

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

EXAMINATION REPORT

OF

TOWN OF WALKERTON

ST. JOSEPH COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
12/04/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Penny Perry Theresa A. Buckmaster	01-01-04 to 11-19-07 11-20-07 to 12-31-11
President of the Town Council	R. Gene Reese Karol Jackson	01-01-06 to 12-31-07 01-01-08 to 12-31-08
Superintendent of Water and Electric Utilities	Kent Van Dyne	01-01-06 to 12-31-08
Superintendent of Wastewater Utility	Jeffrey Zehner Joshua Rice	01-01-06 to 12-31-06 01-01-07 to 12-31-08



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

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Town of Walkerton (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 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. The schedule 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

October 20, 2008

TOWN OF WALKERTON
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY 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	\$ 10,628	\$ 973,862	\$ 912,534	\$ 71,956
Motor Vehicle Highway	72,045	183,118	151,503	103,660
Local Road and Street	27,677	29,033	3,240	53,470
Park and Recreation	42	16,927	10,394	6,575
Park Nonreverting Operating	8,221	88,961	71,764	25,418
Law Enforcement Continuing Education	5,337	4,178	4,548	4,967
Walkerton Continuing Education	1,114	1,220	1,804	530
Riverboat	-	14,310	14,310	-
Rainy Day	9,052	-	3,750	5,302
Donation	10,069	11,002	16,400	4,671
Trash Pick Up	(507)	83,163	81,791	865
Operation Pull Over	458	2,055	2,513	-
Major Moves	-	270,527	-	270,527
Beautification Fund	-	5,000	1,339	3,661
Matching Grant Fund	34,211	4,270	5,728	32,753
Ambulance Fund	38,519	146,813	121,450	63,882
Ambulance Nonreverting Operating	-	23,975	13,408	10,567
Ambulance Investment - D. Edding	10,841	415	107	11,149
Ambulance Donation Fund	385	35	-	420
Police Reserve Donation	1,669	4,038	2,184	3,523
Drug Task Force	1,576	-	-	1,576
Historical Society Donation	8,283	9,251	6,880	10,654
Park Grant Fund	66,701	-	4,728	61,973
Police Grant	2,530	-	-	2,530
Interest Earned	2,556	63,809	68,452	(2,087)
Park District Bond	20,296	36,157	56,251	202
Cumulative Capital Improvement	14,185	8,124	10,441	11,868
Cumulative Capital Development	30,972	22,781	38,792	14,961
County Economic Development Tax	-	26,553	26,553	-
Fire Station Building Fund	(164,148)	53,107	26,553	(137,594)
Park Nonreverting Capital	4,999	-	4,928	71
Proprietary Funds:				
Water Utility - Operating	99,164	546,583	520,753	124,994
Water Utility - Bond and Interest	113,011	175,413	172,725	115,699
Water Utility - Depreciation	60,458	18,000	5,392	73,066
Water Utility - Customer Deposit	41,955	8,447	7,421	42,981
Water Utility - Construction	5,353	-	-	5,353
Water Utility - Improvement	2,422	-	-	2,422
Water Utility - Debt Service	175,855	4,000	-	179,855
Wastewater Utility - Operating	163,600	454,696	466,726	151,570
Wastewater Utility - Bond and Interest	29,200	100,789	109,488	20,501
Wastewater Utility - Replacement	90,785	-	-	90,785
Wastewater Utility - Cash Reserve	108,566	-	-	108,566
Electric Utility - Operating	402,698	2,991,403	2,826,927	567,174
Electric Utility - Bond and Interest	-	163	-	163
Electric Utility - Deposit	58,678	10,312	8,842	60,148
Electric Utility - Cash Reserve	1,000,000	30,000	30,000	1,000,000
Fiduciary Funds:				
Payroll	27,636	492,132	489,254	30,514
Ambulance Clearing House Fund	-	27,415	27,415	-
Totals	<u>\$ 2,597,092</u>	<u>\$ 6,942,037</u>	<u>\$ 6,327,288</u>	<u>\$ 3,211,841</u>

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

TOWN OF WALKERTON
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2006 And 2007
(Continued)

