

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF WAKARUSA

ELKHART COUNTY, INDIANA

January 1, 2010 to December 31, 2010



FILED
11/14/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Joyce Hartman	01-01-08 to 12-31-11
President of the Town Council	Jeffrey D. Troxel Ronald Berkey	01-01-10 to 12-31-10 01-01-11 to 12-31-11



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF WAKARUSA, ELKHART COUNTY, INDIANA

We have examined the financial statement of the Town of Wakarusa (Town), for the period of January 1, 2010 to December 31, 2010. The Town's management is responsible for the financial statement. 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 statement 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 statement 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 statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the year ended December 31, 2010, on the basis of accounting described in Note 1.

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

This report is intended solely for the information and use of the Town's management, 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

September 22, 2011

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FINANCIAL STATEMENT

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

TOWN OF WAKARUSA
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	\$ 709,795	\$ 1,198,498	\$ 1,185,692	\$ 722,601
Motor Vehicle Highway	427,567	307,217	162,827	571,957
Local Road & Street	49,618	15,686	12,301	53,003
Law Enforcement Con'T Ed.	1,911	848	2,552	207
Police-Non-Reverting	6,308	1,421	-	7,729
Rainy Day Fund	37,208	21,884	-	59,092
Levy Excess Fund	-	68,088	64,905	3,183
Police Fact Grant	(682)	2,747	2,348	(283)
DUI Task Force	(2,751)	7,713	5,819	(857)
EDIT Bond & Interest	105	40,298	37,149	3,254
EDIT- Debt Reserve	74,314	19,655	18,404	75,565
Cum Capital Development	111,351	94,781	81,380	124,752
Cumulative Fire Equipment	53,249	34,917	-	88,166
EDIT	185,331	149,907	40,298	294,940
Cum Capital Improvement	45,002	4,737	-	49,739
Payroll	40	687,124	686,667	497
Wastewater-Cash Operating	324,314	330,982	174,357	480,939
Water-Cash Operating	155,905	379,393	274,526	260,772
Water-Bond/ Interest	8,520	106,985	79,720	35,785
Water-Customer Deposit	14,500	960	40	15,420
Water-Debt Reserve	128,967	1,209	27,985	102,191
Totals	<u>\$ 2,330,572</u>	<u>\$ 3,475,050</u>	<u>\$ 2,856,970</u>	<u>\$ 2,948,652</u>

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

TOWN OF WAKARUSA
NOTES TO FINANCIAL STATEMENT

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, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, and urban redevelopment and housing.

The accompanying financial statement presents 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 statement. 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, 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 WAKARUSA
NOTES TO FINANCIAL STATEMENT
(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, 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 statement. 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 WAKARUSA
NOTES TO FINANCIAL STATEMENT
(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, 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 WAKARUSA
NOTES TO FINANCIAL STATEMENT
(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 any replacement items purchased.

Note 6. Pension Plan

Deferred Compensation Plan

Plan Description

The Town has a 457 Deferred Compensation Plan which is a defined contribution pension plan administered by Principal Financial Group. The plan provides retirement benefits to plan members and beneficiaries. The plan was established by written agreement between the Town and Principal Retirement Group. The Company issues a publicly available financial report that includes financial statements and required supplementary information of the plan. That report may be obtained by contacting:

Principal Financial Group
Des Moines, IA 50392-0001

Funding Policy

The contribution requirements of plan members for the 457 Deferred Compensation Plan are established by Ordinance 94-14.

TOWN OF WAKARUSA
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 7. Restatements and Reclassifications

A change has been made to the financial statement, previously reported, to more appropriately reflect financial activity of the Town. The December 31, 2009, balance in the Major Moves Construction Fund of \$265,758 should have been zero. Thus, lacking any transactions during 2010, the fund does not appear in the 2010 financial statements.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Report 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 statement contained in this report and the financial information presented in the Annual Report 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 WAKARUSA
 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 & Street	Law Enforcement Con'T Ed	Police- Non-Reverting	Rainy Day Fund	Levy Excess Fund	Police Fact Grant
Cash and investments - beginning	\$ 709,795	\$ 427,567	\$ 49,618	\$ 1,911	\$ 6,308	\$ 37,208	\$ -	\$ (682)
Receipts:								
Taxes	784,102	214,767	-	-	-	-	-	-
Licenses and permits	20	-	-	-	-	-	-	-
Intergovernmental	382,800	85,249	15,686	-	1,421	21,884	-	-
Charges for services	5,257	-	-	-	-	-	-	-
Fines and forfeits	6,771	-	-	848	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	19,548	7,201	-	-	-	-	68,088	2,747
Total receipts	<u>1,198,498</u>	<u>307,217</u>	<u>15,686</u>	<u>848</u>	<u>1,421</u>	<u>21,884</u>	<u>68,088</u>	<u>2,747</u>
Disbursements:								
Personal services	697,679	2,746	-	837	-	-	-	2,348
Supplies	54,290	7,844	-	1,715	-	-	-	-
Other services and charges	404,841	15,154	12,301	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	28,882	137,083	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	64,905	-
Total disbursements	<u>1,185,692</u>	<u>162,827</u>	<u>12,301</u>	<u>2,552</u>	<u>-</u>	<u>-</u>	<u>64,905</u>	<u>2,348</u>
Excess (deficiency) of receipts over disbursements	<u>12,806</u>	<u>144,390</u>	<u>3,385</u>	<u>(1,704)</u>	<u>1,421</u>	<u>21,884</u>	<u>3,183</u>	<u>399</u>
Cash and investments - ending	<u>\$ 722,601</u>	<u>\$ 571,957</u>	<u>\$ 53,003</u>	<u>\$ 207</u>	<u>\$ 7,729</u>	<u>\$ 59,092</u>	<u>\$ 3,183</u>	<u>\$ (283)</u>

