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

EXAMINATION REPORT  
OF  
CITY OF WOODBURN  
ALLEN COUNTY, INDIANA  
January 1, 2009 to December 31, 2009



**FILED**  
12/29/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Lesa Meadows	01-01-08 to 12-31-11
Mayor	Richard A. Hoepfner	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Richard A. Hoepfner	01-01-08 to 12-31-11
President of the Common Council	Richard A. Hoepfner	01-01-08 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF WOODBURN, ALLEN COUNTY, INDIANA

We have examined the financial information presented herein of the City of Woodburn (City), for the period of January 1, 2009 to December 31, 2009. The City'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 City for the year ended December 31, 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

November 4, 2010

TOWN OF WOODBURN  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES  
As Of And For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 143,856	\$ 250,468	\$ 208,015	\$ 186,309
Motor Vehicle Highway	17,944	62,416	73,770	6,590
Local Road and Street	17,646	17,028	22,485	12,189
Economic Development Income Tax	274,670	154,981	165,850	263,801
Rainy Day	15,772	63,972	-	79,744
Law Enforcement Continuing Education	(87)	1,600	40	1,473
Cumulative Capital Improvement	21,073	4,842	11,293	14,622
Cumulative Capital Development	42,314	14,488	16,897	39,905
Riverboat Wagering	18,501	9,881	1,900	26,482
Police Dog Donations	1,176	-	-	1,176
Havenwood Utilities Receivership	92,043	60,197	-	152,240
Trash and Garbage Pickup	(2,722)	74,100	66,546	4,832
Proprietary Funds:				
Water Utility Operating	61,347	409,271	391,416	79,202
Water Utility Bond and Interest	62,158	102,675	103,335	61,498
Water Utility Depreciation	32,960	-	-	32,960
Water Utility Debt Service Reserve	107,625	35,000	35,000	107,625
Water Utility Customer Deposit	5,710	1,975	900	6,785
Wastewater Utility Operating	224,134	247,719	195,513	276,340
Wastewater Utility Bond and Interest	15,283	62,831	63,360	14,754
Wastewater Utility Depreciation	33,946	-	-	33,946
Wastewater Utility Debt Service Reserve	62,790	-	-	62,790
Fiduciary Fund:				
Payroll	-	39,845	40,341	(496)
Totals	<u>\$ 1,248,139</u>	<u>\$ 1,613,289</u>	<u>\$ 1,396,661</u>	<u>\$ 1,464,767</u>

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

CITY OF WOODBURN  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, highways and streets, public improvements, planning and zoning, culture and recreation, water, wastewater, and general administrative services.

Note 2. Fund Accounting

The City 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 City 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 City 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 City 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.

CITY OF WOODBURN  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City 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 City 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 June 7, 2010, the City determined that they will defease and redeem the outstanding 2002 Wastewater Improvement Revenue Bonds of \$215,000 for \$231,561 on October 11, 2011, the earliest date on which the bonds may be redeemed. On June 24, 2010, \$231,561 was wire transferred to an escrow trustee until the date of redemption.

The City adopted Ordinance Number G-09-1188, Establishing New Rates and Charges of Woodburn Waterworks Utility on December 7, 2009. This ordinance increased the rate charged customers for the use of and services rendered by the Waterworks Utility by 10% effective January 1, 2010.

The City adopted Ordinance Number G-10-1192, Amending the Schedule of Rates and Charges of Woodburn Sewage Works Utility on June 7, 2010. This ordinance increased the rate charged customers for collection and disposal of sewage by 70% effective July 1, 2010.

CITY OF WOODBURN  
NOTES TO FINANCIAL INFORMATION  
(Continued)

A storm sewer system improvement project was completed in 2010 for \$211,507. The project was paid for out of the Economic Development Income Tax Fund.

On June 7, 2010, the Common Council awarded bids for a sanitary sewer system improvement project for a total of \$1,952,619. Funding for this project is from Bond Anticipation Notes not to exceed \$2,980,000 which have been sold to the State Revolving Fund loan program.

CITY OF WOODBURN  
 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	\$ 216,686
Infrastructure	42,249
Buildings	141,983
Improvements other than buildings	10,276
Machinery and equipment	340,736
Construction in progress	<u>-</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 751,930</u>
<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 15,925
Construction in progress	-
Buildings	189,107
Improvements other than buildings	2,745,855
Machinery and equipment	<u>128,866</u>
Total Water Utility capital assets	<u>3,079,753</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	34,696
Construction in progress	-
Buildings	-
Improvements other than buildings	1,802,036
Machinery and equipment	<u>114,049</u>
Total Wastewater Utility capital assets	<u>1,950,781</u>
Total business-type activities capital assets	<u>\$ 5,030,534</u>

CITY OF WOODBURN  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2009

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Loan payable:		
Woodburn Development Corporation Industrial Land	\$ 127,883	\$ 28,411
Business-type activities:		
Water Utility:		
Revenue bonds:		
2003 Water Improvement	\$ 1,060,000	\$ 101,005
Wastewater Utility:		
Revenue bonds:		
1994 Wastewater Improvement	140,000	33,745
2002 Wastewater Improvement	215,000	25,273
Total Wastewater Utility	355,000	59,018
Total business-type activities debt	\$ 1,415,000	\$ 160,023

CITY OF WOODBURN  
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

The Annual Report (CTAR) for 2009 was not adequately prepared. Receipts, disbursements, and ending cash balances for several funds did not agree with the city's financial records.

IC 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

OVERDRAWN CASH BALANCE

The cash balance of the Payroll Fund was overdrawn by \$496 at December 31, 2009.

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)

TRASH SERVICE ORDINANCE

The city increased their monthly trash service fees in 2009 without an approved ordinance supporting the increase. As a result, the city was in violation of their ordinance of monthly trash service fees.

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)

ESTABLISHMENT OF TRASH FUND

The city does not have an approved ordinance that established the use of their trash fund.

IC 36-1-3-6 states:

"(a) If there is a constitutional or statutory provision requiring a specific manner for exercising a power, a unit wanting to exercise the power must do so in that manner. (b) If there is no constitutional or statutory provision requiring a specific manner for exercising a power, a unit wanting to exercise the power must either: (1) adopt an ordinance prescribing a specific manner for exercising the power; or (2) comply with a statutory provision permitting a specific manner for exercising the power. (c) An ordinance under subsection (b) (1) must be adopted as follows: (1) In a municipality, by the legislative body of the municipality. . . ."

CITY OF WOODBURN  
EXIT CONFERENCE

The contents of this report were discussed on November 4, 2010, with Lesa Meadows, Clerk-Treasurer; Richard A. Hoepfner, Mayor; Beth Kindinger, Clerk; James W. Norden, City Council member; and Clarence Reichart, City Council member. The officials concurred with our findings.