

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

EXAMINATION REPORT
OF
TOWN OF WARREN
HUNTINGTON COUNTY, INDIANA
January 1, 2004 to December 31, 2005



FILED
10/26/2006

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OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|-------------------------------|------------------------------------|--|
| Clerk-Treasurer | Marilyn J. Morrison | 01-01-04 to 12-31-07 |
| President of the Town Council | Harold D. Jones David C. Scheib | 01-01-04 to 05-31-05 07-11-05 to 12-31-06 |
| Superintendent of Utilities | Darrel D. Bice Curt Day | 01-01-04 to 04-26-04 06-28-04 to 12-31-06 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF WARREN, HUNTINGTON COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Warren (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.

STATE BOARD OF ACCOUNTS

October 2, 2006

TOWN OF WARREN
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2004

| | Cash and Investments 01-01-04 | Receipts | Disbursements | Cash and Investments 12-31-04 |
|--|-------------------------------------|---------------------|---------------------|-------------------------------------|
| Governmental Funds: | | | | |
| General | \$ 451,030 | \$ 323,011 | \$ 290,286 | \$ 483,755 |
| Motor Vehicle Highway | 460,764 | 160,161 | 172,252 | 448,673 |
| Local Road and Street | 62,818 | 7,440 | - | 70,258 |
| Rainy Day | 30,000 | 10,058 | - | 40,058 |
| Law Enforcement Continuing Education | 2,805 | 1,265 | 1,665 | 2,405 |
| TIF Allocation | - | 152,859 | 59,543 | 93,316 |
| Sanitation | 12,046 | 40,915 | 41,289 | 11,672 |
| Cumulative Capital Improvement | 39,419 | 4,747 | 24,000 | 20,166 |
| Cumulative Capital Development | 109,563 | 18,622 | - | 128,185 |
| Cumulative Fire | 16,212 | 12,416 | - | 28,628 |
| Economic Development Income Tax | 75,580 | 47,916 | 52,322 | 71,174 |
| Proprietary Funds: | | | | |
| Water Utility - Operating | 101,965 | 209,306 | 210,075 | 101,196 |
| Water Utility - Bond and Interest | 12,553 | 24,000 | 21,380 | 15,173 |
| Water Utility - Depreciation | 106,861 | 22,355 | 19,742 | 109,474 |
| Water Utility - Customer Deposits | 24,382 | 5,900 | 4,575 | 25,707 |
| Water Utility - Building Corporation | 13,037 | 21,504 | 24,000 | 10,541 |
| Water Utility - Cash Reserve | 100,000 | - | - | 100,000 |
| Water Utility - Debt Service Reserve | 26,625 | - | - | 26,625 |
| Water Utility - Construction | - | 59,543 | 59,543 | - |
| Wastewater Utility - Operating | 685,941 | 155,670 | 510,192 | 331,419 |
| Wastewater Utility - Bond and Interest | 222,456 | 196,746 | 241,837 | 177,365 |
| Wastewater Utility - Depreciation | 70,704 | 255,994 | 273,473 | 53,225 |
| Wastewater Utility - Customer Deposits | - | 1,750 | - | 1,750 |
| Wastewater Utility - Construction | 6,994 | 64,774 | 71,768 | - |
| Wastewater Utility - Revenue | - | 359,583 | 359,583 | - |
| Wastewater Utility - Debt Service Reserve 2002 | - | 32,880 | - | 32,880 |
| Wastewater Utility - Debt Service Reserve 1995 | - | 37,500 | - | 37,500 |
| Electric Utility - Operating | 132,851 | 1,125,814 | 1,088,424 | 170,241 |
| Electric Utility - Depreciation | 407,138 | 23,534 | 52,846 | 377,826 |
| Electric Utility - Customer Deposits | 39,378 | 7,275 | 5,155 | 41,498 |
| Electric Utility - Cash Reserve | 317,755 | 90,851 | 70,000 | 338,606 |
| Electric Utility - Rate Stabilization | 64,167 | 25,884 | - | 90,051 |
| Fiduciary Fund: | | | | |
| Payroll | 1,323 | 459,624 | 459,308 | 1,639 |
| Totals | \$ 3,594,367 | \$ 3,959,897 | \$ 4,113,258 | \$ 3,441,006 |

The accompanying notes are an integral part of the schedules.

