

B37854

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

EXAMINATION REPORT
OF
TOWN OF TOPEKA
LAGRANGE COUNTY, INDIANA
January 1, 2007 to December 31, 2009



FILED
11/17/2010

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4-6
Notes to Financial Information	7-8
Supplementary Information:	
Schedule of Long-Term Debt	9
Examination Results and Comments:	
Penalties, Interest, and Other Charges	10
Condition of Records	10
Public Records Retention	11
Federal and State Agencies – Compliance Requirements	11
Exit Conference.....	12

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	DeWayne C. Bontrager	01-01-07 to 12-31-10
President of the Town Council	Yvonne Eash	01-01-07 to 12-31-10
Superintendent of Water Utility	Johnny Huff	01-01-07 to 12-31-10
Superintendent of Wastewater Utility	Drew Morr	01-01-07 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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF TOPEKA, LAGRANGE COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Topeka (Town), for the period of January 1, 2007 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, 2007, 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

September 8, 2010

TOWN OF TOPEKA
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, 2008, And 2009

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 76,955	\$ 748,052	\$ 682,029	\$ 142,978
Motor Vehicle Highway	106,106	312,754	347,540	71,320
Local Road and Street	7,730	4,110	-	11,840
Park and Recreation	28,906	174,144	135,594	67,456
Law Enforcement Continuing Education	30,459	19,816	9,008	41,267
Riverboat	22,235	8,218	23,860	6,593
Rainy Day	864	37,369	-	38,233
Employee Insurance Supplement	12,383	-	12,361	22
Park Donation	3,036	240	-	3,276
Police Donation	-	2,049	-	2,049
Fire Donation	212	-	-	212
EMS Donation	576	-	-	576
Cumulative Capital Improvement	7,215	4,071	160	11,126
Cumulative Capital Development	44,951	28,692	31,352	42,291
CEDIT	90,458	99,477	141,285	48,650
Local Major Moves Construction	601,389	31,903	-	633,292
Cumulative Firefighting	88,047	54,728	50,534	92,241
Cumulative Sewer	334,653	77,665	148,423	263,895
General Improvements	32,775	2,676	76	35,375
TIF Allocation	2,263,769	825,483	297,930	2,791,322
Proprietary Funds:				
Water Utility - Operating	14,526	159,973	159,424	15,075
Water Utility - Depreciation	81,610	188,530	68,036	202,104
Water Utility - Customer Deposit	9,821	1,450	1,200	10,071
Wastewater Utility - Operating	12,995	224,036	226,956	10,075
Wastewater Utility - Bond and Interest, and Reserve	133,430	70,001	70,390	133,041
Wastewater Utility - Depreciation	154,048	41,146	-	195,194
Fiduciary Funds:				
Escrow	15,685	3,897	19,581	1
Payroll	101	442,724	443,426	(601)
Totals	<u>\$ 4,174,935</u>	<u>\$ 3,563,204</u>	<u>\$ 2,869,165</u>	<u>\$ 4,868,974</u>

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

TOWN OF TOPEKA
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, 2008, And 2009
(Continued)

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 142,978	\$ 652,898	\$ 702,639	\$ 93,237
Motor Vehicle Highway	71,320	244,289	234,987	80,622
Local Road and Street	11,840	3,803	3,417	12,226
Park and Recreation	67,456	142,623	140,408	69,671
Law Enforcement Continuing Education	41,267	24,170	28,253	37,184
Riverboat	6,593	27,759	2,421	31,931
Rainy Day	38,233	46,730	30,925	54,038
Employee Insurance Supplement	22	24,000	14,497	9,525
Park Donation	3,276	4,927	4,936	3,267
Police Donation	2,049	650	-	2,699
Fire Donation	212	10,436	-	10,648
EMS Donation	576	100	-	676
Cumulative Capital Improvement	11,126	3,789	4,784	10,131
Cumulative Capital Development	42,291	30,982	54,504	18,769
CEDIT	48,650	197,422	116,531	129,541
Local Major Moves Construction	633,292	16,416	29,600	620,108
Cumulative Firefighting	92,241	19,633	17,884	93,990
Cumulative Sewer	263,895	57,079	33,790	287,184
General Improvements	35,375	712	150	35,937
TIF Allocation	2,791,322	813,375	360,777	3,243,920
Proprietary Funds:				
Water Utility - Operating	15,075	175,764	176,345	14,494
Water Utility - Depreciation	202,104	129,942	124,416	207,630
Water Utility - Customer Deposit	10,071	1,328	1,028	10,371
Wastewater Utility - Operating	10,075	231,477	226,477	15,075
Wastewater Utility - Bond and Interest, and Reserve	133,041	41,898	68,490	106,449
Wastewater Utility - Depreciation	195,194	68,606	24,701	239,099
Fiduciary Funds:				
Escrow	1	-	1	-
Payroll	(601)	486,419	486,686	(868)
Totals	<u>\$ 4,868,974</u>	<u>\$ 3,457,227</u>	<u>\$ 2,888,647</u>	<u>\$ 5,437,554</u>

