

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF OOLITIC

LAWRENCE COUNTY, INDIANA

January 1, 2009 to December 31, 2010



FILED
10/07/2011

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Terri Hackler

01-01-08 to 12-31-11

President of the Town Council

Delvin Nikirk

01-01-09 to 12-31-11



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 OOLITIC, LAWRENCE COUNTY, INDIANA

We have examined the financial statements of the Town of Oolitic (Town), for the period of January 1, 2009 to December 31, 2010. The Town's management is responsible for the financial statements. 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2009 and 2010, on the basis of accounting described in Note 1.

The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, 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 financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.

The Town's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management and the Town Council, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 11, 2011

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FINANCIAL STATEMENTS

The financial statements and accompanying notes were approved by management of the Town. The financial statements and notes are presented as intended by the Town.

TOWN OF OOLITIC
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS

For The Year Ended December 31, 2009

| | Cash and Investments 01-01-09 | Receipts | Disbursements | Cash and Investments 12-31-09 |
|---------------------------------------------|-------------------------------------|---------------------|---------------------|-------------------------------------|
| General Fund | \$ 47,733 | \$ 238,717 | \$ 229,959 | \$ 56,491 |
| Motor Vehicle Highway | 8,888 | 46,540 | 42,081 | 13,347 |
| Local Road And Street | 37,649 | 33,159 | 50,404 | 20,404 |
| Parks And Recreation | 1,106 | 1,272 | 2,003 | 375 |
| Sanitation | - | 25,634 | - | 25,634 |
| Law Enforcement Continuing Education | 4,302 | 685 | - | 4,987 |
| Planning Grant Study/Sewage | - | 24,000 | 24,000 | - |
| Police Auxiliary Reserve | 2,092 | - | 470 | 1,622 |
| Police Donation | 130 | 1,520 | 738 | 912 |
| Loan And Interest Payment | - | 76,305 | 29,513 | 46,792 |
| Cumulative Capital Development | 21,062 | 4,893 | - | 25,955 |
| Cumulative Capital Improvement | 17,516 | 3,533 | 7,138 | 13,911 |
| Payroll | 3,468 | 231,162 | 232,399 | 2,231 |
| Wastewater Utility Operating | 16,975 | 136,646 | 146,559 | 7,062 |
| Wastewater Utility Depreciation Improvement | 30,141 | 3,000 | 15,909 | 17,232 |
| Water Utility Operating | 22,050 | 216,205 | 194,472 | 43,783 |
| Water Utility Customer Deposit | 12,809 | 1,639 | 1,583 | 12,865 |
| Water Utility Depreciation | 6,964 | - | - | 6,964 |
| Water Utility Improvement | 38,985 | - | 38,985 | - |
| Totals | <u>\$ 271,870</u> | <u>\$ 1,044,910</u> | <u>\$ 1,016,213</u> | <u>\$ 300,567</u> |

The notes to the financial statements are an integral part of this statement.

TOWN OF OOLITIC
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

| | Cash and Investments 01-01-10 | Receipts | Disbursements | Cash and Investments 12-31-10 |
|---------------------------------------------|-------------------------------------|-------------------|-------------------|-------------------------------------|
| General Fund | \$ 56,491 | \$ 209,103 | \$ 199,411 | \$ 66,183 |
| Motor Vehicle Highway | 13,347 | 30,356 | 32,391 | 11,312 |
| Local Road And Street | 20,404 | 44,397 | 39,375 | 25,426 |
| Parks And Recreation | 375 | 3,139 | 3,006 | 508 |
| Sanitation | 25,634 | 27,173 | 10,763 | 42,044 |
| Law Enforcement Continuing Education | 4,987 | 970 | - | 5,957 |
| Sewage Construction Fund Cff Grant | - | 21,200 | 20,700 | 500 |
| Planning Grant Study/Sewage | - | 16,000 | 16,000 | - |
| Police Auxiliary Reserve | 1,622 | - | 1,622 | - |
| Levy Excess | - | 508 | - | 508 |
| Police Donation | 912 | 1,355 | 2,017 | 250 |
| Loan And Interest Payment | 46,792 | 37,320 | 29,249 | 54,863 |
| Cumulative Capital Development | 25,955 | 3,960 | 15,935 | 13,980 |
| Cumulative Capital Improvement | 13,911 | 3,372 | 14,724 | 2,559 |
| Payroll | 2,231 | 234,420 | 232,877 | 3,774 |
| Wastewater Utility Operating | 7,062 | 137,818 | 130,118 | 14,762 |
| Wastewater Utility Depreciation Improvement | 17,232 | 9,217 | 22,866 | 3,583 |
| Water Utility Operating | 43,783 | 200,996 | 206,165 | 38,614 |
| Water Utility Customer Deposit | 12,865 | 1,624 | 790 | 13,699 |
| Water Utility Depreciation | 6,964 | - | - | 6,964 |
| Totals | <u>\$ 300,567</u> | <u>\$ 982,928</u> | <u>\$ 978,009</u> | <u>\$ 305,486</u> |

