

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

EXAMINATION REPORT

OF

TOWN OF WHITESTOWN

BOONE COUNTY, INDIANA

January 1, 2005 to December 31, 2006



**FILED**  
11/29/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Debbie Zachelmeyer	01-01-04 to 12-31-07
Town Court Judge	Edward Bradley	01-01-04 to 12-31-07
President of the Town Council	Sam Sortor Jason Tribbey	01-01-05 to 12-31-06 01-01-07 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF WHITESTOWN, BOONE COUNTY, INDIANA

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

Except as described in the next paragraph, 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 for the year ended December 31, 2005, were incomplete and not reflective of the activity of the Town's funds. Accurate ledgers were not maintained for 2005 for individual funds for the Water and Wastewater Utilities. As a result, financial activity for these funds for 2005 could not be determined. Also, we were unable to verify the accuracy of the balances in individual funds at January 1, 2005. Bank account reconciliations were not accurately performed for Town funds for the years 2005 and 2006. The bank reconciliation for Town funds at December 31, 2005, showed that reconciled bank balances were \$280,269.61 less than ledger balances. The December 31, 2006, bank reconciliation showed that reconciled bank balances were \$30,635.56 more than ledger balances. Bank reconciliations at January 1, 2005, were not performed. As a result, the validity and accountability of cash and investments at January 1, 2005, could not be established.

Because of the restrictions on our examination as discussed in the preceding paragraph, the scope of our 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 years ended December 31, 2005 and 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 it.

STATE BOARD OF ACCOUNTS

September 27, 2007

TOWN OF WHITESTOWN  
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
<b>Governmental Funds:</b>				
General	\$ 85,001	\$ 112,263	\$ 142,859	\$ 54,405
Motor Vehicle Highway	75,387	22,533	17,450	80,470
Local Road and Street	1,513	4,537	151	5,899
Park and Recreation	42,815	6,810	5,526	44,099
Park Nonreverting	644	-	-	644
Law Enforcement Continuing Education	(1,762)	140	30,745	(32,367)
Law Enforcement Grant	1,785	20,523	33,770	(11,462)
Police Donation	(18,586)	3,460	1,145	(16,271)
Rainy Day	879	-	-	879
User Fee	8,058	98	-	8,156
Cumulative Capital Development	3,532	2,375	-	5,907
Clerk's Records Perpetuation	472	86	13,039	(12,481)
<b>Proprietary Funds:</b>				
Water Utility - Operating	40,163	441,556	370,669	111,050
Water Utility - Acquisition	98,949	242,271	327,235	13,985
Water Utility - Capacity	9,057	791,990	1,350,830	(549,783)
Water Utility - Recoupment	39,738	43,046	43,601	39,183
Water Utility - Boone County Utilities	21,617	4,457	26,074	-
Water Utility - Debt Service Reserve	33,915	-	-	33,915
Water Utility - Bond and Interest Trust	-	645,252	-	645,252
Wastewater Utility - Operating	21,554	832,311	595,611	258,254
Wastewater Utility - Capacity	89,803	2,928,981	2,102,878	915,906
Wastewater Utility - Boone County Utilities	77,897	126	78,023	-
Wastewater Utility - Acquisition	137,903	618,179	503,610	252,472
Wastewater Utility - Perry Worth Project	4,056	2	4,058	-
Wastewater Utility - Recoupment	715,591	454,542	766,716	403,417
Wastewater Utility - Debt Service Reserve	-	45,673	-	45,673
Wastewater Utility - Bond and Interest Trust	-	931,298	-	931,298
<b>Fiduciary Funds:</b>				
Payroll	1,393	204,879	205,271	1,001
Utilities Reimbursement	-	694,585	490,694	203,891
Town Court	1,467	5,043	6,307	203
<b>Totals</b>	<u>\$ 1,492,841</u>	<u>\$ 9,057,016</u>	<u>\$ 7,116,262</u>	<u>\$ 3,433,595</u>

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

TOWN OF WHITESTOWN  
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 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
<b>Governmental Funds:</b>				
General	\$ 54,405	\$ 419,981	\$ 440,832	\$ 33,554
Motor Vehicle Highway	80,470	27,582	147,490	(39,438)
Local Road and Street	5,899	7,325	10,507	2,717
Park and Recreation	44,099	10,187	7,154	47,132
Park Nonreverting	644	510	-	1,154
Law Enforcement Continuing Education	(32,367)	42,855	11,110	(622)
Law Enforcement Grant	(11,462)	11,462	-	-
Police Donation	(16,271)	16,271	-	-
Rainy Day	879	-	-	879
User Fee	8,156	-	7,946	210
Cumulative Capital Improvement	-	1,683	-	1,683
Cumulative Capital Development	5,907	4,385	2,542	7,750
Redevelopment Commission	-	20,166	-	20,166
County Court Costs	-	378	-	378
Clerk's Records Perpetuation	(12,481)	12,653	-	172
<b>Proprietary Funds:</b>				
Water Utility - Operating	111,050	696,133	767,385	39,798
Water Utility - Acquisition	13,985	86	14,071	-
Water Utility - Capacity	(549,783)	692,894	133,388	9,723
Water Utility - Recoupment	39,183	146,711	141,703	44,191
Water Utility - Debt Service Reserve	33,915	-	-	33,915
Water Utility - Bond and Interest Trust	645,252	26,195	-	671,447
Wastewater Utility - Operating	258,254	1,111,911	1,064,804	305,361
Wastewater Utility - Capacity	915,906	2,034,932	905,268	2,045,570
Wastewater Utility - Acquisition	252,472	138,314	390,786	-
Wastewater Utility - Recoupment	403,417	60,869	-	464,286
Wastewater Utility - Debt Service Reserve	45,673	-	-	45,673
Wastewater Utility - Bond and Interest Trust	931,298	37,811	-	969,109
<b>Fiduciary Funds:</b>				
Payroll	1,001	450,513	443,811	7,703
Utilities Reimbursement	203,891	183,989	425,992	(38,112)
Town Court	203	39,449	37,031	2,621
<b>Totals</b>	<u>\$ 3,433,595</u>	<u>\$ 6,195,245</u>	<u>\$ 4,951,820</u>	<u>\$ 4,677,020</u>

