

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

EXAMINATION REPORT  
OF  
TOWN OF KOUTS  
PORTER COUNTY, INDIANA  
January 1, 2008 to December 31, 2009



**FILED**  
11/16/2010



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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Gregory Frame

01-01-08 to 12-31-11

President of the  
Town Council

David Brooks

01-01-08 to 12-31-10



**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](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF KOUTS, PORTER COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Kouts (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 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

August 30, 2010

TOWN OF KOUTS  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL 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	\$ 27,973	\$ 423,853	\$ 446,146	\$ 5,680
Motor Vehicle Highway	83,667	85,066	121,705	47,028
Local Road and Street	2,701	19,633	7,741	14,593
Park and Recreation	1,214	9,523	10,642	95
Law Enforcement Continuing Education	7,222	7,177	5,851	8,548
Riverboat	46,421	10,651	14,228	42,844
Rainy Day	37,528	43,350	-	80,878
Donation	1,212	-	369	843
Cumulative Capital Improvement	14,917	5,522	966	19,473
Cumulative Capital Development	40,047	23,071	19,644	43,474
County Economic Development Income Tax	46,783	113,463	54,231	106,015
Local Major Moves Construction	125,649	32,388	7,556	150,481
Debt Service Redevelopment	6,482	14,555	55,898	(34,861)
Cumulative Building and Fire Fighting Equipment	106,101	19,458	-	125,559
Garbage	7,103	86,385	89,709	3,779
Leaf	203	26,720	29,700	(2,777)
Storm Water	318,667	93,560	27,387	384,840
Police Donation	2,967	1,681	1,203	3,445
Park Deposit	960	850	860	950
Park Donation	154	7	22	139
Centennial Committee of 2065	954	1	-	955
Petty Cash	100	472	472	100
Proprietary Funds:				
Water Utility - Operating	(60,202)	919,407	865,275	(6,070)
Water Utility - Drinking Water SRF Loan	26,948	24,000	22,840	28,108
Water Utility - Depreciation	-	25,175	-	25,175
Water Utility - Customer Deposit	58,090	7,550	5,254	60,386
Water Utility - Water Tower Painting	21,000	18,000	25,175	13,825
Water Utility - Redevelopment Bonds	54,026	-	54,026	-
Wastewater Utility - Operating	909,556	411,913	451,726	869,743
Wastewater Utility - Bond and Interest	123,957	150,000	145,256	128,701
Wastewater Utility - Depreciation	22,510	-	-	22,510
Fiduciary Fund:				
Payroll	(179)	333,030	332,851	-
Totals	<u>\$ 2,034,731</u>	<u>\$ 2,906,461</u>	<u>\$ 2,796,733</u>	<u>\$ 2,144,459</u>

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

TOWN OF KOUTS  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2008 And 2009  
(Continued)

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 5,680	\$ 541,279	\$ 449,345	\$ 97,614
Motor Vehicle Highway	47,028	60,786	97,895	9,919
Local Road and Street	14,593	21,276	35,994	(125)
Park and Recreation	95	13,441	8,732	4,804
Law Enforcement Continuing Education	8,548	5,044	1,707	11,885
Riverboat	42,844	10,626	2,000	51,470
Rainy Day	80,878	62,733	-	143,611
Donation	843	-	246	597
Cumulative Capital Improvement	19,473	5,206	1,063	23,616
Cumulative Capital Development	43,474	26,261	-	69,735
County Economic Development Income Tax	106,015	161,966	104,829	163,152
Local Major Moves Construction	150,481	30,203	13,214	167,470
Debt Service Redevelopment	(34,861)	153,322	112,170	6,291
Cumulative Building and Fire Fighting Equipment	125,559	21,894	-	147,453
Garbage	3,779	100,887	100,373	4,293
Leaf	(2,777)	33,204	29,700	727
Storm Water	384,840	102,523	99,238	388,125
Police Donation	3,445	775	247	3,973
Park Deposit	950	1,300	1,250	1,000
Park Donation	139	-	-	139
Centennial Committee of 2065	955	1	-	956
Petty Cash	100	171	171	100
Proprietary Funds:				
Water Utility - Operating	(6,070)	902,826	926,210	(29,454)
Water Utility - Drinking Water SRF Loan	28,108	24,000	23,351	28,757
Water Utility - Depreciation	25,175	-	-	25,175
Water Utility - Customer Deposit	60,386	6,246	4,980	61,652
Water Utility - Water Tower Painting	13,825	12,000	-	25,825
Water Utility - SRF #3	-	138,061	138,061	-
Wastewater Utility - Operating	869,743	510,987	567,938	812,792
Wastewater Utility - Bond and Interest	128,701	150,000	141,685	137,016
Wastewater Utility - Depreciation	22,510	-	-	22,510
Fiduciary Fund:				
Payroll	-	317,092	317,092	-
Totals	<u>\$ 2,144,459</u>	<u>\$ 3,414,110</u>	<u>\$ 3,177,491</u>	<u>\$ 2,381,078</u>