The notes to the financial statements are an integral part of this statement.

TOWN OF OOLITIC
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, trash, and urban redevelopment and housing.

The accompanying financial statements present the financial information for the Town (primary government), and does not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government).

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF OOLITIC
NOTES TO FINANCIAL STATEMENTS
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

TOWN OF OOLITIC
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

TOWN OF OOLITIC
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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 5. Risk Management

The Town may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement and replacement items purchased.

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 percent 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

TOWN OF OOLITIC
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Reports can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Town which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and/or approved by management of the Town. It is presented as intended by the Town.

TOWN OF OOLITIC
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009

| | General Fund | Motor Vehicle Highway | Local Road And Street | Parks And Recreation | Sanitation |
|----------------------------------------------------|------------------|-----------------------------|--------------------------------|----------------------------|------------------|
| Cash and investments - beginning | \$ 47,733 | \$ 8,888 | \$ 37,649 | \$ 1,106 | \$ - |
| Receipts: | | | | | |
| Taxes | 129,419 | - | - | - | - |
| Licenses and permits | 90 | - | - | - | - |
| Intergovernmental | 50,767 | 30,665 | 33,159 | - | - |
| Charges for services | - | - | - | - | 25,634 |
| Fines and forfeits | 7,350 | - | - | - | - |
| Utility fees | - | - | - | - | - |
| Other receipts | 51,091 | 15,875 | - | 1,272 | - |
| Total receipts | <u>238,717</u> | <u>46,540</u> | <u>33,159</u> | <u>1,272</u> | <u>25,634</u> |
| Disbursements: | | | | | |
| Personal services | 105,560 | 20,887 | - | - | - |
| Supplies | 8,478 | 21,194 | - | - | - |
| Other services and charges | 115,921 | - | 50,404 | 2,003 | - |
| Utility operating expenses | - | - | - | - | - |
| Other disbursements | - | - | - | - | - |
| Total disbursements | <u>229,959</u> | <u>42,081</u> | <u>50,404</u> | <u>2,003</u> | <u>-</u> |
| Excess (deficiency) of receipts over disbursements | <u>8,758</u> | <u>4,459</u> | <u>(17,245)</u> | <u>(731)</u> | <u>25,634</u> |
| Cash and investments - ending | <u>\$ 56,491</u> | <u>\$ 13,347</u> | <u>\$ 20,404</u> | <u>\$ 375</u> | <u>\$ 25,634</u> |

TOWN OF OOLITIC
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

| | Law Enforcement Continuing Education | Planning Grant Study/Sewage | Police Auxiliary Reserve | Police Donation | Loan And Interest Payment |
|----------------------------------------------------|-----------------------------------------------|-----------------------------------|--------------------------------|--------------------|------------------------------------|
| Cash and investments - beginning | \$ 4,302 | \$ - | \$ 2,092 | \$ 130 | \$ - |
| Receipts: | | | | | |
| Taxes | - | - | - | - | - |
| Licenses and permits | 620 | - | - | - | - |
| Intergovernmental | - | 24,000 | - | - | - |
| Charges for services | 65 | - | - | - | - |
| Fines and forfeits | - | - | - | - | - |
| Utility fees | - | - | - | - | - |
| Other receipts | - | - | - | 1,520 | 76,305 |
| Total receipts | <u>685</u> | <u>24,000</u> | <u>-</u> | <u>1,520</u> | <u>76,305</u> |
| Disbursements: | | | | | |
| Personal services | - | - | - | - | - |
| Supplies | - | - | - | - | - |
| Other services and charges | - | 24,000 | - | - | - |
| Utility operating expenses | - | - | - | - | - |
| Other disbursements | - | - | 470 | 738 | 29,513 |
| Total disbursements | <u>-</u> | <u>24,000</u> | <u>470</u> | <u>738</u> | <u>29,513</u> |
| Excess (deficiency) of receipts over disbursements | <u>685</u> | <u>-</u> | <u>(470)</u> | <u>782</u> | <u>46,792</u> |
| Cash and investments - ending | <u>\$ 4,987</u> | <u>\$ -</u> | <u>\$ 1,622</u> | <u>\$ 912</u> | <u>\$ 46,792</u> |