TOWN OF WARREN
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY 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 |
|--|-------------------------------------|---------------------|---------------------|-------------------------------------|
| Governmental Funds: | | | | |
| General | \$ 483,755 | \$ 269,497 | \$ 310,523 | \$ 442,729 |
| Motor Vehicle Highway | 448,673 | 151,689 | 142,160 | 458,202 |
| Local Road and Street | 70,258 | 7,457 | - | 77,715 |
| Rainy Day | 40,058 | - | - | 40,058 |
| Law Enforcement Continuing Education | 2,405 | 961 | 190 | 3,176 |
| TIF Allocation | 93,316 | 106,001 | - | 199,317 |
| Sanitation | 11,672 | 39,933 | 41,310 | 10,295 |
| Cumulative Capital Improvement | 20,166 | 3,933 | - | 24,099 |
| Cumulative Capital Development | 128,185 | 15,422 | 4,000 | 139,607 |
| Cumulative Fire | 28,628 | 10,281 | - | 38,909 |
| Economic Development Income Tax | 71,174 | 45,522 | 42,000 | 74,696 |
| Proprietary Funds: | | | | |
| Water Utility - Operating | 101,196 | 241,745 | 264,425 | 78,516 |
| Water Utility - Bond and Interest | 15,173 | 26,400 | 25,820 | 15,753 |
| Water Utility - Depreciation | 109,474 | 25,560 | 3,705 | 131,329 |
| Water Utility - Customer Deposits | 25,707 | 5,000 | 6,457 | 24,250 |
| Water Utility - Building Corporation | 10,541 | 19,667 | 20,250 | 9,958 |
| Water Utility - Cash Reserve | 100,000 | - | - | 100,000 |
| Water Utility - Debt Service Reserve | 26,625 | - | - | 26,625 |
| Wastewater Utility - Operating | 331,419 | 166,358 | 245,834 | 251,943 |
| Wastewater Utility - Bond and Interest | 177,365 | 200,502 | 185,049 | 192,818 |
| Wastewater Utility - Depreciation | 53,225 | 2,990 | 43,938 | 12,277 |
| Wastewater Utility - Customer Deposits | 1,750 | 4,650 | 1,350 | 5,050 |
| Wastewater Utility - Construction | - | 13,139 | 13,139 | - |
| Wastewater Utility - Revenue | - | 353,063 | 353,063 | - |
| Wastewater Utility - Debt Service Reserve 2002 | 32,880 | 14,400 | - | 47,280 |
| Wastewater Utility - Debt Service Reserve 1995 | 37,500 | - | - | 37,500 |
| Electric Utility - Operating | 170,241 | 1,128,061 | 1,111,701 | 186,601 |
| Electric Utility - Depreciation | 377,826 | 25,879 | 19,034 | 384,671 |
| Electric Utility - Customer Deposits | 41,498 | 6,475 | 11,089 | 36,884 |
| Electric Utility - Cash Reserve | 338,606 | 30,000 | 10,000 | 358,606 |
| Electric Utility - Rate Stabilization | 90,051 | 29,460 | - | 119,511 |
| Fiduciary Funds: | | | | |
| Payroll | 1,639 | 495,468 | 495,483 | 1,624 |
| Fire Department Donation | - | 2,090 | - | 2,090 |
| Totals | <u>\$ 3,441,006</u> | <u>\$ 3,441,603</u> | <u>\$ 3,350,520</u> | <u>\$ 3,532,089</u> |

The accompanying notes are an integral part of the schedules.

TOWN OF WARREN
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, highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater and electric.

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. Long-Term Debt

The Town has entered into various debt such as revenue bonds for water and wastewater improvements; a loan from the Electric Utility to the Water Utility; and a capital lease for water plant renovation. The outstanding principal at December 31, 2005, was \$2,913,000, \$128,167, and \$399,271, respectively.

TOWN OF WARREN
EXAMINATION RESULT AND COMMENT

DELINQUENT WASTEWATER ACCOUNTS

Our examination of the Wastewater Utility revealed that delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property. A similar comment appeared in prior Audit Report B22530.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare . . . :

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.
 - (B) A description of the premises, as shown by the records of the county auditor.
 - (C) The amount of the delinquent fees, together with the penalty.
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), after September 1 of the preceding calendar year and before September 1 of the current calendar year, the officer shall before December 15 of each year certify to the county auditor a list of the liens that remain unpaid for collection in the next May."

TOWN OF WARREN
EXIT CONFERENCE

The contents of this report were discussed on October 2, 2006, with Marilyn J. Morrison, Clerk-Treasurer; and David C. Scheib, President of the Town Council.