

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF WINDFALL

TIPTON COUNTY, INDIANA

January 1, 2012 to December 31, 2013



FILED
02/20/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kay Clark Beth Lange	01-01-12 to 04-15-13 04-16-13 to 12-31-15
President of the Town Council	Lonnie Kinder Roy Brown	01-01-12 to 12-31-12 01-01-13 to 12-31-14
Superintendent of Utilities	Terry Cooper	01-01-12 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF WINDFALL, TIPTON COUNTY, INDIANA

We have examined the accompanying financial statement of the Town of Windfall (Town), for the period of January 1, 2012 to December 31, 2013. The financial statement is the responsibility of the Town's management. Our responsibility is to express an opinion on the financial statement 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 Indiana 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 effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the period of January 1, 2012 to December 31, 2013.

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 period of January 1, 2012 to December 31, 2013, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis and Schedule of Leases and 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.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

December 22, 2014

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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.

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TOWN OF WINDFALL
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2012 and 2013

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12	Receipts	Disbursements	Cash and Investments 12-31-13
General	\$ 138,361	\$ 206,582	\$ 186,133	\$ 158,810	\$ 229,415	\$ 254,667	\$ 133,558
Motor Vehicle Highway	17,389	28,236	32,854	12,771	74,849	37,845	49,775
Local Road And Street	36,479	3,210	2,447	37,242	3,237	2,304	38,175
Law Enforcement Continuing Ed	251	522	-	773	1,345	-	2,118
Riverboat	30,286	4,194	-	34,480	4,194	-	38,674
Rainy Day	5,644	-	-	5,644	-	-	5,644
Excess Levy	-	2,557	-	2,557	-	2,557	-
Co Economic Development Income Tax	84,513	20,205	-	104,718	17,718	35,000	87,436
Cumulative Capital Improvement	14,119	1,878	-	15,997	1,901	-	17,898
Police Donation	-	-	-	-	2,210	1,093	1,117
Debt Service Town Hall	(4,227)	30,305	26,000	78	40,392	31,621	8,849
Payroll	(261,447)	165,883	172,254	(267,818)	159,317	175,478	(283,979)
Windfall Park Donation	2,708	2,200	-	4,908	100	2,326	2,682
Community Center Donation	28,084	-	-	28,084	-	-	28,084
Ordinance Violations	744	-	-	744	-	-	744
Trash Utility-Operating	(61,554)	70,955	60,536	(51,135)	47,344	39,609	(43,400)
Wastewater Utility-Operating	68,680	215,218	262,529	21,369	232,138	202,050	51,457
Wastewater Construction	3,346	57,525	60,871	-	-	-	-
Water Utility-Operating	2,503	366,877	352,611	16,769	353,996	318,834	51,931
Water Utility-Bond And Interest	110,269	284,321	209,285	185,305	244,933	224,214	206,024
Water Utility-Customer Deposit	40,025	5,416	100	45,341	5,000	1,380	48,961
Water Utility-Construction	11,342	-	11,342	-	-	-	-
BONY Bond and Interest	15,934	34,297	17,293	32,938	16,673	17,000	32,611
BONY Debt Service Reserve	49,351	67	-	49,418	36	-	49,454
Community Center Rent	17,530	9,680	175	27,035	6,842	6,637	27,240
Totals	<u>\$ 350,330</u>	<u>\$ 1,510,128</u>	<u>\$ 1,394,430</u>	<u>\$ 466,028</u>	<u>\$ 1,441,640</u>	<u>\$ 1,352,615</u>	<u>\$ 555,053</u>

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

TOWN OF WINDFALL
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, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the Town.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 include 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 WINDFALL
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, 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.

Penalties which include fees received for late payments.

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 include 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.

TOWN OF WINDFALL
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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

TOWN OF WINDFALL
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

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 a cost-sharing 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 Indiana Public Retirement System (INPRS) 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.

INPRS 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:

TOWN OF WINDFALL
NOTES TO FINANCIAL STATEMENT
(Continued)

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of the Town's disbursements exceeding the receipts.

Note 8. Subsequent Events

In December 2014, the Town obtained a note in the amount of \$43,000 for the purchase of two police cars and payment to an employee for accrued compensation time.

