

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

EXAMINATION REPORT  
OF  
TOWN OF DEMOTTE  
JASPER COUNTY, INDIANA  
January 1, 2009 to December 31, 2010



**FILED**  
04/20/2011



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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Margaret M. Woods

01-01-08 to 12-31-11

President of the  
Town Council

Mark W. Boer

01-01-09 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF DEMOTTE, JASPER COUNTY, INDIANA

We have examined the financial information presented herein of the Town Of DeMotte (Town), for the period of January 1, 2009 to December 31, 2010. 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, 2009 and 2010, 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

March 14, 2011

TOWN OF DEMOTTE  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2009 And 2010

	Cash and Investments			Cash and Investments
	01-01-09	Receipts	Disbursements	
<b>Governmental Funds:</b>				
General	\$ 16,917	\$ 1,627,034	\$ 1,311,407	\$ 332,544
Motor Vehicle Highway	49,023	86,772	114,415	21,380
Local Road and Street	7,502	16,511	16,429	7,584
Park Nonreverting Operating	6,074	11,729	10,721	7,082
Park Donation	49,142	3,207	5,228	47,121
Law Enforcement Continuing Education	5,751	3,464	5,915	3,300
Rainy Day	135,412	63,218	-	198,630
CEDIT	160,619	122,501	174,376	108,744
Local Attendance Officer Grant	343	-	-	343
Local OWI Fund	178	4,000	3,409	769
Water Permit Non Reverting	452	1,508	1,960	-
MVH Sign Non Reverting	275	-	-	275
LOIT - Public Safety	92,048	122,617	53,795	160,870
Lease Rental	6,784	54,062	29,300	31,546
Cumulative Capital Improvement	33,242	9,917	-	43,159
Cumulative Capital Development	57,592	63,473	60,658	60,407
<b>Proprietary Funds:</b>				
Wastewater Utility - Operating	123,469	1,046,487	797,862	372,094
Wastewater Utility - Bond and Interest	81,369	304,716	306,372	79,713
Wastewater Utility - Debt Reserve	394,647	-	-	394,647
Wastewater Utility - Construction	715,462	48,500	63,701	700,261
<b>Fiduciary Funds:</b>				
Town Court	2,097	7,487	8,356	1,228
Payroll	195	1,228,230	1,186,935	41,490
<b>Totals</b>	<b>\$ 1,938,593</b>	<b>\$ 4,825,433</b>	<b>\$ 4,150,839</b>	<b>\$ 2,613,187</b>

  

	Cash and Investments			Cash and Investments
	01-01-10	Receipts	Disbursements	
<b>Governmental Funds:</b>				
General	\$ 332,544	\$ 1,186,954	\$ 1,215,981	\$ 303,517
Motor Vehicle Highway	21,380	84,669	82,183	23,866
Local Road and Street	7,584	17,093	16,301	8,376
Park Nonreverting Operating	7,082	13,164	9,829	10,417
Park Donation	47,121	550	17,899	29,772
Law Enforcement Continuing Education	3,300	3,375	3,618	3,057
Rainy Day	198,630	308,070	-	506,700
CEDIT	108,744	110,671	162,977	56,438
Local Attendance Officer Grant	343	-	153	190
Local OWI Fund	769	4,000	3,682	1,087
Water Permit Non Reverting	-	753	233	520
MVH Sign Non Reverting	275	167	660	(218)
LOIT - Public Safety	160,870	94,814	140,868	114,816
Lease Rental	31,546	52,567	20,045	64,068
Cumulative Capital Improvement	43,159	9,469	14,100	38,528
Cumulative Capital Development	60,407	44,871	97,964	7,314
Levy Excess	-	2,434	-	2,434
<b>Proprietary Funds:</b>				
Wastewater Utility - Operating	372,094	1,189,829	1,011,989	549,934
Wastewater Utility - Bond and Interest	79,713	330,227	304,058	105,882
Wastewater Utility - Debt Reserve	394,647	-	-	394,647
Wastewater Utility - Construction	700,261	27,700	32,222	695,739
<b>Fiduciary Funds:</b>				
Town Court	1,228	6,414	6,696	946
Payroll	41,490	1,254,625	1,270,324	25,791
<b>Totals</b>	<b>\$ 2,613,187</b>	<b>\$ 4,742,416</b>	<b>\$ 4,411,782</b>	<b>\$ 2,943,821</b>

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

TOWN OF DEMOTTE  
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, general administrative services 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.

TOWN OF DEMOTTE  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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.

