

B37654

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

EXAMINATION REPORT
OF
TOWN OF WAKARUSA
ELKHART COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
10/13/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Joyce Hartman	01-01-08 to 12-31-11
President of the Town Council	Ronald Berkey Jeffrey D. Troxel	01-01-08 to 12-31-08 01-01-09 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 WAKARUSA, ELKHART COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Wakarusa (Town), for the period of January 1, 2008 to December 31, 2009. 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, 2008 and 2009, 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

August 3, 2010

TOWN OF WAKARUSA
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, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 636,438	\$ 788,066	\$ 1,114,364	\$ 310,140
Motor Vehicle Highway	302,363	677,644	546,464	433,543
Local Road and Street	43,955	16,518	18,178	42,295
Law Enforcement Continuing Education	2,306	1,964	2,131	2,139
Rainy Day	18,921	58,741	59,556	18,106
Police Non-Reverting	3,417	2,273	-	5,690
Police FACT Grant	(6)	8,140	8,336	(202)
DUI Task Force	-	6,753	7,265	(512)
Operation Pull Over	5	6,379	8,128	(1,744)
EDIT Bond and Interest	-	39,540	35,574	3,966
EDIT Debt Reserve	70,647	2,264	-	72,911
Cumulative Capital Improvement	34,779	5,261	-	40,040
Cumulative Capital Development	93,747	33,413	100,000	27,160
Cumulative Building and Fire Fighting Equipment	39,134	22,191	31,609	29,716
County Economic Development Income Tax	289,544	107,524	298,079	98,989
Major Moves Construction	276,746	554,511	565,499	265,758
Proprietary Funds:				
Water Utility - Operating	27,127	369,350	292,278	104,199
Water Utility - Bond and Interest	39,588	46,000	79,085	6,503
Water Utility - Customer Deposit	13,460	840	40	14,260
Water Utility - Debt Reserve	167,911	4,063	46,000	125,974
Wastewater Utility - Operating	231,215	395,190	455,770	170,635
Wastewater Utility - Debt Reserve	58,952	-	58,952	-
Fiduciary Fund:				
Payroll	259	698,583	699,127	(285)
Totals	<u>\$ 2,350,508</u>	<u>\$ 3,845,208</u>	<u>\$ 4,426,435</u>	<u>\$ 1,769,281</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 310,140	\$ 1,483,745	\$ 1,084,090	\$ 709,795
Motor Vehicle Highway	433,543	628,762	634,738	427,567
Local Road and Street	42,295	15,453	8,130	49,618
Law Enforcement Continuing Education	2,139	2,289	2,517	1,911
Rainy Day	18,106	19,102	-	37,208
Police Non-Reverting	5,690	618	-	6,308
Police FACT Grant	(202)	3,944	4,424	(682)
DUI Task Force	(512)	11,376	13,615	(2,751)
Operation Pull Over	(1,744)	1,744	-	-
EDIT Bond and Interest	3,966	30,000	33,861	105
EDIT Debt Reserve	72,911	1,403	-	74,314
Cumulative Capital Improvement	40,040	4,962	-	45,002
Cumulative Capital Development	27,160	84,191	-	111,351
Cumulative Building and Fire Fighting Equipment	29,716	55,142	31,609	53,249
County Economic Development Income Tax	98,989	117,134	30,792	185,331
Major Moves Construction	265,758	-	-	265,758
Proprietary Funds:				
Water Utility - Operating	104,199	335,589	283,883	155,905
Water Utility - Bond and Interest	6,503	84,000	81,983	8,520
Water Utility - Customer Deposit	14,260	360	120	14,500
Water Utility - Debt Reserve	125,974	2,993	-	128,967
Wastewater Utility - Operating	170,635	307,151	153,472	324,314
Fiduciary Fund:				
Payroll	(285)	704,759	704,434	40
Totals	<u>\$ 1,769,281</u>	<u>\$ 3,894,717</u>	<u>\$ 3,067,668</u>	<u>\$ 2,596,330</u>

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

TOWN OF WAKARUSA
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 WAKARUSA
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.

