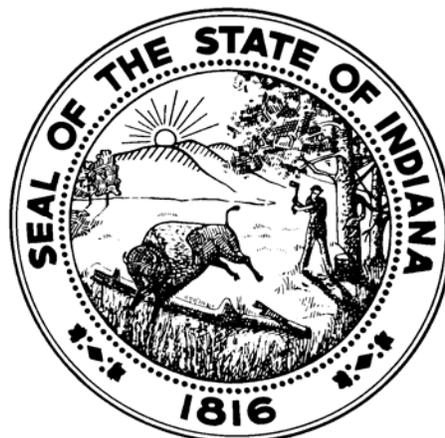


B30178

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

EXAMINATION REPORT
OF
TOWN OF NEW CARLISLE
ST. JOSEPH COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
07/30/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cathy A. Keck	01-01-04 to 12-31-07
President of the Town Council	Steven J. Hora	01-01-05 to 12-31-07
Public Works Director	Patrick Cummings	01-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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302 WEST WASHINGTON STREET
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF NEW CARLISLE, ST. JOSEPH COUNTY, INDIANA

We have examined the financial information presented herein of the Town of New Carlisle (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.

Financial records presented for examination were not reconciled to bank records during the examination period. Differences between the financial records and the bank records were material to the financial statements.

Because of the restrictions on our examination as discussed in the preceding paragraph, the scope of our examination work was not sufficient to enable us to express, and we do not express, an opinion on whether the financial information referred to above presents fairly, in all material respects, the cash transactions of the Town for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on the schedule.

STATE BOARD OF ACCOUNTS

June 28, 2007

TOWN OF NEW CARLISLE
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, 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
Governmental Funds:				
General	\$ 153,943	\$ 974,832	\$ 846,216	\$ 282,559
Motor Vehicle Highway	41,254	75,425	57,538	59,141
Local Road and Street	6,924	18,116	4,805	20,235
Nonreverting Park	1,029	450	200	1,279
Law Enforcement Continuing Education	1,915	554	1,038	1,431
Riverboat	12,247	9,490	17,812	3,925
Community Services	255	-	-	255
Wal-Mart Foundation Grant	9	-	-	9
Cemetery	28,207	16,646	24,967	19,886
Excavating Permit	4,595	100	-	4,695
Park Gift	200	-	-	200
Law Enforcement Gift	95	-	-	95
Refuse Removal	115,734	65,398	77,846	103,286
Debt Service	17,797	46,084	6,084	57,797
Cumulative Capital Improvement	37,793	4,652	3,920	38,525
Cumulative Capital Development	43,700	17,011	4,304	56,407
Cumulative Fire	31,709	11,340	30,000	13,049
COIT	137,562	29,753	167,315	-
CEDIT	70,256	24,727	-	94,983
Cemetery Perpetual Care	106,059	2,100	-	108,159
Area Ambulance Service	12,571	117,502	73,995	56,078
Proprietary Funds:				
Water Utility:				
Operating	219,521	1,527,605	1,657,516	89,610
Bond and Interest	33,111	381,678	277,974	136,815
Depreciation	53,530	120,959	46,577	127,912
Customer Deposit	12,768	1,920	1,733	12,955
Construction	19,637	-	10,118	9,519
Wastewater Utility:				
Operating	23,025	255,871	254,871	24,025
Bond and Interest	15,431	59,384	58,830	15,985
Depreciation	30,673	26,466	2,925	54,214
Construction	33,083	-	21,996	11,087
Debt Reserve	51,430	6,910	23,418	34,922
Electric Utility:				
Operating	90,025	856,412	882,955	63,482
Bond and Interest	70,618	14,423	51,009	34,032
Depreciation	75,801	84,354	82,127	78,028
Customer Deposit	44,885	8,930	8,950	44,865
Debt Reserve	36,100	-	-	36,100
Revenue	-	880,190	880,190	-
Self-Insurance	50,920	177,425	149,644	78,701
Fiduciary Funds:				
Payroll	9,431	263,370	261,931	10,870
Sidewalk Escrow	22,039	23,186	16,080	29,145
Totals	<u>\$ 1,715,882</u>	<u>\$ 6,103,263</u>	<u>\$ 6,004,884</u>	<u>\$ 1,814,261</u>

The accompanying notes are an integral part of the financial information.