Note 6. Subsequent Event

Lease-Rental Recovery Bond

The Town of DeMotte has obtained \$2,000,000 in Valorem Tax Recovery Zone Bonds with Bond A amount being \$1,200,000 and the Bond B amount being \$800,000. The projects advertised to be funded with the bonds include the following projects: Downtown improvements, sidewalks and curbs, trees and street lights, landscaping, lighting, concrete, pavilion and plaza improvements at Spencer Park, town hall expansion, and a ½ mile road reconstruction and widening of Division Street. Construction will begin in 2011. The Town has also received \$844,000 in Federal Highway Administration Group IV funds to help fund the Division Street project. Funding for this project may not be completed until 2013; however, INDOT has stated that the funds may be available earlier.

TOWN OF DEMOTTE  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2010

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 848,135
Buildings	1,695,929
Improvements other than buildings	190,701
Machinery and equipment	<u>539,009</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 3,273,774</u>
 Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 75,000
Buildings	1,692,049
Improvements other than buildings	20,710,687
Machinery and equipment	<u>532,179</u>
 Total Wastewater Utility capital assets	 <u>\$ 23,009,915</u>

TOWN OF DEMOTTE  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2010

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:		
1997 Wastewater Refunding	\$ 55,000	\$ 57,888
2000 Wastewater SRF Construction	2,155,000	177,495
2005 Wastewater Construction	<u>570,000</u>	<u>64,215</u>
Total business-type activities debt	<u>\$ 2,780,000</u>	<u>\$ 299,598</u>

TOWN OF DEMOTTE  
EXAMINATION RESULTS AND COMMENTS

OVERPAID COMPENSATION

Salary ordinances adopted by the Town Council in 2009 and 2010 increased the salaries of the elected officials during the year for which the salaries were fixed. This resulted in overpayments to the Clerk-Treasurer and Council members ranging from \$386.99 to \$630.00. Arrangements were made to repay these amounts by adjusting salary to be made in 2011.

IC 36-5-3-2(c) states in part: "The compensation of an elected town officer may not be changed in the year for which it is fixed . . ."

UTILITY LOANS RECEIVABLE

The Northwest Jasper Regional District (the District) was organized in 2004 for the purpose of constructing and operating a water utility for the Town of DeMotte.

In order for the District (NORWEJ) to apply for the grant money necessary to fund the project, the DeMotte Wastewater Utility paid for various expenses related to the planning stage of the project. The Utility then secured promissory notes for \$141,872 in 2004, \$4,663 in 2006, \$300 in 2007 and \$76,982 in 2008 from the District to provide for the reimbursement of these advances when the District receives their grant funds. The Utility has made additional loans to the District of \$1,732 in 2009 and \$852 in 2010 for which no promissory notes have been secured. The total due the DeMotte Wastewater Utility as of December 31, 2010, was \$226,404. As of December 31, 2010, the District has not made any payments on these loans. A similar comment was in prior Reports B29687 and B34170.

IC 36-9-23-25 establishes that rates and charges for wastewater (sewage) utilities must be "just and equitable." "Just and equitable" fees are defined as those "required to maintain the sewage works in the sound physical and financial condition necessary to render adequate and efficient service." We see no statutory authority for the wastewater utility to make loans to other entities or for the wastewater utility to pay another entity's expenses.

Governmental units have the responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF DEMOTTE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

CONDITION OF RECORDS – TOWN COURT

Financial records presented for audit were incomplete and not reflective of the activity of the Town Court. The records presented did not provide correct footed totals of receipts and disbursements or provide correct ending cash balances. Some receipts and disbursements were not posted correctly and some receipt totals did not foot across or down in the cash book. The official did not perform monthly bank reconcilements. A bank reconciliation on December 31, 2010, indicated cash long of \$348.75 of which \$205.00 was due to deposits not posted, the remaining \$143.75 could not be identified. Similar comments were in the prior four audit reports B26739, B26740, B29687 and B34170.

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 City and Town Courts, Chapter 4)

DEPOSITS - TOWN COURT

In some instances, receipts tested were deposited later than the next business day. It was also noted that some deposit classifications did not match the receipt classifications (cash, check, MO). Some receipts did not have anything marked for payment type (classification).

All funds collected by a city or town court shall be deposited not later than the business day following the receipt of funds in depositories selected by the city or town as provided in an ordinance adopted by the city or town and approved as depositories of state funds. [IC 5-13-6-1(d)] (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

TOWN OF DEMOTTE  
EXIT CONFERENCE

The contents of this report were discussed on March 14, 2011, with Margaret M. Woods, Clerk-Treasurer, and Heather Tokarz, Office Manager.