TOWN OF OOLITIC
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

| | Cumulative Capital Development | Cumulative Capital Improvement | Payroll | Wastewater Utility Operating | Wastewater Utility Depreciation Improvement |
|----------------------------------------------------|--------------------------------------|--------------------------------------|-----------------|------------------------------------|------------------------------------------------------|
| Cash and investments - beginning | \$ 21,062 | \$ 17,516 | \$ 3,468 | \$ 16,975 | \$ 30,141 |
| Receipts: | | | | | |
| Taxes | 4,893 | - | - | - | - |
| Licenses and permits | - | - | - | - | - |
| Intergovernmental | - | 3,533 | - | - | - |
| Charges for services | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - |
| Utility fees | - | - | - | 136,646 | - |
| Other receipts | - | - | 231,162 | - | 3,000 |
| Total receipts | <u>4,893</u> | <u>3,533</u> | <u>231,162</u> | <u>136,646</u> | <u>3,000</u> |
| Disbursements: | | | | | |
| Personal services | - | - | - | - | - |
| Supplies | - | - | - | - | - |
| Other services and charges | - | 7,138 | - | - | - |
| Utility operating expenses | - | - | - | 55,067 | - |
| Other disbursements | - | - | 232,399 | 91,492 | 15,909 |
| Total disbursements | <u>-</u> | <u>7,138</u> | <u>232,399</u> | <u>146,559</u> | <u>15,909</u> |
| Excess (deficiency) of receipts over disbursements | <u>4,893</u> | <u>(3,605)</u> | <u>(1,237)</u> | <u>(9,913)</u> | <u>(12,909)</u> |
| Cash and investments - ending | <u>\$ 25,955</u> | <u>\$ 13,911</u> | <u>\$ 2,231</u> | <u>\$ 7,062</u> | <u>\$ 17,232</u> |

TOWN OF OOLITIC
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

| | Water Utility Operating | Water Utility Customer Deposit | Water Utility Depreciation | Water Utility Improvement | Totals |
|----------------------------------------------------|-------------------------------|-----------------------------------------|----------------------------------|---------------------------------|-------------------|
| Cash and investments - beginning | \$ 22,050 | \$ 12,809 | \$ 6,964 | \$ 38,985 | \$ 271,870 |
| Receipts: | | | | | |
| Taxes | - | - | - | - | 134,312 |
| Licenses and permits | - | - | - | - | 710 |
| Intergovernmental | - | - | - | - | 142,124 |
| Charges for services | - | - | - | - | 25,699 |
| Fines and forfeits | - | - | - | - | 7,350 |
| Utility fees | 216,205 | - | - | - | 352,851 |
| Other receipts | - | 1,639 | - | - | 381,864 |
| Total receipts | <u>216,205</u> | <u>1,639</u> | <u>-</u> | <u>-</u> | <u>1,044,910</u> |
| Disbursements: | | | | | |
| Personal services | - | - | - | - | 126,447 |
| Supplies | - | - | - | - | 29,672 |
| Other services and charges | - | - | - | - | 199,466 |
| Utility operating expenses | 53,847 | 1,583 | - | - | 110,497 |
| Other disbursements | 140,625 | - | - | 38,985 | 550,131 |
| Total disbursements | <u>194,472</u> | <u>1,583</u> | <u>-</u> | <u>38,985</u> | <u>1,016,213</u> |
| Excess (deficiency) of receipts over disbursements | <u>21,733</u> | <u>56</u> | <u>-</u> | <u>(38,985)</u> | <u>28,697</u> |
| Cash and investments - ending | <u>\$ 43,783</u> | <u>\$ 12,865</u> | <u>\$ 6,964</u> | <u>\$ -</u> | <u>\$ 300,567</u> |