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

	DUI Task Force	EDIT Bond & Interest	EDIT- Debt Reserve	Cum Capital Development	Cumulative Fire Equipment	EDIT	Cum Capital Improvement
Cash and investments - beginning	\$ (2,751)	\$ 105	\$ 74,314	\$ 111,351	\$ 53,249	\$ 185,331	\$ 45,002
Receipts:							
Taxes	-	-	-	48,856	33,555	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	45,925	1,362	149,810	4,737
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	7,713	40,298	19,655	-	-	97	-
Total receipts	<u>7,713</u>	<u>40,298</u>	<u>19,655</u>	<u>94,781</u>	<u>34,917</u>	<u>149,907</u>	<u>4,737</u>
Disbursements:							
Personal services	5,819	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	37,149	-	-	-	-	-
Capital outlay	-	-	-	81,380	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	18,404	-	-	40,298	-
Total disbursements	<u>5,819</u>	<u>37,149</u>	<u>18,404</u>	<u>81,380</u>	<u>-</u>	<u>40,298</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>1,894</u>	<u>3,149</u>	<u>1,251</u>	<u>13,401</u>	<u>34,917</u>	<u>109,609</u>	<u>4,737</u>
Cash and investments - ending	<u>\$ (857)</u>	<u>\$ 3,254</u>	<u>\$ 75,565</u>	<u>\$ 124,752</u>	<u>\$ 88,166</u>	<u>\$ 294,940</u>	<u>\$ 49,739</u>

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

	Payroll	Wastewater- Cash Operating	Water-Cash Operating	Water-Bond/ Interest	Water-Customer Deposit	Water-Debt Reserve	Totals
Cash and investments - beginning	\$ 40	\$ 324,314	\$ 155,905	\$ 8,520	\$ 14,500	\$ 128,967	\$ 2,330,572
Receipts:							
Taxes	-	-	-	-	-	-	1,081,280
Licenses and permits	-	-	-	-	-	-	20
Intergovernmental	-	-	-	-	-	-	708,874
Charges for services	-	-	-	-	-	-	5,257
Fines and forfeits	-	-	-	-	-	-	7,619
Utility fees	-	314,855	365,359	-	-	-	680,214
Penalties	-	3,584	2,766	-	-	-	6,350
Other receipts	<u>687,124</u>	<u>12,543</u>	<u>11,268</u>	<u>106,985</u>	<u>960</u>	<u>1,209</u>	<u>985,436</u>
Total receipts	<u>687,124</u>	<u>330,982</u>	<u>379,393</u>	<u>106,985</u>	<u>960</u>	<u>1,209</u>	<u>3,475,050</u>
Disbursements:							
Personal services	-	-	-	-	-	-	709,429
Supplies	-	-	-	-	-	-	63,849
Other services and charges	-	-	-	-	-	-	432,296
Debt service - principal and interest	-	-	-	78,970	-	-	116,119
Capital outlay	-	-	19,495	-	-	-	266,840
Utility operating expenses	-	174,357	176,031	-	40	-	350,428
Other disbursements	<u>686,667</u>	<u>-</u>	<u>79,000</u>	<u>750</u>	<u>-</u>	<u>27,985</u>	<u>918,009</u>
Total disbursements	<u>686,667</u>	<u>174,357</u>	<u>274,526</u>	<u>79,720</u>	<u>40</u>	<u>27,985</u>	<u>2,856,970</u>
Excess (deficiency) of receipts over disbursements	<u>457</u>	<u>156,625</u>	<u>104,867</u>	<u>27,265</u>	<u>920</u>	<u>(26,776)</u>	<u>618,080</u>
Cash and investments - ending	<u>\$ 497</u>	<u>\$ 480,939</u>	<u>\$ 260,772</u>	<u>\$ 35,785</u>	<u>\$ 15,420</u>	<u>\$ 102,191</u>	<u>\$ 2,948,652</u>

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

Description of Debt	Ending Balance	Principal and Interest Due Within One Year
Governmental activities:		
Bonds payable:		
General obligation bonds:		
1992 EDIT Bonds	\$ 65,000	\$ 34,453
Business-type Activities:		
Water Utility:		
Revenue bonds:		
1999 Waterworks Bonds	\$ 575,000	\$ 76,670

TOWN OF WAKARUSA
EXAMINATION RESULT AND COMMENT

CAPITAL ASSET RECORDS

A complete capital asset list was not available for audit. The Town has started a capital asset list but it does not include water lines, sewer mains and the most recent street reconstruction project on East Waterford Street with an estimated cost of \$1,538,980.

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

TOWN OF WAKARUSA
EXIT CONFERENCE

The contents of this report were discussed on September 22, 2011, with Joyce Hartman, Clerk-Treasurer, and Ronald Berkey, President Town Council. The officials concurred with our finding.