TOWN OF WAKARUSA
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The Town has entered into the following long-term debt:

Description of Asset	Ending Balance	Principal and Interest Due Within One Year
Governmental activities:		
Bonds payable:		
General obligation bonds:		
1992 EDIT Bonds	\$ 95,000	\$ 36,508
Business-type activities:		
Water Utility:		
Revenue bonds:		
1999 Waterworks Bonds	\$ 625,000	\$ 78,970

TOWN OF WAKARUSA
EXAMINATION RESULTS AND COMMENTS

PUBLIC WORKS CONTRACT CHANGE ORDER

The Town of Wakarusa entered into a contract for the 2009 Street Resurfacing Project. The contract was approved by the Town Council on May 5, 2009. During the course of the projects, some changes needed to be made which resulted in additional costs to the town. These costs were approved by town personnel but not by the whole council. A similar comment appeared in the prior Report B31647.

If, in the course of construction, reconstruction or repair of a public work project, it becomes necessary to change or alter the original specifications, a change order may be issued to add, delete, or change an item or items in the original contract. All change orders must be directly related to the original public work project.

Addendum - The change order becomes an addendum to the contract and must be approved and signed by the board and the contractor. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMPENSATION

Compensation for the Council members was not included in the salary ordinance for 2008 or 2009. The compensation received by the Council members for 2009 ranged from \$3,900 to \$4,200 per member.

Ordinance 2008-16 authorizes an additional \$5,000 for the Clerk-Treasurer for not taking medical insurance. This amount is directly deposited into the Clerk-Treasurer's deferred compensation account and it is not reflected on her W-2.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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 options 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)

ORDINANCE FOR WASTEWATER RATES

The wastewater bills, as calculated, do not agree to the wastewater rate schedule approved by the Town council. The billings are based upon consumption and different rates are charged based on the level of consumption. The consumption levels that are currently being used in the billing system are different than the consumption levels on the rate ordinance.

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)

TOWN OF WAKARUSA
EXAMINATION RESULTS AND COMMENTS
(Continued)

SALES TAX

The sales tax calculation for the Wakarusa Water Utility is inconsistent from year to year. The sales tax is currently calculated on the amount that it is billed. In 2008, calculations for ten months included sprinkler charges billed, in the gross sales used to calculate the sales tax for the month. In 2009, calculations for only two months included sprinkler charges billed, in the gross sales used to calculate the sales tax for the month. The other ten months, in 2009, were calculated using the gross water amount billed, excluding sprinkler charges billed. Additionally, in some months, the sprinkler charges used to calculate the sales tax included tax exempt sprinkler charges billed.

For 2009, we compared the amount of sales tax paid to the Indiana Department of Revenue, as calculated on Form ST-103's, to the amount of sales tax actually collected according to the Town's Cash Summary Report for 2009. We determined that the Town collected \$1,892 more in sales tax than the amount actually paid.

Collections by a city or town from the retail sale of tangible property, utility service, or commodities in the performance of private or proprietary activities are subject to sales tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

All questions concerning the law or procedure for paying and collecting sales tax should be directed to the Indiana Department of Revenue, Sales Tax Division. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

A complete capital asset list was not available for audit. The Town has started a capital asset list for capital assets over \$25,000. The capital asset threshold is set at \$1,000, as approved by the Town Council on January 7, 1997. The capital asset list does not include water lines, sewer mains and the most recent street reconstruction project on East Waterford Street with an estimated cost of \$1,538,980.

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 form. 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 WAKARUSA
EXIT CONFERENCE

The contents of this report were discussed on August 3, 2010, with Joyce Hartman, Clerk-Treasurer, and Jeffrey D. Troxel, President of the Town Council.