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

TOWN OF TOPEKA
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, 2008, And 2009
(Continued)

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 93,237	\$ 813,018	\$ 709,654	\$ 196,601
Motor Vehicle Highway	80,622	284,136	223,417	141,341
Local Road and Street	12,226	3,234	9,851	5,609
Park and Recreation	69,671	96,633	105,153	61,151
Law Enforcement Continuing Education	37,184	23,772	18,658	42,298
Riverboat	31,931	7,381	1,571	37,741
Rainy Day	54,038	8,410	46,014	16,434
Employee Insurance Supplement	9,525	22,000	19,396	12,129
Park Donation	3,267	1,166	1,013	3,420
Police Donation	2,699	250	1,920	1,029
Fire Donation	10,648	50,944	56,944	4,648
EMS Donation	676	-	-	676
Cumulative Capital Improvement	10,131	1,747	4,380	7,498
Cumulative Capital Development	18,769	28,821	23,219	24,371
CEDIT	129,541	102,772	115,718	116,595
Local Major Moves Construction	620,108	3,533	16,848	606,793
Cumulative Firefighting	93,990	198,045	239,595	52,440
Cumulative Sewer	287,184	78,431	80,845	284,770
General Improvements	35,937	345	2,248	34,034
TIF Allocation	3,243,920	1,147,094	746,246	3,644,768
FEMA Grant	-	55,988	55,976	12
Proprietary Funds:				
Water Utility - Operating	14,494	165,172	164,591	15,075
Water Utility - Depreciation	207,630	114,270	43,124	278,776
Water Utility - Customer Deposit	10,371	850	937	10,284
Wastewater Utility - Operating	15,075	216,479	216,479	15,075
Wastewater Utility - Bond and Interest, and Reserve	106,449	81,343	66,590	121,202
Wastewater Utility - Depreciation	239,099	35,732	37,841	236,990
Fiduciary Funds:				
Escrow	-	32,980	3,556	29,424
Payroll	(868)	503,648	502,551	229
Totals	<u>\$ 5,437,554</u>	<u>\$ 4,078,194</u>	<u>\$ 3,514,335</u>	<u>\$ 6,001,413</u>

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

TOWN OF TOPEKA
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, 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 TOPEKA
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 Event

The Town entered into a loan for \$129,950 for the purchase of a street sweeper.

TOWN OF TOPEKA
 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
Business-type activities:		
Wastewater Utility:		
Revenue bonds:		
1998 Wastewater Bonds	\$ 485,000	\$ 68,765

TOWN OF TOPEKA
EXAMINATION RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest on withholding taxes totaling \$650.98 were paid to the Internal Revenue Service on May 12, 2009, for the quarter ending March 31, 2009. Penalties and interest on withholding taxes totaling \$7.11 were paid to the Indiana Department of Revenue on July 22, 2009, for the period ending December 31, 2008.

Penalties and interest on sales taxes totaling \$6.20 were paid to the Indiana Department of Revenue on February 20, 2009, for the period September 31, 2008.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion.

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)

CONDITION OF RECORDS

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

- (1) There were a considerable number of posting errors to the ledger. These errors included deposits not recorded, transfers not recorded, and interest not posted.

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) Investment balances in the ledger do not agree with bank statements.

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)

- (3) The Water and Wastewater Utility ledger balances of Accounts Receivable do not agree with the Utilities Accounts Receivable Trial Balance.

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)

TOWN OF TOPEKA
EXAMINATION RESULTS AND COMMENTS
(Continued)

PUBLIC RECORDS RETENTION

A portion of the 2007 general ledger including the General Fund, the Escrow Fund, and the cash and investment sections of the Local Road and Street Fund were not available for examination.

IC 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Town pays \$960 per month for an individual health insurance plan of a Town Council member. The Town does not offer this insurance plan to the other employees of the Town to qualify it as a group insurance plan in accordance with IC 5-10-8-2.6. Since the payments are not for a group insurance plan, the payments may be considered income to the employee receiving the benefit. The Town should contact the Internal Revenue Service for further guidance.

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 TOPEKA
EXIT CONFERENCE

The contents of this report were discussed on September 8, 2010, with DeWayne C. Bontrager, Clerk-Treasurer.