TOWN OF OOLITIC
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

| | General Fund | Motor Vehicle Highway | Local Road And Street | Parks And Recreation | Sanitation | Law Enforcement Continuing Education |
|----------------------------------------------------|------------------|-----------------------------|--------------------------------|----------------------------|------------------|-----------------------------------------------|
| Cash and investments - beginning | \$ 56,491 | \$ 13,347 | \$ 20,404 | \$ 375 | \$ 25,634 | \$ 4,987 |
| Receipts: | | | | | | |
| Taxes | 125,127 | - | - | - | - | - |
| Licenses and permits | 45 | - | - | - | - | 920 |
| Intergovernmental | 23,833 | 30,356 | 44,397 | - | - | - |
| Charges for services | - | - | - | - | 27,173 | 50 |
| Fines and forfeits | 10,876 | - | - | - | - | - |
| Utility fees | - | - | - | - | - | - |
| Other receipts | 49,222 | - | - | 3,139 | - | - |
| Total receipts | <u>209,103</u> | <u>30,356</u> | <u>44,397</u> | <u>3,139</u> | <u>27,173</u> | <u>970</u> |
| Disbursements: | | | | | | |
| Personal services | 125,132 | 25,438 | - | - | 10,763 | - |
| Supplies | 7,099 | 3,272 | - | - | - | - |
| Other services and charges | 67,180 | 3,681 | - | 3,006 | - | - |
| Utility operating expenses | - | - | - | - | - | - |
| Other disbursements | - | - | 39,375 | - | - | - |
| Total disbursements | <u>199,411</u> | <u>32,391</u> | <u>39,375</u> | <u>3,006</u> | <u>10,763</u> | <u>-</u> |
| Excess (deficiency) of receipts over disbursements | <u>9,692</u> | <u>(2,035)</u> | <u>5,022</u> | <u>133</u> | <u>16,410</u> | <u>970</u> |
| Cash and investments - ending | <u>\$ 66,183</u> | <u>\$ 11,312</u> | <u>\$ 25,426</u> | <u>\$ 508</u> | <u>\$ 42,044</u> | <u>\$ 5,957</u> |

TOWN OF OOLITIC
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

| | Sewage Construction Fund Cff Grant | Planning Grant Study/Sewage | Police Auxiliary Reserve | Levy Excess | Police Donation |
|-------------------------------------------------------|------------------------------------------------|-----------------------------------|--------------------------------|----------------|--------------------|
| Cash and investments - beginning | \$ - | \$ - | \$ 1,622 | \$ - | \$ 912 |
| Receipts: | | | | | |
| Taxes | - | - | - | 508 | - |
| Licenses and permits | - | - | - | - | - |
| Intergovernmental | 21,200 | 16,000 | - | - | - |
| Charges for services | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - |
| Utility fees | - | - | - | - | - |
| Other receipts | - | - | - | - | 1,355 |
| Total receipts | <u>21,200</u> | <u>16,000</u> | <u>-</u> | <u>508</u> | <u>1,355</u> |
| Disbursements: | | | | | |
| Personal services | - | - | - | - | - |
| Supplies | - | - | - | - | - |
| Other services and charges | - | 16,000 | - | - | - |
| Utility operating expenses | - | - | - | - | - |
| Other disbursements | 20,700 | - | 1,622 | - | 2,017 |
| Total disbursements | <u>20,700</u> | <u>16,000</u> | <u>1,622</u> | <u>-</u> | <u>2,017</u> |
| Excess (deficiency) of receipts over disbursements | <u>500</u> | <u>-</u> | <u>(1,622)</u> | <u>508</u> | <u>(662)</u> |
| Cash and investments - ending | <u>\$ 500</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 508</u> | <u>\$ 250</u> |