TOWN OF NEW CARLISLE
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2005 And 2006
(Continued)

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 282,559	\$ 849,859	\$ 763,095	\$ 369,323
Motor Vehicle Highway	59,141	74,941	64,388	69,694
Local Road and Street	20,235	17,905	5,622	32,518
Nonreverting Park	1,279	375	150	1,504
Law Enforcement Continuing Education	1,431	656	1,736	351
Riverboat	3,925	9,471	-	13,396
Community Services	255	-	-	255
Wal-Mart Foundation Grant	9	-	-	9
Cemetery	19,886	32,517	22,849	29,554
Excavating Permit	4,695	-	-	4,695
Park Gift	200	1,060	120	1,140
Law Enforcement Gift	95	3,177	797	2,475
Refuse Removal	103,286	107,528	140,708	70,106
Debt Service	57,797	32,095	6,114	83,778
Cumulative Capital Improvement	38,525	5,377	13,846	30,056
Cumulative Capital Development	56,407	44,867	-	101,274
Cumulative Fire	13,049	29,912	1,886	41,075
CEDIT	94,983	30,414	3,280	122,117
Major Moves	-	189,368	-	189,368
Cemetery Perpetual Care	108,159	4,300	-	112,459
Area Ambulance Service	56,078	117,271	82,407	90,942
Proprietary Funds:				
Water Utility:				
Operating	89,610	1,398,131	1,310,118	177,623
Bond and Interest	136,815	55,845	126,187	66,473
Depreciation	127,912	14,895	23,120	119,687
Customer Deposit	12,955	1,800	1,621	13,134
Construction	9,519	-	-	9,519
Wastewater Utility:				
Operating	24,025	245,116	241,116	28,025
Bond and Interest	15,985	36,569	15,500	37,054
Depreciation	54,214	17,043	5,732	65,525
Construction	11,087	-	-	11,087
Debt Reserve	34,922	2,730	22,867	14,785
Electric Utility:				
Operating	63,482	954,607	984,307	33,782
Bond and Interest	34,032	17,000	50,850	182
Depreciation	78,028	190	64,514	13,704
Customer Deposit	44,865	8,720	7,605	45,980
Debt Reserve	36,100	-	-	36,100
Revenue	-	971,607	971,607	-
Self-Insurance	78,701	171,961	153,484	97,178
Fiduciary Funds:				
Payroll	10,870	298,889	294,771	14,988
Sidewalk Escrow	29,145	17,280	20,146	26,279
Totals	<u>\$ 1,814,261</u>	<u>\$ 5,763,476</u>	<u>\$ 5,400,543</u>	<u>\$ 2,177,194</u>

The accompanying notes are an integral part of the financial information.

TOWN OF NEW CARLISLE
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, health and social services, culture and recreation, and general administrative 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. 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.

TOWN OF NEW CARLISLE
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

On March 27, 2007, the Town passed Resolution 07-03-27-01 which approves the issuance of General Obligation Bonds in the amount of \$661,072. The proceeds of this bond issue will be used for the purchase and renovation of buildings, equipment purchases and street projects.

TOWN OF NEW CARLISLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Police vehicles	\$ 26,296	\$ 26,296
Town hall building	35,000	35,000
Bonds payable:		
General obligation bonds:		
Street repairs and equipment	<u>117,000</u>	<u>86,000</u>
Total governmental activities long-term debt	<u>\$ 178,296</u>	<u>\$ 147,296</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
1980 Revenue Bonds	\$ 469,000	\$ 24,000
2000 Revenue Bonds	<u>765,000</u>	<u>40,000</u>
Total Water Utility	<u>1,234,000</u>	<u>64,000</u>
Wastewater Utility		
Revenue bonds:		
2000 Revenue and Refunding Revenue Bonds	<u>770,000</u>	<u>35,000</u>
Electric Utility:		
Revenue bonds:		
1998 Refunding Revenue Bonds	<u>24,000</u>	<u>24,000</u>
Total business-type activities long-term debt:	<u>\$ 2,028,000</u>	<u>\$ 123,000</u>

TOWN OF NEW CARLISLE
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

The following deficiencies, relating to the recordkeeping that were cited in the prior Report B25493, were again present during our period of examination:

Record balances have not been accurately reconciled to bank account balances during the past two years.

