up of the amount collected, i.e., cash and/or checks. The blanks on some of the receipt forms which are for use in stating the amount of cash and/or checks received would have a check mark in each blank rather than amounts.

Public funds shall be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSITS - PARK DEPARTMENT

In 67% of the receipts tested, receipts were deposited later than the next business day, with some receipts for August and September not being deposited until the following May.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated 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."

CITY OF WINCHESTER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

FEES – PARK DEPARTMENT

Nothing was presented for audit which showed how the fee charged for camping at Goodrich Park was established. It was not included on the fee schedule for 2005. The Board Minutes indicated that a donation would be requested for camping.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONTRACTS – PARK DEPARTMENT

The house in Goodrich Park was rented to the park superintendent, but no contract was available for audit.

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)

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Beeson Park	2005	\$ 36,360
Willow Ridge TIF District	2005	33,202
CEDIT	2005	236,494

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."

COLLECTION OF AMOUNTS DUE

During the audit period only 1 of the 11 loan recipients was making payments. The remaining loan recipients have made no payments for at least the last 3 years. Total loans receivable at December 31, 2005, was \$325,069. There is no ordinance on file to address the problem.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF WINCHESTER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

FEES – STREET DEPARTMENT

The unit is collecting a compost delivery fee that has not been approved by the City Council.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSITS – STREET DEPARTMENT

Of the receipts tested, 85% were deposited later than the next business day.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated 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."

FEES - EMS

The fees charged for the ambulance service were not approved by the Board of Works or the City Council.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF WINCHESTER  
EXIT CONFERENCE

The contents of this report were discussed on September 12, 2006, with Steve Croyle, Mayor; Vicki Haney, Clerk-Treasurer; and Melanie Robinson, President of the Town Council. The officials concurred with our findings.