

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

EXAMINATION REPORT
OF
TOWN OF SOUTH WHITLEY
WHITLEY COUNTY, INDIANA
January 1, 2007 to December 31, 2009



FILED
12/20/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mitchel J. Winger	01-01-04 to 12-31-11
President of the Town Council	John M. Dunn	01-01-07 to 12-31-07
	Tonya E. Warner	01-01-08 to 12-31-09
	Joan R. Eberhart	01-01-10 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF SOUTH WHITLEY, WHITLEY COUNTY, INDIANA

We have examined the financial information presented herein of the Town of South Whitley (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

October 19, 2010

TOWN OF SOUTH WHITLEY
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	\$ 34,392	\$ 419,250	\$ 408,545	\$ 45,097
Motor Vehicle Highway	35,739	74,663	67,416	42,986
Local Road and Street	13,818	9,284	5,188	17,914
Park and Recreation	1,424	653	596	1,481
Law Enforcement Continuing Education	617	787	848	556
Riverboat	17,657	11,615	8,282	20,990
Sanitation	19,083	77,756	78,635	18,204
Abandoned Vehicle	(110)	110	-	-
Police Training and Equipment	(225)	214	-	(11)
Library Grant	-	316,614	316,614	-
Downtown Planning Grant	-	5,500	-	5,500
Cumulative Capital Improvement	9,229	6,259	4,818	10,670
Cumulative Capital Development	33,076	14,740	9,052	38,764
Economic Development Income Tax	78,473	61,186	15,408	124,251
Proprietary Funds:				
Electric Utility - Operating	703,099	1,375,810	1,403,579	675,330
Electric Utility - Meter Deposit	29,664	6,065	6,465	29,264
Electric Utility - Depreciation	129,369	50,475	59,185	120,659
Electric Utility - Cash Reserve	62,340	-	-	62,340
Water Utility - Operating	174,376	300,873	253,176	222,073
Water Utility - Bond and Interest	37,530	111,172	116,442	32,260
Water Utility - Depreciation	17,570	25,215	6,977	35,808
Water Utility - Cash Reserve	5,715	-	-	5,715
Water Utility - Debt Reserve	37,800	51,185	7,985	81,000
Water Utility - Construction Bond	48,526	1,383	49,909	-
Water Utility - Retainage	7,405	-	7,405	-
Wastewater Utility - Operating	246,472	349,305	296,554	299,223
Wastewater Utility - Bond and Interest	(6,060)	95,436	81,513	7,863
Wastewater Utility - Capital	(491)	-	454	(945)
Wastewater Utility - Debt Reserve	85,513	-	-	85,513
Fiduciary Funds:				
Sales Tax	4,069	59,353	59,957	3,465
Payroll Withholding	5,507	134,724	134,327	5,904
Totals	\$ 1,831,577	\$ 3,559,627	\$ 3,399,330	\$ 1,991,874

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 45,097	\$ 378,671	\$ 445,939	\$ (22,171)
Motor Vehicle Highway	42,986	55,075	73,901	24,160
Local Road and Street	17,914	9,855	6,776	20,993
Park and Recreation	1,481	1,153	185	2,449
Law Enforcement Continuing Education	556	784	189	1,151
Riverboat	20,990	11,510	8,819	23,681
Rainy Day	-	38,986	-	38,986
Sanitation	18,204	79,078	84,763	12,519
Police Training and Equipment	(11)	141	-	130
Downtown Planning Grant	5,500	49,500	55,012	(12)
Cumulative Capital Improvement	10,670	5,796	1,587	14,879
Cumulative Capital Development	38,764	10,654	4,907	44,511
Economic Development Income Tax	124,251	98,527	19,772	203,006
Proprietary Funds:				
Electric Utility - Operating	675,330	1,403,678	1,413,517	665,491
Electric Utility - Meter Deposit	29,264	6,640	4,150	31,754
Electric Utility - Depreciation	120,659	52,547	26,703	146,503
Electric Utility - Cash Reserve	62,340	-	-	62,340
Water Utility - Operating	222,073	275,867	265,804	232,136
Water Utility - Bond and Interest	32,260	99,223	96,640	34,843
Water Utility - Depreciation	35,808	32,186	9,465	58,529
Water Utility - Cash Reserve	5,715	-	-	5,715
Water Utility - Debt Reserve	81,000	-	-	81,000
Wastewater Utility - Operating	299,223	370,949	342,010	328,162
Wastewater Utility - Bond and Interest	7,863	84,613	84,512	7,964
Wastewater Utility - Capital	(945)	-	-	(945)
Wastewater Utility - Debt Reserve	85,513	-	-	85,513
Fiduciary Funds:				
Sales Tax	3,465	67,543	65,485	5,523
Payroll Withholding	5,904	138,640	137,328	7,216
Totals	\$ 1,991,874	\$ 3,271,616	\$ 3,147,464	\$ 2,116,026