During the course of the examination, the following material transactions were not posted: water revenue bond payments totaling \$104,386, and interest receipts totaling \$26,120. These corrections were made to the financial statements for 2006 and were subsequently posted to the Town's records. Other minor reconciling items have not yet been recorded.

After adjusting for the above items, a comparison of the records to the bank account balances indicates a cash necessary to balance of \$51,043.

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."

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)

UTILITY RECEIPT TAX

Neither the Water and Electric Utilities, nor the Refuse Removal Fund, paid Utility Receipt Tax to the Indiana Department of Revenue for 2004, 2005, or 2006. As of December 31, 2006, estimated total Utility Receipt Tax due to the Indiana Department of Revenue is \$75,962.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SALES TAX NOT REMITTED

The Electric and Water Utilities collected, from customers, sales tax for utility services for the time period July 2006 through December 2006, but did not remit these collections to the Indiana Department of Revenue during 2006.

On April 20, 2007, the Utilities remitted \$35,810 to the Indiana Department of Revenue for the months of July 2006 through December 2006.

TOWN OF NEW CARLISLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Collections by a city or town from the retail sale of tangible property, utility service, or commodities in the performance of private or proprietary activities are subject to sales tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

All questions concerning the law or procedure for paying and collecting sales tax should be directed to the Indiana Department of Revenue, Sales Tax Division. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

AMBULANCE SERVICE

In the wake of the apparent dissolution of Community Ambulance Service, Inc., the New Carlisle Area Ambulance Service is providing ambulance service for the residents of Olive and Hudson Township, including the Town of New Carlisle. Bank accounts and certificates of deposit have been acquired by the Ambulance Service using the federal identification number of the Town. There is no current operating agreement regarding the operations, financial transactions, or responsibilities of the parties involved. (New Carlisle Area Ambulance Service, Olive Township, Hudson Township, Town of New Carlisle).

The Town Council, acting on behalf of the New Carlisle Area Ambulance Service, entered into an agreement with a private contractor to provide for the billing services of the ambulance runs. These collections are deposited into the bank account mentioned above.

The Town Council passed Ordinance 1127, "An Ordinance Providing for Inter-Governmental Agreement with Olive Township, St. Joseph County, Hudson Township, LaPorte County, and Town of New Carlisle for the Ownership and Management of the New Carlisle Area Ambulance Service" on May 11, 2004. This ordinance establishes a fund for the deposit of fees and charges for ambulance billings. No such fund has been established on the records of the Town, but is being used by the New Carlisle Area Ambulance Service.

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, etc., must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES AND INTEREST

Penalties and interest totaling \$204.94 were paid to the Internal Revenue Service and the Indiana Department of Revenue in 2005 for 2004.

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 governmental 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 governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF NEW CARLISLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

PAYROLL WITHHOLDING FUND

Controls over the receipting, disbursing, recording, and accounting for the financial activities related to payroll withholdings were insufficient. Manual checks for withholding payments were not posted, cash balances in the Payroll Fund did not agree to liabilities paid in subsequent periods, checks were posted to the Payroll Fund for nonpayroll transactions, and interest and penalties for delinquent taxes were paid from the Payroll Fund.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

The Town has not updated its list of capital assets within the past two years.

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)

METER DEPOSITS

Some Customer Meter Deposit receipts were written for amounts which could not be verified to bank deposits. For the years 2005 and 2006, receipts totaling \$580 and \$180, respectively, could not be verified to the bank deposits.

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

DEPOSITS

Some receipts were written for cash collections which could not be verified to bank deposits. Further examination disclosed that cash collections were being exchanged for personal checks.

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

DELINQUENT WASTEWATER ACCOUNTS

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.

TOWN OF NEW CARLISLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

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:

- (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 . . ."

TOWN OF NEW CARLISLE
EXIT CONFERENCE

The contents of this report were discussed on June 28, 2007, with Cathy A. Keck, Clerk-Treasurer; and Steven J. Hora, President of the Town Council.