

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

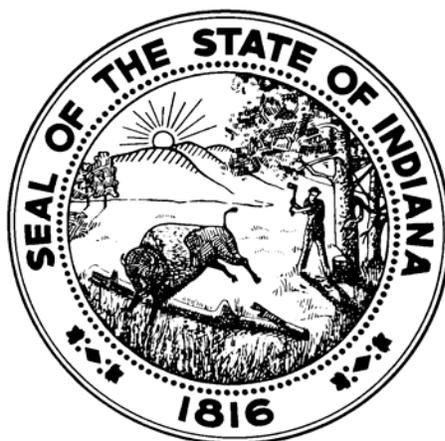
EXAMINATION REPORT

OF

TOWN OF TOPEKA

LAGRANGE COUNTY, INDIANA

January 1, 2005 to December 31, 2006



**FILED**  
10/25/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	DeWayne C. Bontrager	01-01-04 to 12-31-07
President of the Town Council	Romayne Bender Yvonne Eash	01-01-05 to 12-31-06 01-01-07 to 12-31-07
Superintendent of Water Utility	Johnny Huff	01-01-05 to 12-31-07
Superintendent of Wastewater Utility	Mickey Reese Andrew Morr	01-01-05 to 12-31-05 01-01-06 to 12-31-07



**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 TOPEKA, LAGRANGE COUNTY, INDIANA

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

STATE BOARD OF ACCOUNTS

September 13, 2007

TOWN OF TOPEKA  
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
Governmental Funds:				
General	\$ 64,988	\$ 800,527	\$ 730,672	\$ 134,843
Motor Vehicle Highway	67,934	385,514	338,614	114,834
Local Road and Street	7,017	4,136	-	11,153
Park and Recreation	53,949	176,213	180,224	49,938
Law Enforcement Continuing Education	25,154	12,656	34,479	3,331
Riverboat	9,099	7,308	-	16,407
Rainy Day	864	-	-	864
Employee Insurance Supplement	21,628	284	2,665	19,247
Park Donation	2,096	2,752	2,251	2,597
Police Donation	552	100	-	652
Fire Donation	89,933	842	90,564	211
EMS Donation	817	-	-	817
Cumulative Capital Improvement	6,908	3,583	6,000	4,491
Cumulative Capital Development	23,941	94,581	90,020	28,502
CEDIT	150,101	80,515	112,536	118,080
Cumulative Firefighting	145,051	151,554	187,004	109,601
Cumulative Sewer	170,120	169,022	8,593	330,549
General Improvements	30,564	2,574	6,099	27,039
TIF Allocation	1,319,098	1,130,836	415,649	2,034,285
TIF Contingency	31,403	-	-	31,403
TIF Debt Service	105,774	75,027	73,077	107,724
Proprietary Funds:				
Water Utility - Operating	14,362	174,983	174,177	15,168
Water Utility - Depreciation	160,118	83,039	143,439	99,718
Water Utility - Customer Deposit	9,545	1,600	1,274	9,871
Wastewater Utility - Operating	14,376	199,389	198,135	15,630
Wastewater Utility - Bond and Interest and Reserve	148,086	63,662	69,452	142,296
Wastewater Utility - Depreciation	197,779	98,590	121,787	174,582
Fiduciary Funds:				
Escrow	15,684	22,469	5,211	32,942
Payroll	(366)	443,256	443,132	(242)
Totals	<u>\$ 2,886,575</u>	<u>\$ 4,185,012</u>	<u>\$ 3,435,054</u>	<u>\$ 3,636,533</u>

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

TOWN OF TOPEKA  
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  
(Continued)