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

TOWN OF WHITESTOWN  
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, culture and recreation, and general administrative services, water and wastewater.

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.

WHITESTOWN UTILITIES  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Debt	Ending Balance	Due Within One Year
Business-type Activities:		
Capital leases:		
Utility Tractor	\$ 14,100	\$ 3,691
Case Backhoe	71,205	12,929
Notes and loans payable:		
Bond Anticipation Notes	8,328,580	157,463
Bonds payable:		
Revenue bonds:		
Waterworks Revenue Bonds, Series 2005	570,982	-
Wastewaterworks Revenue Bonds, Series 2005	743,023	-
Waterworks Revenue Bonds, Series 2001	121,556	6,300
Wastewaterworks Revenue Bonds, Series 2001	194,524	11,500
	<u>10,043,970</u>	<u>191,883</u>
Total governmental activities long-term debt	<u>\$ 10,043,970</u>	<u>\$ 191,883</u>

TOWN OF WHITESTOWN  
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the Town funds ledger balances to the bank account balances at December 31, 2005 and December 31, 2006, were incorrect. The bank reconciliation performed by the Town at December 31, 2006, was in agreement with the Annual Report, but was not in agreement with the Town funds ledger balances. At December 31, 2006, the reconciled bank balances of the Town were \$30,635.56 more than Town funds ledger balances. The December 31, 2006, bank reconciliation was performed including the Utilities Reimbursement Fund as part of the Town Funds, but the December 31, 2005, bank reconciliation did not include this fund in reconciling bank balances to ledger balances. At December 31, 2005, the reconciled bank balances were \$280,269.81 less than Town funds ledger balances.

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."

CAPITAL ASSET RECORDS

As noted in the prior Report B27139, the Town Council has not adopted a capital assets policy, and an inventory or the prescribed Capital Assets Ledger, Form 211 had not been completed for Town capital assets.

Every governmental unit should have a complete inventory of all capital assets owned which reflects 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)

OVERDRAWN FUND BALANCES

The Law Enforcement Continuing Education Fund, the Law Enforcement Grant Fund, the Police Donation Fund, the Clerk's Records Perpetuation and the Water Utility - Capacity Fund were overdrawn as of December 31, 2005. The Motor Vehicle Highway Fund, the Law Enforcement Continuing Education Fund and the Utilities Reimbursement Fund were overdrawn as of December 31, 2006.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CERTIFIED REPORT NOT FILED

The Town did not file a certified report of compensation of officers and employees (Form 100R or its equivalent) with the State Board of Accounts for the year 2006.

Indiana Code 5-11-13-1 states in part: "Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

TOWN OF WHITESTOWN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

ANNUAL REPORT

An Annual Report for the year 2005 was not prepared. In addition, the Annual Report for 2006 was not filed. The December 31, 2006, cash balances for the Town funds as shown in the Town's accounting records were not in agreement with cash balances as presented on the Annual Report (CTAR-1).

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

ERRORS ON CLAIMS

The following errors were noted on claims:

1. Of the claims sampled, 17% were not accompanied by an itemized invoice or bill.
2. 44% of these claims or invoices did not include evidence in support of the receipt of goods or services.
3. The Utility Manager did not approve 9% of the claims sampled.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

PRESCRIBED FORMS

Receipts issued by the Utility to developers for capacity fees, tap fees, inspection fees, account establishment fees and meter fees were not prescribed or approved by the State Board of Accounts. In addition, the prescribed form, Accounts Payable Voucher Form 39 was not in use.

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 WHITESTOWN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

UTILITY RECEIPTS TAX

The Whitestown Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue for 2006 and for the period January 1, 2005 through September 30, 2005. In addition, supporting documentation was not available for examination for the remitted Utility Receipts Tax for the period October 1, 2005 to December 31, 2005.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPORTING DOCUMENTATION - SALES TAX REMITTANCES

Documentation supporting calculations made by the Utilities to support sales tax remitted to the Indiana Department of Revenue was not sufficient. There was no listing of customers exempt from sales tax available for examination. Also, sales tax returns for the months of January 2005 through March 2005 were not available for examination. Due to the lack of supporting information, the validity and accountability for the money disbursed to Indiana Department of Revenue could not be established.

Supporting documentation for public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS - TOWN COURT

Financial records presented for examination were incomplete. Monthly reports for July through September of 2005 and November of 2005 were not available for examination. Accordingly, the records presented did not provide sufficient information to examine or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF WHITESTOWN  
EXIT CONFERENCE

The contents of this report were discussed on October 15, 2007, with Jason Tribbey, President of the Town Council; Susan Smith, Town Council Member; and Debbie Zachelmeyer, Clerk-Treasurer.

The contents of this report were discussed on October 25, 2007, with Edward Bradley, Town Court Judge. The official concurred with our findings.