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

TOWN OF KOUTS  
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 KOUTS  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended December 31, 2009

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 (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 1,122,662
Infrastructure	2,902,776
Buildings	199,381
Improvements other than buildings	291,326
Machinery and equipment	<u>251,507</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 4,767,652</u>
<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ -
Infrastructure	1,128,638
Buildings	8,000
Improvements other than buildings	712,200
Machinery and equipment	<u>110,002</u>
Total Water Utility capital assets	<u>1,958,840</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	-
Infrastructure	707,563
Buildings	358,540
Improvements other than buildings	1,631,284
Machinery and equipment	<u>489,207</u>
Total Wastewater Utility capital assets	<u>3,186,594</u>
Total business-type activities capital assets	<u>\$ 5,145,434</u>

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

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Park Cub Cadet Mower	\$ 576	\$ 638
Bob Cat Skid Steel Loader 1/3	845	853
Bonds payable:		
General obligation bonds:		
Redevelopment bond of 2005	<u>380,000</u>	<u>58,051</u>
Total governmental activities debt	<u>\$ 381,421</u>	<u>\$ 59,542</u>
Business-type activities:		
Water Utility:		
Capital leases:		
Bob Cat Skid Steel Loader 1/3	\$ 845	\$ 853
Revenue bonds:		
SRF loan of 2000	<u>223,585</u>	<u>22,825</u>
Total Water Utility	<u>224,430</u>	<u>23,678</u>
Wastewater Utility:		
Capital leases:		
Bob Cat Skid Steel Loader 1/3	845	853
Revenue bonds:		
SRF Loan of 1994	585,000	107,550
SRF Loan of 1995	<u>216,194</u>	<u>42,351</u>
Total Wastewater Utility	<u>802,039</u>	<u>150,754</u>
Total business-type activities debt	<u>\$ 1,026,469</u>	<u>\$ 174,432</u>

TOWN OF KOUTS  
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN FUND BALANCES

In 2008, the Debt Service - Redevelopment, Leaf and Water Operating funds were overdrawn by \$34,861, \$2,777 and \$6,070, respectively.

In 2009, the Local Road and Street and Water Operating funds were overdrawn by \$125 and \$29,454, respectively.

The fund 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)

APPROPRIATIONS

The records presented for audit indicated that encumbrances were made to the following funds with no contract or invoice for the prior year. Therefore, the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Motor Vehicle Highway	2008	\$ 15,038
Local Road and Street	2009	14,970

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."

ORDINANCE VIOLATIONS BUREAU

The Town is processing moving traffic violations as ordinance violations and collecting the related fines in the Clerk-Treasurer's office. A similar comment was in prior Reports B28798 and B33352.

IC 33-36-2-1 states in part: "The legislative body of a municipal corporation may establish, by ordinance or code, an ordinance violations bureau."

IC 36-1-6-3 states in part: "(a) Certain ordinances may be enforced by a municipal corporation without proceeding in court. . . .

(c) An ordinance defining a moving traffic violation may not be enforced under Indiana Code 33-36 and must be enforced in accordance with Indiana Code 34-28-5."

IC 34-28-5-1-(a) states in part: "An action to enforce a statute defining an infraction shall be brought in the name of the State of Indiana by the prosecuting attorney for the judicial circuit in which the infraction allegedly took place."

TOWN OF KOUTS  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger.

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)

DELINQUENT ACCOUNTS RECEIVABLE

The Town has established the shutoff policy for delinquent customers. The policy states that the water bill is due on the date set forth on the bill and that if any bill is not paid by or before that date, a second bill will be mailed containing a cutoff notice. If the bill is not paid within ten days of the cutoff notice, service will be discontinued. The Water Utility was not shutting off customers ten days after the cutoff notice.

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)

DELINQUENT WASTEWATER ACCOUNTS

Our examination of the Wastewater Utility revealed that sewage liens filed during the examination period incorrectly included amounts from past due water, sanitation and drainage utilities. IC 36-9-23-33 applies to Wastewater accounts only. A similar comment was issued in the previous Reports B28798 and B33352.

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
  - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
  - (B) A description of the premises, as shown by the records of the county auditor; and
  - (C) The amount of the delinquent fees, together with the penalty; or
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent."

TOWN OF KOUTS  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Town and Water Utility did not pay the 2008 Indiana Utility Receipts Tax for water and garbage collection until June 4, 2009. In addition, the Indiana Utility Receipts Tax for the quarter ending March 31, 2009, was not paid until June 4, 2009. Guidelines published by the Indiana Department of Revenue indicate that the Utility Receipts Tax payment for the first quarter of 2009 was due on April 20, 2009.

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 KOUTS  
EXIT CONFERENCE

The contents of this report were discussed on August 30, 2010, with Gregory Frame, Clerk-Treasurer, and Laurie Tribble, Deputy Clerk-Treasurer.