Note 9. Restatements

For the year ended December 31, 2013, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the Town. The following schedule presents a summary of restated beginning balances.

<u>Fund Name</u>	<u>Balance as of December 31, 2012</u>	<u>Prior Period Adjustment</u>	<u>Balance as of January 1, 2013</u>
BONY Bond and Interest	\$ -	\$ 15,934	\$ 15,934
BONY Debt Service Reserve	-	49,351	49,351

SUPPLEMENTARY INFORMATION - UNAUDITED

For additional financial information, the Town's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

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 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 approved by management of the Town. It is presented as intended by the Town.

TOWN OF WINDFALL
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2012

	General	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Ed	Riverboat	Rainy Day	Excess Levy	Co Economic Development Income Tax	Cumulative Capital Improvement
Cash and investments - beginning	\$ 138,361	\$ 17,389	\$ 36,479	\$ 251	\$ 30,286	\$ 5,644	\$ -	\$ 84,513	\$ 14,119
Receipts:									
Taxes	120,252	9,901	-	-	-	-	-	-	-
Licenses and permits	663	-	-	330	-	-	-	-	-
Intergovernmental	80,403	18,335	3,210	-	4,194	-	2,557	20,205	1,878
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeits	75	-	-	192	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	5,189	-	-	-	-	-	-	-	-
Total receipts	206,582	28,236	3,210	522	4,194	-	2,557	20,205	1,878
Disbursements:									
Personal services	110,465	32,854	-	-	-	-	-	-	-
Supplies	10,815	-	2,447	-	-	-	-	-	-
Other services and charges	64,853	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-	-
Total disbursements	186,133	32,854	2,447	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	20,449	(4,618)	763	522	4,194	-	2,557	20,205	1,878
Cash and investments - ending	\$ 158,810	\$ 12,771	\$ 37,242	\$ 773	\$ 34,480	\$ 5,644	\$ 2,557	\$ 104,718	\$ 15,997

TOWN OF WINDFALL
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2012
(Continued)

	Debt Service Town Hall	Payroll	Windfall Park Donation	Community Center Donation	Ordinance Violations	Trash Utility-Operating	Wastewater Utility-Operating	Wastewater Construction
Cash and investments - beginning	\$ (4,227)	\$ (261,447)	\$ 2,708	\$ 28,084	\$ 744	\$ (61,554)	\$ 68,680	\$ 3,346
Receipts:								
Taxes	25,406	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	4,899	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	70,955	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	207,621	-
Penalties	-	-	-	-	-	-	7,553	57,525
Other receipts	-	165,883	2,200	-	-	-	44	-
Total receipts	<u>30,305</u>	<u>165,883</u>	<u>2,200</u>	<u>-</u>	<u>-</u>	<u>70,955</u>	<u>215,218</u>	<u>57,525</u>
Disbursements:								
Personal services	-	172,254	-	-	-	-	32,627	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	60,536	4,197	-
Debt service - principal and interest	26,000	-	-	-	-	-	6,325	-
Utility operating expenses	-	-	-	-	-	-	46,949	-
Other disbursements	-	-	-	-	-	-	172,431	60,871
Total disbursements	<u>26,000</u>	<u>172,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,536</u>	<u>262,529</u>	<u>60,871</u>
Excess (deficiency) of receipts over disbursements	<u>4,305</u>	<u>(6,371)</u>	<u>2,200</u>	<u>-</u>	<u>-</u>	<u>10,419</u>	<u>(47,311)</u>	<u>(3,346)</u>
Cash and investments - ending	<u>\$ 78</u>	<u>\$ (267,818)</u>	<u>\$ 4,908</u>	<u>\$ 28,084</u>	<u>\$ 744</u>	<u>\$ (51,135)</u>	<u>\$ 21,369</u>	<u>\$ -</u>

TOWN OF WINDFALL
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2012
(Continued)