TOWN OF OOLITIC
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

| | Loan And Interest Payment | Cumulative Capital Development | Cumulative Capital Improvement | Payroll | Wastewater Utility Operating |
|-------------------------------------------------------|------------------------------------|--------------------------------------|--------------------------------------|-----------------|------------------------------------|
| Cash and investments - beginning | \$ 46,792 | \$ 25,955 | \$ 13,911 | \$ 2,231 | \$ 7,062 |
| Receipts: | | | | | |
| Taxes | - | 3,960 | - | - | - |
| Licenses and permits | - | - | - | - | - |
| Intergovernmental | - | - | 3,372 | - | - |
| Charges for services | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - |
| Utility fees | - | - | - | - | 132,193 |
| Other receipts | 37,320 | - | - | 234,420 | 5,625 |
| Total receipts | <u>37,320</u> | <u>3,960</u> | <u>3,372</u> | <u>234,420</u> | <u>137,818</u> |
| Disbursements: | | | | | |
| Personal services | - | - | - | - | - |
| Supplies | - | - | - | - | - |
| Other services and charges | - | - | 14,724 | - | - |
| Utility operating expenses | - | - | - | - | 130,118 |
| Other disbursements | 29,249 | 15,935 | - | 232,877 | - |
| Total disbursements | <u>29,249</u> | <u>15,935</u> | <u>14,724</u> | <u>232,877</u> | <u>130,118</u> |
| Excess (deficiency) of receipts over disbursements | <u>8,071</u> | <u>(11,975)</u> | <u>(11,352)</u> | <u>1,543</u> | <u>7,700</u> |
| Cash and investments - ending | <u>\$ 54,863</u> | <u>\$ 13,980</u> | <u>\$ 2,559</u> | <u>\$ 3,774</u> | <u>\$ 14,762</u> |

TOWN OF OOLITIC
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

| | Wastewater Utility Depreciation Improvement | Water Utility Operating | Water Utility Customer Deposit | Water Utility Depreciation | Totals |
|-------------------------------------------------------|------------------------------------------------------|-------------------------------|-----------------------------------------|----------------------------------|------------|
| Cash and investments - beginning | \$ 17,232 | \$ 43,783 | \$ 12,865 | \$ 6,964 | \$ 300,567 |
| Receipts: | | | | | |
| Taxes | - | - | - | - | 129,595 |
| Licenses and permits | - | - | - | - | 965 |
| Intergovernmental | - | - | - | - | 139,158 |
| Charges for services | - | - | - | - | 27,223 |
| Fines and forfeits | - | - | - | - | 10,876 |
| Utility fees | - | 172,820 | - | - | 305,013 |
| Other receipts | 9,217 | 28,176 | 1,624 | - | 370,098 |
| Total receipts | 9,217 | 200,996 | 1,624 | - | 982,928 |
| Disbursements: | | | | | |
| Personal services | - | - | - | - | 161,333 |
| Supplies | - | - | - | - | 10,371 |
| Other services and charges | - | - | - | - | 104,591 |
| Utility operating expenses | - | 168,845 | 790 | - | 299,753 |
| Other disbursements | 22,866 | 37,320 | - | - | 401,961 |
| Total disbursements | 22,866 | 206,165 | 790 | - | 978,009 |
| Excess (deficiency) of receipts over disbursements | (13,649) | (5,169) | 834 | - | 4,919 |
| Cash and investments - ending | \$ 3,583 | \$ 38,614 | \$ 13,699 | \$ 6,964 | \$ 305,486 |

TOWN OF OOLITIC
 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. Contributed or donated assets are reported at estimated fair value at the time received.

| <u>Primary Government</u> | <u>Ending Balance</u> |
|---------------------------------------------------------------------|---------------------------|
| Governmental activities: | |
| Capital assets, not being depreciated: | |
| Land | \$ 22,000 |
| Buildings | 737,492 |
| Improvements other than buildings | 83,833 |
| Machinery and equipment | <u>630,731</u> |
| Total governmental activities, capital assets not being depreciated | <u>\$ 1,474,056</u> |
| Business-type activities: | |
| Water Utility: | |
| Capital assets, not being depreciated: | |
| Land | \$ 4,000 |
| Buildings | 129,863 |
| Improvements other than buildings | 1,476,927 |
| Machinery and equipment | <u>22,872</u> |
| Total Water Utility capital assets | <u>1,633,662</u> |
| Wastewater Utility: | |
| Capital assets, not being depreciated: | |
| Land | 1,500 |
| Buildings | 583,579 |
| Improvements other than buildings | 1,267,114 |
| Machinery and equipment | <u>76,550</u> |
| Total Wastewater Utility capital assets | <u>1,928,743</u> |
| Total business-type activities capital assets | <u>\$ 3,562,405</u> |

