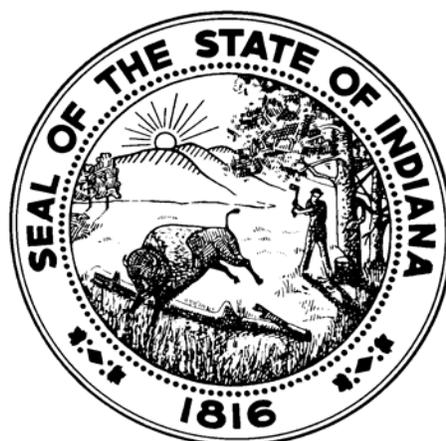


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT  
OF  
TOWN OF WOLCOTTVILLE  
LAGRANGE COUNTY, INDIANA  
January 1, 2005 to December 31, 2006



**FILED**  
06/27/2007



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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Jane M. Feller

01-01-04 to 12-31-07

President of the Town Council

Don Bateman

01-01-05 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF WOLCOTTVILLE, LAGRANGE COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Wolcottville (Town), for the period of January 1, 2005 to December 31, 2006. 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, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

May 24, 2007

TOWN OF WOLCOTTVILLE  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
<b>Governmental Funds:</b>				
General	\$ 119,560	\$ 360,440	\$ 392,003	\$ 87,997
Motor Vehicle Highway	39,642	32,657	26,543	45,756
Local Road and Street	10,276	3,495	-	13,771
Park and Recreation	336	189	122	403
Law Enforcement Continuing Education	492	287	184	595
Riverboat	11,783	5,883	6,366	11,300
Infraction Deferral	13,342	22,003	28,455	6,890
Cumulative Capital Improvement	1,563	2,884	1,973	2,474
Cumulative Capital Development	34,183	10,904	4,805	40,282
County Economic Development Income Tax	75,405	30,583	60,437	45,551
Park Donation	300	-	300	-
<b>Proprietary Funds:</b>				
Water Utility - Operating	11,160	79,467	70,954	19,673
Water Utility - Bond and Interest	105,737	22,042	49,220	78,559
Water Utility - Depreciation	35,976	8,887	475	44,388
Water Utility - Customer Deposit	8,711	840	1,577	7,974
Wastewater Utility - Operating	66,799	629,550	603,721	92,628
Wastewater Utility - Bond and Interest	179,464	446,008	374,043	251,429
Wastewater Utility - Debt Service Reserve	413,883	-	-	413,883
Wastewater Utility - Improvement	19,362	164	-	19,526
<b>Fiduciary Fund:</b>				
Payroll	-	146,465	145,862	603
<b>Totals</b>	<u>\$ 1,147,974</u>	<u>\$ 1,802,748</u>	<u>\$ 1,767,040</u>	<u>\$ 1,183,682</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
<b>Governmental Funds:</b>				
General	\$ 87,997	\$ 378,906	\$ 333,988	\$ 132,915
Motor Vehicle Highway	45,756	37,833	37,554	46,035
Local Road and Street	13,771	3,403	241	16,933
Park and Recreation	403	210	221	392
Law Enforcement Continuing Education	595	239	-	834
Riverboat	11,300	-	11,300	-
Infraction Deferral	6,890	26,680	27,087	6,483
Police Donation	-	4,314	3,209	1,105
Fireworks Donation	-	7,540	7,435	105
Cumulative Capital Improvement	2,474	3,333	1,400	4,407
Cumulative Capital Development	40,282	7,863	1,550	46,595
County Economic Development Income Tax	45,551	47,243	27,992	64,802
Local Major Moves Construction	-	238,653	-	238,653
<b>Proprietary Funds:</b>				
Water Utility - Operating	19,673	138,636	147,261	11,048
Water Utility - Bond and Interest	78,559	40,588	36,001	83,146
Water Utility - Depreciation	44,388	11,382	5,425	50,345
Water Utility - Customer Deposit	7,974	630	740	7,864
Wastewater Utility - Operating	92,628	607,269	512,936	186,961
Wastewater Utility - Bond and Interest	251,429	267,535	373,701	145,263
Wastewater Utility - Debt Service Reserve	413,883	-	-	413,883
Wastewater Utility - Improvement	19,526	9,160	8,873	19,813
<b>Fiduciary Fund:</b>				
Payroll	603	277,507	275,570	2,540
<b>Totals</b>	<u>\$ 1,183,682</u>	<u>\$ 2,108,924</u>	<u>\$ 1,812,484</u>	<u>\$ 1,480,122</u>

The accompanying notes are an integral part of the schedules.

TOWN OF WOLCOTTVILLE  
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; highways and streets; culture and recreation; general administrative services; and water and wastewater 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.