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

TOWN OF SOUTH WHITLEY
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	\$ (22,171)	\$ 555,080	\$ 453,984	\$ 78,925
Motor Vehicle Highway	24,160	57,682	72,916	8,926
Local Road and Street	20,993	8,380	19,090	10,283
Park and Recreation	2,449	1,870	660	3,659
Law Enforcement Continuing Education	1,151	1,848	1,338	1,661
Riverboat	23,681	11,252	35,569	(636)
Rainy Day	38,986	28,711	677	67,020
Sanitation	12,519	80,505	83,766	9,258
Police Training and Equipment	130	63	10	183
Downtown Planning Grant	(12)	-	-	(12)
Cumulative Capital Improvement	14,879	5,464	8,667	11,676
Cumulative Capital Development	44,511	25,862	36,241	34,132
Economic Development Income Tax	203,006	69,323	134,541	137,788
Proprietary Funds:				
Electric Utility - Operating	665,491	1,388,688	1,354,533	699,646
Electric Utility - Meter Deposit	31,754	9,920	6,068	35,606
Electric Utility - Depreciation	146,503	31,038	25,940	151,601
Electric Utility - Cash Reserve	62,340	-	30,000	32,340
Water Utility - Operating	232,136	305,539	313,382	224,293
Water Utility - Bond and Interest	34,843	98,422	99,275	33,990
Water Utility - Depreciation	58,529	31,574	25,595	64,508
Water Utility - Cash Reserve	5,715	-	-	5,715
Water Utility - Debt Reserve	81,000	-	-	81,000
Wastewater Utility - Operating	328,162	374,849	314,436	388,575
Wastewater Utility - Bond and Interest	7,964	82,272	82,262	7,974
Wastewater Utility - Capital	(945)	-	-	(945)
Wastewater Utility - Debt Reserve	85,513	-	-	85,513
Fiduciary Funds:				
Sales Tax	5,523	76,297	82,675	(855)
Payroll Withholding	7,216	131,634	133,091	5,759
Totals	<u>\$ 2,116,026</u>	<u>\$ 3,376,273</u>	<u>\$ 3,314,716</u>	<u>\$ 2,177,583</u>

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

TOWN OF SOUTH WHITLEY
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, health and social services, culture and recreation, general administrative services, electric, water, and wastewater.

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 SOUTH WHITLEY
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

In 2010, the Town started a storm water improvement project. The estimated project cost is \$897,839 which will be funded in part by a \$784,339 Community Development Block Grant.

TOWN OF SOUTH WHITLEY
 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:		
Water Utility:		
Revenue bonds:		
2004 Water improvements	\$ 445,000	\$ 96,675
Wastewater Utility:		
Revenue bonds:		
1999 Wastewater improvements	630,000	17,506
Total business-type activities long-term debt	<u>\$ 1,075,000</u>	<u>\$ 114,181</u>

TOWN OF SOUTH WHITLEY
EXAMINATION RESULTS AND COMMENTS

COMPOSITION OF RECEIPT DEPOSITS

Checks issued to replenish petty cash were substituted for cash collected for utility payments. As a result, the composition (cash, check, money order) of deposits could not be verified to the original receipts making up the deposits. A similar comment appeared in prior Report B31198.

Public funds shall be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES

The cash balances of the following funds were overdrawn at year end:

<u>Fund</u>	<u>December 31</u>	<u>Amount</u>
General	2008	\$ (22,171)
Police Training and Equipment	2007	(11)
Riverboat	2009	(636)
Downtown Planning Grant	2008, 2009	(12)
Sales Tax	2009	(855)
Wastewater Utility - Capital	2007, 2008, 2009	(945)

A similar comment appeared in prior Report B31198.

The cash 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)

TIMELY RECORDKEEPING

Interest earned on the Town's preferred liquidity savings account for the months of October through December, 2009 was not posted to the records as of September 8, 2010. A similar comment appeared in prior Report B31198.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

USE OF DEBIT CARD

The Town is using a debit card to purchase items. As a result, payments are being made prior to the approval of the claims.

IC 5-11-10-1.6(d) states:

"The fiscal officer of a governmental entity shall issue checks or warrants for claims by the governmental entity that meet all of the requirements of this section."

TOWN OF SOUTH WHITLEY
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 5-11-10-2(a) states:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

Form URT-1, Indiana Utility Receipts Tax Return, was not filed for 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)

ORDINANCES AND RESOLUTIONS - PROMOTIONAL ACCOUNT

The Town paid for employee Christmas gift cards and meals through various promotional accounts. However, the Town has not established an ordinance concerning the use of promotional accounts.

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)

ORDINANCES AND RESOLUTIONS – DELINQUENT UTILITY ACCOUNTS

The Town Council on May 22, 2007, approved a policy concerning delinquent utility accounts which states in part: "If the bill is not paid by the end of the month a disconnect notice will be sent giving customers 5 days to pay. At that point payment must be made in full." A Town employee has been allowed to maintain a delinquent balance on his utility account without making payment in full or having services disconnected.

TOWN OF SOUTH WHITLEY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

CUSTOMER DEPOSIT REGISTER - PUBLIC RECORDS RETENTION

The detailed customer deposit register at December 31, 2007, 2008, and 2009, was not presented for examination.

At all times, the manual and/or 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)

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."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

Capital asset records for the Town, Electric Utility, Water Utility, and Wastewater Utility were not presented for examination.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. 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)

MILEAGE REIMBURSEMENT

Employees were being reimbursed for mileage through petty cash disbursements. Mileage Claim, General Form 101, was not in use.

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 SOUTH WHITLEY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF SOUTH WHITLEY
EXIT CONFERENCE

The contents of this report were discussed on October 19, 2010, with Mitchel J. Winger, Clerk-Treasurer, and Joan R. Eberhart, President of the Town Council. The officials concurred with our findings.