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 134,843	\$ 658,724	\$ 716,612	\$ 76,955
Motor Vehicle Highway	114,834	272,930	281,658	106,106
Local Road and Street	11,153	4,028	7,451	7,730
Park and Recreation	49,938	89,444	110,476	28,906
Law Enforcement Continuing Education	3,331	50,426	23,298	30,459
Riverboat	16,407	7,293	1,465	22,235
Rainy Day	864	-	-	864
Employee Insurance Supplement	19,247	8,477	15,341	12,383
Park Donation	2,597	13,587	13,148	3,036
Police Donation	652	3,668	4,320	-
Fire Donation	211	1	-	212
EMS Donation	817	-	241	576
Cumulative Capital Improvement	4,491	4,141	1,417	7,215
Cumulative Capital Development	28,502	22,069	5,620	44,951
CEDIT	118,080	103,722	131,344	90,458
Cumulative Firefighting	109,601	84,156	105,710	88,047
Cumulative Sewer	330,549	158,328	154,224	334,653
General Improvements	27,039	5,876	140	32,775
TIF Allocation	2,034,285	741,674	512,190	2,263,769
TIF Contingency	31,403	-	31,403	-
TIF Debt Service	107,724	299,125	406,849	-
Local Major Moves Construction	-	601,389	-	601,389
Levy Excess	-	6,030	6,030	-
Proprietary Funds:				
Water Utility - Operating	15,168	183,013	183,655	14,526
Water Utility - Depreciation	99,718	187,055	205,163	81,610
Water Utility - Customer Deposit	9,871	1,176	1,226	9,821
Wastewater Utility - Operating	15,630	240,512	243,147	12,995
Wastewater Utility - Bond and Interest and Reserve	142,296	58,305	67,171	133,430
Wastewater Utility - Depreciation	174,582	115,104	135,638	154,048
Fiduciary Funds:				
Escrow	32,942	14,598	31,855	15,685
Payroll	(242)	427,163	426,820	101
Totals	<u>\$ 3,636,533</u>	<u>\$ 4,362,014</u>	<u>\$ 3,823,612</u>	<u>\$ 4,174,935</u>

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

TOWN OF TOPEKA  
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.

TOWN OF TOPEKA  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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. 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.

TOWN OF TOPEKA  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

CAPITAL LEASES

The Town has entered into the following capital leases:

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Kubota Mower	\$ 3,283	\$ 2,561
2006 Dodge Charger	21,052	8,110
Playground Equipment	61,409	23,658
Claims and judgments		
Notes and loans payable	<u>50,703</u>	<u>50,703</u>
Total governmental activities long-term debt	<u>\$ 136,447</u>	<u>\$ 85,032</u>
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
1998 Wastewater Bonds	<u>605,000</u>	<u>40,000</u>
Total business-type activities long-term debt:	<u>\$ 605,000</u>	<u>\$ 40,000</u>

TOWN OF TOPEKA  
EXAMINATION RESULTS AND COMMENTS

PUBLIC PURCHASES LAW

The Town of Topeka Park Department Board purchased playground equipment and woodcarpet, both including installation, in November 2005. The original cost was \$87,627. Evidence of bids was not presented for examination.

Indiana Code 5-22-7-8 states: "A contract must be awarded with reasonable promptness by written notice to the lowest responsible and responsive bidder."

PUBLIC RECORDS RETENTION

A large portion of the 2005 general ledger was not available or presented for examination.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records 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)

PUBLIC WORKS CONTRACT CHANGE ORDERS

A public works contract was awarded for Street Improvements in the amount of \$143,119.60. On August 8, 2005, change order number one for \$41,150 was approved. On August 22, 2005, change order number two for \$891 was approved. On December 28, 2005, change order number three for a deduction of \$9,470.28 was approved. The combination of the three change orders is a net increase of \$32,570.72, which represents a 23% increase over the original contract.

The total of all change orders issued that increase the scope of the project may not exceed twenty percent (20%) of the amount of the original contract. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF TOPEKA  
EXIT CONFERENCE

The contents of this report were discussed on September 13, 2007, with DeWayne C. Bontrager; Clerk-Treasurer; and Yvonne Eash, President of the Town Council.