

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

EXAMINATION REPORT  
OF  
CITY OF WOODBURN  
ALLEN COUNTY, INDIANA  
January 1, 2008 to December 31, 2008



**FILED**  
10/05/2009



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Lesa Meadows	01-01-08 to 12-31-11
Mayor	Richard A. Hoeppe	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Richard A. Hoeppe	01-01-08 to 12-31-11
President of the Common Council	Richard A. Hoeppe	01-01-08 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF WOODBURN, ALLEN COUNTY, INDIANA

We have examined the financial information presented herein of the City of Woodburn (City), for the period of January 1, 2008 to December 31, 2008. The City'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 City for the year ended December 31, 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 10, 2009

CITY OF WOODBURN  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES  
As Of And For The Year Ended December 31, 2008

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
<b>Governmental Funds:</b>				
General	\$ 131,102	\$ 245,544	\$ 232,790	\$ 143,856
Motor Vehicle Highway	34,524	60,408	76,988	17,944
Local Road and Street	24,870	17,776	25,000	17,646
Economic Development Income Tax	332,486	146,836	204,652	274,670
Rainy Day	7,437	15,772	7,437	15,772
Law Enforcement Continuing Education	1,833	1,080	3,000	(87)
Cumulative Capital Improvement	31,184	5,802	15,913	21,073
Cumulative Capital Development	44,169	8,145	10,000	42,314
Riverboat Wagering	25,283	9,905	16,687	18,501
Police Dog Donations	2,287	-	1,111	1,176
Havenwood Utilities Receivership	11,043	81,000	-	92,043
Trash and Garbage Pickup	5,949	62,320	70,991	(2,722)
<b>Proprietary Funds:</b>				
Water Utility Operating	41,424	333,968	314,045	61,347
Water Utility Bond and Interest	62,672	104,581	105,095	62,158
Water Utility Depreciation	32,960	-	-	32,960
Water Utility Debt Service Reserve	65,211	42,414	-	107,625
Water Utility Customer Deposit	4,910	1,900	1,100	5,710
Wastewater Utility Operating	64,237	302,171	142,274	224,134
Wastewater Utility Bond and Interest	48,542	25,541	58,800	15,283
Wastewater Utility Depreciation	33,946	-	-	33,946
Wastewater Utility Debt Service Reserve	62,790	-	-	62,790
<b>Fiduciary Fund:</b>				
Payroll	(1)	50,122	50,121	-
<b>Totals</b>	<u>\$ 1,068,858</u>	<u>\$ 1,515,285</u>	<u>\$ 1,336,004</u>	<u>\$ 1,248,139</u>

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

CITY OF WOODBURN  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, highways and streets, public improvements, planning and zoning, culture and recreation, water, wastewater, and general administrative services.

Note 2. Fund Accounting

The City 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 City 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 City 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.

CITY OF WOODBURN  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended December 31, 2008

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 since 2004 have been reported. Retroactive reporting of general infrastructure assets will not occur.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land held for resale	\$ 218,686
Infrastructure	35,079
Buildings	133,608
Improvements other than buildings	6,777
Machinery and equipment	<u>315,690</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u>709,840</u>
 Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 15,925
Buildings	189,107
Improvements other than buildings	2,709,529
Machinery and equipment	<u>108,240</u>
 Total Water Utility capital assets	 <u>3,022,801</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	34,696
Improvements other than buildings	1,802,036
Machinery and equipment	<u>114,049</u>
 Total Wastewater Utility capital assets	 <u>1,950,781</u>
 Total business-type activities, capital assets not being depreciated	 \$ <u>4,973,582</u>

CITY OF WOODBURN  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2008

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Loan payable:		
Woodburn Development Corporation Industrial Land	\$ 146,366	\$ 28,411
Business-type activities:		
Water Utility:		
Revenue bonds:		
2003 Water Improvement	\$ 1,115,000	\$ 102,985
Wastewater Utility:		
Revenue bonds:		
1994 Wastewater Improvement	165,000	35,258
2002 Wastewater Improvement	230,000	25,873
Total Wastewater Utility	395,000	61,131
Total business-type activities debt	\$ 1,510,000	\$ 164,116

CITY OF WOODBURN  
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

An annual report for 2008 was not presented for examination.

IC 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 . . ."

UTILITY RECEIPTS TAX RETURN NOT FILED

The Water Utility did not file Utility Receipts Tax Return to the Indiana Department of Revenue for the 2008 examination period. Estimated tax payments were made throughout the year for 2008, but no reconciling annual report was filed at year end.

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)

PENALTIES, INTEREST, AND OTHER CHARGES

This comment was also reported in Report B33587. Penalties and interest totaling \$155.60 were paid for late payments of sales tax to the Indiana Department of Revenue on May 30, 2008, for the period ending March 31, 2008. Also, penalties and interest of \$13.06 were paid for corrections to the annual Utility Revenue Tax Statement to the Indiana Department of Revenue on August 19, 2008, for the period ending December 31, 2007.

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)

CITY OF WOODBURN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Motor Vehicle Highway	2008	<u>\$ 5,988</u>

IC 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."

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the examination period:

- Claims were not adequately itemized.
- Claims or invoices did not have evidence to support receipt of goods or services.
- There was a paid claim for lodging expense for a conference of \$680 with no actual receipt attached. Even though this money was receipted back a month later as not used, the claim presented for actual stay also did not have the attached invoice.

IC 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

CITY OF WOODBURN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (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."

Reimbursement for lodging and meals should be based upon actual receipts for amounts paid unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BILLING PROCEDURES AND RATES

This comment was also reported in Report B33587. The City has an ordinance concerning billing procedures and rates for its utility customers. However, the City did not comply with the timing of service disconnection for failure to pay bills. Per Section 52.67 of the Woodburn City Code Regarding Payment of Bills; Failure to Pay (Partial Quote) (B) Billings will be rendered Monthly. If a billing is not paid on or before the date indicated on the billing, the customer will be considered delinquent. A period of two consecutive months delinquent will then constitute termination of water service to the customer by the Utility.

The City has an ordinance establishing fees for the collection of garbage. The garbage pickup billings did not have the correct amount charged to residential customers per ordinance and contract set between the City of Woodburn and Waste Management for 2008.

Each governmental unit is responsible for complying with the ordinances, resolutions and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

An individual was paid \$2,250 for an income survey in 2008. Any payments to an individual totaling more than \$600 in a year requires a Form 1099 Miscellaneous to be filed with the Internal Revenue Service. No Form 1099 Miscellaneous was filed for 2008.

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)

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)

CITY OF WOODBURN  
EXIT CONFERENCE

The contents of this report were discussed on September 10, 2009, with Lesa Meadows, Clerk-Treasurer; and Richard A. Hoepfner, Mayor. The officials concurred with our findings.