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 71,956	\$ 898,349	\$ 922,834	\$ 47,471
Motor Vehicle Highway	103,660	153,938	159,463	98,135
Local Road and Street	53,470	31,164	78,000	6,634
Park and Recreation	6,575	195,093	97,612	104,056
Park Nonreverting Operating	25,418	71,334	72,426	24,326
Law Enforcement Continuing Education	4,967	8,037	5,239	7,765
Walkerton Continuing Education	530	3,199	180	3,549
Riverboat	-	14,339	-	14,339
Rainy Day	5,302	-	5,302	-
Donation	4,671	6,338	4,700	6,309
Trash Pick Up	865	82,758	83,356	267
Operation Pull Over	-	4,925	4,685	240
Major Moves	270,527	14,837	-	285,364
Beautification Fund	3,661	-	-	3,661
Matching Grant Fund	32,753	95,593	100,623	27,723
Ambulance Fund	63,882	126,947	138,063	52,766
Ambulance Nonreverting Operating	10,567	-	272	10,295
Ambulance Investment - D. Edding	11,149	584	-	11,733
Ambulance Donation Fund	420	100	-	520
Police Reserve Donation	3,523	8,125	3,493	8,155
Drug Task Force	1,576	-	-	1,576
Historical Society Donation	10,654	15,231	11,302	14,583
Park Grant Fund	61,973	-	26,551	35,422
Police Grant	2,530	-	-	2,530
Interest Earned	(2,087)	153,844	2,198	149,559
Excess Levy	-	19,348	19,348	-
Court Storage Document Fee	-	5,163	2,924	2,239
Fire Donation	-	11,792	-	11,792
Sale of Fund Surplus Assets	-	12,303	2,191	10,112
Park District Bond	202	70,693	65,455	5,440
Park Bond 2007	-	365,190	33,460	331,730
Cumulative Capital Improvement	11,868	7,987	7,184	12,671
Cumulative Capital Development	14,961	19,175	33,000	1,136
County Economic Development Tax	-	49,611	49,611	-
Fire Station Building Fund	(137,594)	49,611	-	(87,983)
Park Nonreverting Capital	71	-	264	(193)
Economic Development Fund	-	40,000	40,000	-
Redevelopment	-	25,000	17,093	7,907
Proprietary Funds:				
Water Utility - Operating	124,994	525,074	547,974	102,094
Water Utility - Bond and Interest	115,699	175,282	172,550	118,431
Water Utility - Depreciation	73,066	24,000	70,481	26,585
Water Utility - Customer Deposit	42,981	6,400	5,863	43,518
Water Utility - Construction	5,353	-	-	5,353
Water Utility - Improvement	2,422	-	-	2,422
Water Utility - Debt Service	179,855	3,773	3,773	179,855
Wastewater Utility - Operating	151,570	442,626	443,897	150,299
Wastewater Utility - Bond and Interest	20,501	118,742	103,233	36,010
Wastewater Utility - Replacement	90,785	-	-	90,785
Wastewater Utility - Cash Reserve	108,566	3,500	3,500	108,566
Electric Utility - Operating	567,174	3,149,641	3,196,965	519,850
Electric Utility - Bond and Interest	163	-	-	163
Electric Utility - Deposit	60,148	8,100	8,542	59,706
Electric Utility - Improvement	-	2,500	-	2,500
Electric Utility - Cash Reserve	1,000,000	40,000	40,000	1,000,000
Fiduciary Funds:				
Payroll	30,514	470,743	469,212	32,045
Ambulance Clearing House Fund	-	18,434	15,488	2,946
Totals	<u>\$ 3,211,841</u>	<u>\$ 7,549,423</u>	<u>\$ 7,068,307</u>	<u>\$ 3,692,957</u>

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

TOWN OF WALKERTON
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 WALKERTON
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. Rate Structure – Enterprise Funds

Water Utility

On November 24, 1986, the Town Council adopted Ordinance No. 86-006 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on March 3, 2003.

Wastewater Utility

The current rate structure was approved by the Town Council on March 3, 2003.

Electric Utility

On November 24, 1986, the Town Council adopted Ordinance No. 86-006 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on March 3, 2003.

