

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

EXAMINATION REPORT
OF
TOWN OF OOLITIC
LAWRENCE COUNTY, INDIANA
January 1, 2007 to December 31, 2008



FILED
04/14/2010

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Terri Hackler

01-01-04 to 12-31-11

President of the
Town Council

Delvin Nikirk

01-01-07 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF OOLITIC, LAWRENCE COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Oolitic (Town), for the period of January 1, 2007 to December 31, 2008. 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, 2007 and 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

February 11, 2010

TOWN OF OOLITIC
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, 2007 And 2008

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 51,803	\$ 119,148	\$ 172,208	\$ (1,257)
Motor Vehicle Highway	19,311	41,850	39,578	21,583
Local Road and Street	36,893	23,372	30,000	30,265
Park and Recreation	6,105	7,763	12,192	1,676
Law Enforcement Continuing Education	2,590	590	-	3,180
Police Donation	130	-	-	130
Police Auxiliary Reserve	300	-	-	300
Cumulative Capital Improvement	13,457	4,046	500	17,003
Cumulative Capital Development	29,443	4,552	25,000	8,995
Levy Excess	7,694	-	-	7,694
Proprietary Funds:				
Water Utility - Operating	41,342	184,227	184,353	41,216
Water Utility - Depreciation	4,964	1,000	-	5,964
Water Utility - Customer Deposit	12,169	1,411	1,218	12,362
Water Utility - Improvement	36,022	34,647	32,454	38,215
Wastewater Utility - Operating	24,396	132,388	138,028	18,756
Wastewater Utility - Bond and Interest	9,965	10,530	20,495	-
Wastewater Utility - Depreciation	24,141	3,000	-	27,141
Fiduciary Fund:			-	
Payroll	3,985	225,573	225,410	4,148
Totals	<u>\$ 324,710</u>	<u>\$ 794,098</u>	<u>\$ 881,436</u>	<u>\$ 237,372</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ (1,257)	\$ 230,959	\$ 181,969	\$ 47,733
Motor Vehicle Highway	21,583	31,338	44,033	8,888
Local Road and Street	30,265	27,081	19,697	37,649
Park and Recreation	1,676	9,609	10,179	1,106
Law Enforcement Continuing Education	3,180	1,871	749	4,302
Police Donation	130	-	-	130
Police Auxiliary Reserve	300	2,400	608	2,092
Cumulative Capital Improvement	17,003	3,746	3,233	17,516
Cumulative Capital Development	8,995	12,067	-	21,062
Levy Excess	7,694	-	7,694	-
Proprietary Funds:				
Water Utility - Operating	41,216	175,986	195,152	22,050
Water Utility - Depreciation	5,964	1,000	-	6,964
Water Utility - Customer Deposit	12,362	1,810	1,363	12,809
Water Utility - Improvement	38,215	37,320	36,550	38,985
Wastewater Utility - Operating	18,756	129,308	131,089	16,975
Wastewater Utility - Depreciation	27,141	3,000	-	30,141
Fiduciary Fund:				
Payroll	4,148	231,322	232,002	3,468
Totals	<u>\$ 237,372</u>	<u>\$ 898,817</u>	<u>\$ 864,318</u>	<u>\$ 271,871</u>

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

TOWN OF OOLITIC
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, highways and streets, culture and recreation, public improvements, general administrative services, and water and wastewater 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.

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 OOLITIC
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. Subsequent Events

On November 24, 2009, the Town was notified that they were to receive funding for sidewalks and curb ramps under the 2009 Safe Routes to School (SRTS) Program. The reimbursement could be up to \$250,000.

On August 31, 2009, the Town received a \$40,000 Community Development Block Grant (CDBG) from the Office of Community and Rural Affairs. The grant was a planning grant for a wastewater and storm water drainage study.