TOWN OF OOLITIC
 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: | | |
| Water Utility: | | |
| Notes and loans payable | \$ <u>23,960</u> | \$ <u>19,174</u> |

TOWN OF OOLITIC
EXAMINATION RESULTS AND COMMENTS

RECEIPT ISSUANCE

The receipts presented for examination were the manual receipts Form 217. These receipts were not filled out completely since the date did not include the day the receipt was collected. A manual receipt was not written for all Town collections. Collections were entered into the computerized accounting system using the computerized receipt program. However, these receipts were not printed or maintained for examination. Receipts entered into the computerized accounting program were dated the last day of the month and not the date the funds were received.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSITS

In numerous instances, receipts were deposited later than the next business day. Utility deposits were made four times in December 2010 and Town receipts were deposited three times in December 2010. Checks received from Lawrence County were traced to bank deposits and one check dated June 21, 2010, was not deposited until July 15, 2010.

Indiana Code 5-13-6-1(d) states:

"A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

CONDITION OF RECORDS

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

Posting Errors

1. The amount of \$13,156.08 of Local Option Income Tax funds received from the County was deposited into the General Fund instead of into a separate account or fund as required by Indiana Code 6-3.5-1.1-25.
2. Financial Institutions Tax of \$22 should have been posted to the Cumulative Capital Improvement Fund, but was posted to the General Fund instead.
3. The Town uses a report called the "History By Appropriation Report" to detail the expenditures from each fund. The expenditures for laborers salary in the General and Motor Vehicle Highway Funds have been doubled causing the total expenditures in both funds to be overstated. This error did not carry forward to the Fund Reports created each month. Therefore, the expenditure totals on the History By Appropriation Report and the Fund Report do not agree.

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 OOLITIC
EXAMINATION RESULTS AND COMMENTS
(Continued)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

Errors on Claims

1. Claims were not certified by the fiscal officer.
2. All claims did not have board approval.
3. Claims or invoices did not have evidence to support receipt of goods or services.
4. The Clerk-Treasurer was paid \$50 per month for going to the bank. She submitted the Mileage Claim, General Form 101, but it was not completed and the reimbursement was not based on the miles driven.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

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)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination 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 OOLITIC
EXAMINATION RESULTS AND COMMENTS
(Continued)

Old Outstanding Checks

The Town and Utilities have old outstanding checks in excess of two years old. Some of the checks are more than ten years old.

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

Indiana Code 5-11-10.5-3 states in part:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the board of finance of the political subdivision or the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

OFFICIAL BOND

The Clerk-Treasurer purchased a bond for one year and then received continuation bonds. The original bond for the Clerk-Treasurer was for the year 2004.

Indiana Code 5-4-1-18(a) states in part:

"Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond:

- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges and clerk-treasurers . . ."

TOWN OF OOLITIC
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-4-1-18(c) states:

"Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. . . ."

PAYROLL DEDUCTIONS

Payroll withholdings for PERF did not agree with the amounts reported to PERF. The amount reported to PERF was \$240.31 more than the amount withheld.

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)

PAYROLL PAID IN ADVANCE

Payroll was routinely paid prior to the end of the payroll period.

Indiana Code 5-7-3-1(a) states: "Public officers may not draw or receive their salaries in advance."

COLLECTION OF FEES FOR MOVING TRAFFIC VIOLATIONS

The Town is collecting fines for ordinance violations through an Ordinance Violations Bureau established in accordance with Indiana Code 33-36. If a citizen forgoes their right to a trial, the Town collects the fine. There were numerous instances where the Town collected fines for moving traffic violations through the Ordinance Violations Bureau.

Indiana Code 36-1-6-3 states:

"(a) Certain ordinances may be enforced by a municipal corporation without proceeding in court through:

- (1) an admission of violation before the violations clerk under IC 33-36; or
- (2) administrative enforcement under subsection 9 of this chapter.

TOWN OF OOLITIC
EXAMINATION RESULTS AND COMMENTS
(Continued)

(b) Except as provided in the subsection (a), a proceeding to enforce an ordinance must be brought in accordance with IC 34-28-5, section 4 or this chapter, or both.

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

TOWN OF OOLITIC
EXIT CONFERENCE

The contents of this report were discussed on August 11, 2011, with Terri Hackler, Clerk-Treasurer; Jessica Staggs, Utility Clerk; and Delvin Nikirk, President of the Town Council.