

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

EXAMINATION REPORT
OF
TOWN OF VERA CRUZ
WELLS COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
11/05/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5-6
Supplementary Information:	
Schedule of Capital Assets.....	7
Examination Results and Comments:	
Payroll.....	8
Investment Register Not Maintained	8
Transaction Recording	8
Exit Conference.....	9

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Debra Klopfenstein	10-01-05 to 12-31-11
President of the Town Council	Mary Ann Bricker	01-01-06 to 12-31-08



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF VERA CRUZ, WELLS COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Vera Cruz (Town), for the period of January 1, 2006 to December 31, 2007. 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, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets, 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

October 7, 2008

TOWN OF VERA CRUZ
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 5,292	\$ 7,267	\$ 6,629	\$ 5,930
Motor Vehicle Highway	10,649	2,107	-	12,756
Local Road and Street	6,494	841	-	7,335
Christmas Donations	1,777	301	31	2,047
Riverboat	1,041	346	-	1,387
Rainy Day	62	-	-	62
Wells County Foundation Grant	2,305	1,480	-	3,785
Flood Recovery	1	1,479	1,480	-
Levy Excess	220	266	211	275
Cumulative Capital Improvement	1,973	280	-	2,253
Cumulative Capital Development	4,351	604	39	4,916
Economic Development Income Tax	2,814	344	34	3,124
Proprietary Funds:				
Wastewater Utility - Operating	78,579	70,329	54,493	94,415
Wastewater Utility - Replacement	25,899	1,768	-	27,667
Wastewater Utility - Bond and Interest	28,763	5,533	-	34,296
Wastewater Utility - Depreciation	5,934	744	-	6,678
Wastewater Utility - Tap-In Fee	16,807	2,687	-	19,494
Totals	<u>\$ 192,961</u>	<u>\$ 96,376</u>	<u>\$ 62,917</u>	<u>\$ 226,420</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 5,930	\$ 2,672	\$ 4,729	\$ 3,873
Motor Vehicle Highway	12,756	3,110	-	15,866
Local Road and Street	7,335	880	-	8,215
Christmas Donations	2,047	484	-	2,531
Riverboat	1,387	347	-	1,734
Rainy Day	62	107	-	169
Wells County Foundation Grant	3,785	-	-	3,785
Levy Excess	275	-	-	275
Cumulative Capital Improvement	2,253	193	114	2,332
Cumulative Capital Development	4,916	1,835	-	6,751
Economic Development Income Tax	3,124	613	76	3,661
Proprietary Funds:				
Wastewater Utility - Operating	94,415	45,069	33,915	105,569
Wastewater Utility - Replacement	27,667	4,215	-	31,882
Wastewater Utility - Bond and Interest	34,296	7,381	-	41,677
Wastewater Utility - Depreciation	6,678	1,278	-	7,956
Wastewater Utility - Tap-In Fee	19,494	732	-	20,226
Wastewater Utility - State Park	-	2,423	-	2,423
Wastewater Utility - City of Bluffton	-	544	-	544
Totals	<u>\$ 226,420</u>	<u>\$ 71,883</u>	<u>\$ 38,834</u>	<u>\$ 259,469</u>

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

TOWN OF VERA CRUZ
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: highways and streets, culture and recreation, public improvement, planning and zoning, general administrative services, 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.

TOWN OF VERA CRUZ
NOTES TO FINANCIAL INFORMATION
(Continued)

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. Sanitary Sewer System Lease

On February 13, 2007, the Town Council signed an agreement authorizing a lease of the sanitary sewer system to the City of Bluffton. The sewer works consist of transmission lines, a lift station, and other equipment. The lease became effective January 1, 2007, and has a 99 year term. The City of Bluffton is responsible for all operating expenses, maintenance, and repair of the Town's sanitary sewer system and shall directly bill and collect fees from Vera Cruz customers. The City of Bluffton is to pay the Town 25% of the gross revenue collected from Vera Cruz customers.

TOWN OF VERA CRUZ
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2007

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 years have been reported. Retroactive reporting of general infrastructure assets is not required.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Buildings	\$ <u>15,000</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 1,000
Buildings	71,240
Improvements other than buildings	746,218
Machinery and equipment	<u>1,788</u>
Total Wastewater Utility capital assets	<u>\$ 820,246</u>

TOWN OF VERA CRUZ
EXAMINATION RESULTS AND COMMENTS

PAYROLL

During 2007, social security and medicare amounts were withheld from a council member's pay, but the amounts withheld were not remitted to the Internal Revenue Service, and were not reported on the Form W-2 Wage and Tax Statement. Also, 941 Employer's Quarterly Federal Tax Returns were not filed for 2007.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INVESTMENT REGISTER NOT MAINTAINED

An investment register (Form 350) was not maintained during the examination period. A similar comment appeared in prior Report B26924.

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)

TRANSACTION RECORDING

Many investment transactions were not entered in the records of the Town. In some instances, investments were sold and the proceeds were added to another investment with no transaction recorded in the ledger. Also, interest was added to many investment balances without the transaction being recorded in the ledger.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF VERA CRUZ
EXIT CONFERENCE

The contents of this report were discussed on October 7, 2008, with Debra Klopfenstein, Clerk-Treasurer; and Mary Ann Bricker, President of the Town Council. The officials concurred with our findings.