TOWN OF OOLITIC
 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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 22,000
Buildings	731,809
Improvements other than buildings	79,629
Machinery and equipment	<u>608,205</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 1,441,643</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 4,000
Buildings	129,863
Improvements other than buildings	1,476,927
Machinery and equipment	<u>23,415</u>
Total Water Utility capital assets	<u>1,634,205</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	1,500
Buildings	577,909
Improvements other than buildings	1,267,114
Machinery and equipment	<u>59,458</u>
Total Wastewater Utility capital assets	<u>1,905,981</u>
Total business-type activities capital assets	<u>\$ 3,540,186</u>

TOWN OF OOLITIC
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Water Utility:		
Notes and loans payable	\$ 77,931	\$ 29,313

TOWN OF OOLITIC
EXAMINATION RESULTS AND COMMENTS

CUSTOMER DEPOSIT REGISTER

The Town had been keeping the prescribed Form 314, Guarantee Deposit Register, and the approved computerized form. In 2008, they stopped posting to either form. The guarantee deposit register was examined through the period ending December 31, 2009, and the following errors were found:

- (1) Customer deposits were posted to the Wastewater Operating Fund in the amount of \$320.
- (2) Operating fund disbursements were posted as disbursements from the Water Utility Customer Deposit Fund for \$46.43
- (3) Customers were given refunds for meter deposits that exceed the amount of their meter deposit. The excess refunds totaled \$114.

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)

Terri Hackler, Clerk-Treasurer, was requested to reimburse the Water Utility Customer Deposit Fund \$114 for deposits that had been refunded to customers in excess of their deposit amount. (See Summary, page 14)

PENALTIES, INTEREST, AND OTHER CHARGES

In some cases, amounts payable to vendors and other suppliers of goods and services are not being paid until after penalties and interest were added. The amount of penalties and interest paid to vendors during the examination period was \$132.98.

Penalties and interest totaling \$70.66 were paid to the Internal Revenue Service and the Indiana Department of Revenue for the late payment of employee's withholdings.

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)

Terri Hackler, Clerk-Treasurer, was requested to repay the penalties and interest in the amount of \$203.64. (See Summary, page 14)

TOWN OF OOLITIC
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONFLICT OF INTEREST

Steve Loudon has been a Town employee and a Town Council member since January 1, 2008. A Uniform Conflict of Interest Disclosure Statement does not appear to have been filed.

IC 35-44-1-3 states in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony. . . ."

"(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant . . . and (B) makes a disclosure under subsection (d)(1) through (d)(6). . . ."

"(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase. . . ."

"(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant."

PAYROLL DEDUCTIONS

Amounts reported to the Internal Revenue Service, Indiana Department of Revenue and Public Employees Retirement Fund as gross wages did not agree with the actual gross wages paid. Therefore, the amounts paid to these agencies were incorrect.

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)

TOWN OF OOLITIC
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping, were present during our period of examination:

(1) Reports generated by the computer were not organized or bound in any way. The following prescribed forms were not found:

(a) No minutes for the Town Council meeting in December 2007 were presented for examination.

(b) No billing reports for the Water and Wastewater Utility for September 2008 were available for examination.

(c) Prescribed form Register of Investments (General Form No. 350) was not used.

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)

(2) Errors were made in the posting of tax distributions. Cumulative Capital Development revenues of \$55.42 were posted to the General Fund.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

(a) Claims were not certified by the fiscal officer.

(b) Claims were not adequately itemized.

(c) All claims did not have board approval.

(d) Claims or invoices were not accompanied by evidence in support of the receipt of goods or services.

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;

TOWN OF OOLITIC
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (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."

OFFICIAL BOND

Terri Hackler, Clerk-Treasurer, was bonded by Cincinnati Insurance Company. The bond was for the term beginning January 1, 2004, and ending on December 31, 2004, or until successor is duly qualified. The bond is recorded in the Lawrence County Recorder's Office as instrument number 200400001114.

TOWN OF OOLITIC
EXIT CONFERENCE

The contents of this report were discussed on February 11, 2010, with Terri Hackler, Clerk-Treasurer; and Delvin Nikirk, President of the Town Council. The officials concurred with our findings.

TOWN OF OOLITIC
SUMMARY

	Charges	Credits	Balance Due
Terri Hackler, Clerk-Treasurer:			
Customer Deposit Register, Page 9	\$ 114.00	\$	\$
Penalties, Interest, and Other Charges, Page 9	203.64		
Payment received:			
April 13, 2010, receipt 2714		114.00	
April 13, 2010, receipt 5797		203.64	-
	\$ 317.64	\$ 317.64	\$ -
Totals - Terri Hackler, Clerk-Treasurer	\$ 317.64	\$ 317.64	\$ -