TOWN OF WALKERTON
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2007

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Police vehicles	\$ 26,754	\$ 14,911
Bonds payable:		
General obligation bonds:		
Scarborough park purchase of 2002	90,000	62,700
2007 Park improvements	<u>370,000</u>	<u>9,290</u>
Total governmental activities debt	<u>\$ 486,754</u>	<u>\$ 86,901</u>
Business-type Activities:		
Water Utility		
Loans payable:		
SRF loan	<u>\$ 1,845,493</u>	<u>\$ 170,316</u>
Wastewater Utility		
Loans payable:		
Interfund loan	\$ 23,750	\$ 28,737
Revenue bonds:		
1982 Sewage improvement	289,000	27,450
1995 Sewage improvement	<u>455,000</u>	<u>72,010</u>
Total Wastewater Utility	<u>767,750</u>	<u>128,197</u>
Total business-type activities debt:	<u>\$ 2,613,243</u>	<u>\$ 298,513</u>

TOWN OF WALKERTON
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

Financial records that accumulate total receipts and disbursements by fund for the year were unsupported by the detailed records of receipts and disbursements. Transfers and corrections which were not processed by issuance of a check and receipt were not included in the detail but were in the totals by fund. For example, the Month End Report for December 2007, printed on September 9, 2008, reports total receipts for 2007 for the General Fund of \$955,278.45 and disbursements of \$966,480.87, but the Detail Revenue and Expenditure Reports for 2007 shows yearly receipts of \$898,348.88 and yearly disbursements of \$909,551.30. A similar comment appeared in the prior Report B27138.

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)

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)

OVERDRAWN CASH BALANCES

In 1998, the Town Council accepted a bid and executed a contract for improvements to the Town Fire Station. At the time the contract was signed there were no funds available for the project. The Town paid \$434,011 from the Fire Station Building Fund for this project even though this fund had a zero cash balance. The cash balance of this fund was still overdrawn \$137,594 and \$87,983 at year end 2006 and 2007, respectively. A similar comment appeared in the prior Audit Report B27138.

The cash 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)

CAPITAL ASSET RECORDS

The Town and its Utilities do not maintain records of capital assets and no capitalization policy had been established as of December 31, 2007. On March 17, 2008, the Town Council adopted an ordinance establishing a written policy concerning maintenance of records with regard to fixed assets, inventory and a \$1,000 threshold to be used in determining which items will be recorded. A sample of the City and Town Form 211, Capital Assets Ledger was given to the Clerk-Treasurer on September 24, 2008, for her to start maintaining capital asset records.

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)

TOWN OF WALKERTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
General	2006	\$111,483
Motor Vehicle Highway	2006	15,702
Ambulance	2006	20,305
Cumulative Capital Development	2006	8,792
General	2007	20,709

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

GUARANTEE DEPOSIT REGISTER

The Guarantee Deposit Register, Utility Form 310 is a listing by name of all Water and Electric Utilities' deposits held by the Town. It is not routinely reconciled to the cash balances of these funds recorded in the Town's financial records. Routine reconcilements are required to identify and correct errors in a timely manner.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. 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)

DONATIONS

The Town donated funds to the following organizations in 2006 and 2007:

<u>Organization</u>	<u>2006</u>	<u>2007</u>
American Cancer Society	\$ 100	\$ 100
Tri Kappa	1,800	-
Knights of Columbus	-	100
Walkerton Area Chamber of Commerce	-	700

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF WALKERTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

RENTAL PROPERTY AND FRANCHISE FEES RECEIPTED INTO DONATION FUND

The revenue generated from rental of property and franchise fees is being receipted into the Donation Fund instead of the General Fund.

The following type revenue receipts are common to the General Fund under Miscellaneous Revenue: Interest on Investments, Rental of Property, Cable TV Franchise and Contributions and Donations from Private Sources. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 13)

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS - UTILITIES

No formal written policy establishing procedures for the collection and writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances was presented for examination. A similar comment appeared in the prior Report B27138.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF WALKERTON
EXIT CONFERENCE

The contents of this report were discussed on October 20, 2008, with Theresa A. Buckmaster, Clerk-Treasurer; and Karol Jackson, President of the Town Council. The officials concurred with our findings.