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 WOLCOTTVILLE  
NOTES TO FINANCIAL INFORMATION  
(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. Subsequent Event

The Town is in the process of constructing major improvements to the Water Utility distribution system and treatment plant. A State Revolving Fund Loan of \$1,064,000 was approved. Drawdowns of this loan to December 31, 2006, equal \$96,823. A Community Focus Fund grant in the amount of \$500,000 was awarded for the project in 2007.

TOWN OF WOLCOTTVILLE  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

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.

General infrastructure assets completed in the current and prior years have been reported. Retroactive reporting of general infrastructure assets will not be done.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 13,000
Infrastructure	50,980
Buildings	256,814
Improvements other than buildings	20,000
Machinery and equipment	<u>255,024</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u>595,818</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 4,150
Construction in progress	46,655
Buildings	32,297
Improvements other than buildings	401,888
Machinery and equipment	<u>81,143</u>
 Total Water Utility capital assets	 <u>566,133</u>

Wastewater Utility:	
Capital assets, not being depreciated:	
Land	27,778
Buildings	68,779
Improvements other than buildings	7,363,064
Machinery and equipment	<u>235,531</u>
 Total Wastewater Utility capital assets	 <u>7,695,152</u>

Total business-type activities capital assets	<u>\$ 8,261,285</u>
--	---------------------

TOWN OF WOLCOTTVILLE  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Police cars	\$ 26,217	\$ 9,982
Business-type Activities:		
Water Utility		
Loan payable		
2005 Water improvements	\$ 92,823	\$ -
Wastewater Utility		
Loan payable		
2000 Wastewater treatment facility	\$ 2,241,608	\$ 120,000
Revenue bonds:		
1995 Wastewater expansion	1,986,000	31,000
2003 Wastewater improvement	498,000	18,000
Total Wastewater Utility	4,725,608	169,000
Total business-type activities long-term debt:	\$ 4,818,431	\$ 169,000

TOWN OF WOLCOTTVILLE  
EXAMINATION RESULTS AND COMMENTS

CASH NECESSARY TO BALANCE

A comparison of the records to the bank accounts indicated cash necessary to balance of \$4,189.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were incorrect.

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."

GUARANTEE DEPOSIT REGISTER

The Guarantee Deposit Register was not in balance with the Utility Meter Deposit Fund's cash balance.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SERVICE AND TIME RECORDS

Employee time, attendance, or service records were not maintained and presented for examination.

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)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties were not recorded with the County Recorder in 2006 nor were they certified to the County Auditor which would result in a lien against the property.

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 either of the following:

TOWN OF WOLCOTTVILLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (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; and
  - (C) the amount of the delinquent fees, together with the penalty; or
- (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), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

#### CAPITAL ASSET RECORDS

An inventory of capital assets of the Town was not maintained. This was noted in the prior four reports, B13464, B16541, B21196, and B26592.

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

#### CONTRACT

Payments totaling \$19,279 were made to Reedy and Peters, LLC, for financial advice in 2006 without a 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)

#### ANNUAL REPORTS

The annual reports for 2005 and 2006 were incomplete and contained numerous errors.

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)

TOWN OF WOLCOTTVILLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

LOAN BETWEEN TOWN FUNDS

During 2006, expenditures for police equipment were made from the County Economic Development Income Tax fund (CEDIT). These transactions were entered into the records as loans to the Infraction Deferral fund. The balance owed to the CEDIT fund from the Infraction Deferral fund at December 31, 2006, was \$10,038. No ordinance or resolution was adopted to authorize these transactions.

Indiana Code 36-1-8-4 concerning temporary loans states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs; (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
  - (A) A statement that the fiscal body has determined that an emergency exists.
  - (B) A brief description of the grounds for the emergency.
  - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and department of local government finance."

BANK ACCOUNT NOT IN TOWN FUNDS

Donations were deposited into a bank account titled "Wolcottville K-9 Unit Fund." This account was not on the records of the Clerk-Treasurer.

Indiana Code 36-5-6-6(a) states in part: "The Clerk-Treasurer shall do the following: (1) Receive and care for all town money and pay the money out only on order of the town legislative body."

OFFICIAL BOND

The official bond of the Clerk-Treasurer was not filed in the Office of the County Recorder.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . ."

TOWN OF WOLCOTTVILLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

PRESCRIBED FORMS

The following prescribed or approved forms were not in use: Register of Investments (Form 350); Customer Deposit Receipt (Form 310).

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)

TOWN OF WOLCOTTVILLE  
EXIT CONFERENCE

The contents of this report were discussed on May 24, 2007, with Jane M. Feller, Clerk-Treasurer; and Don Bateman, President of the Town Council.