	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility-Customer Deposit	Water Utility-Construction	BONY Bond and Interest	BONY Debt Service Reserve	Community Center Rent	Totals
Cash and investments - beginning	\$ 2,503	\$ 110,269	\$ 40,025	\$ 11,342	\$ 15,934	\$ 49,351	\$ 17,530	\$ 350,330
Receipts:								
Taxes	-	-	-	-	-	-	-	155,559
Licenses and permits	-	-	-	-	-	-	-	993
Intergovernmental	-	-	-	-	-	-	-	135,681
Charges for services	-	-	-	-	-	-	3,871	74,826
Fines and forfeits	-	-	-	-	-	-	-	267
Utility fees	320,907	-	5,416	-	-	-	-	533,944
Penalties	2,175	-	-	-	-	-	-	67,253
Other receipts	43,795	284,321	-	-	34,297	67	5,809	541,605
Total receipts	366,877	284,321	5,416	-	34,297	67	9,680	1,510,128
Disbursements:								
Personal services	62,295	-	-	-	-	-	-	410,495
Supplies	-	-	-	-	-	-	-	13,262
Other services and charges	7,900	-	-	-	-	-	-	137,486
Debt service - principal and interest	-	209,285	-	-	-	-	-	241,610
Utility operating expenses	27,812	-	-	-	-	-	-	74,761
Other disbursements	254,604	-	100	11,342	17,293	-	175	516,816
Total disbursements	352,611	209,285	100	11,342	17,293	-	175	1,394,430
Excess (deficiency) of receipts over disbursements	14,266	75,036	5,316	(11,342)	17,004	67	9,505	115,698
Cash and investments - ending	\$ 16,769	\$ 185,305	\$ 45,341	\$ -	\$ 32,938	\$ 49,418	\$ 27,035	\$ 466,028

TOWN OF WINDFALL
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013

	General	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Ed	Riverboat	Rainy Day	Excess Levy	Co Economic Development Income Tax
Cash and investments - beginning	\$ 158,810	\$ 12,771	\$ 37,242	\$ 773	\$ 34,480	\$ 5,644	\$ 2,557	\$ 104,718
Receipts:								
Taxes	113,289	8,849	-	-	-	-	-	-
Licenses and permits	85	-	-	-	-	-	-	-
Intergovernmental	78,309	31,000	3,237	-	4,194	-	-	17,718
Charges for services	16	-	-	-	-	-	-	-
Fines and forfeits	441	-	-	505	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	37,275	35,000	-	840	-	-	-	-
Total receipts	229,415	74,849	3,237	1,345	4,194	-	-	17,718
Disbursements:								
Personal services	125,886	37,845	-	-	-	-	-	-
Supplies	21,679	-	2,304	-	-	-	-	-
Other services and charges	76,971	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	6,678	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	23,453	-	-	-	-	-	2,557	35,000
Total disbursements	254,667	37,845	2,304	-	-	-	2,557	35,000
Excess (deficiency) of receipts over disbursements	(25,252)	37,004	933	1,345	4,194	-	(2,557)	(17,282)
Cash and investments - ending	\$ 133,558	\$ 49,775	\$ 38,175	\$ 2,118	\$ 38,674	\$ 5,644	\$ -	\$ 87,436

TOWN OF WINDFALL
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	Cumulative Capital Improvement	Police Donation	Debt Service Town Hall	Payroll	Windfall Park Donation	Community Center Donation	Ordinance Violations	Trash Utility-Operating
Cash and investments - beginning	\$ 15,997	\$ -	\$ 78	\$ (267,818)	\$ 4,908	\$ 28,084	\$ 744	\$ (51,135)
Receipts:								
Taxes	-	-	28,654	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	1,901	-	5,617	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	47,344
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	-	2,210	6,121	159,317	100	-	-	-
Total receipts	1,901	2,210	40,392	159,317	100	-	-	47,344
Disbursements:								
Personal services	-	-	-	175,478	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	39,609
Debt service - principal and interest	-	-	25,500	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	1,093	6,121	-	2,326	-	-	-
Total disbursements	-	1,093	31,621	175,478	2,326	-	-	39,609
Excess (deficiency) of receipts over disbursements	1,901	1,117	8,771	(16,161)	(2,226)	-	-	7,735
Cash and investments - ending	\$ 17,898	\$ 1,117	\$ 8,849	\$ (283,979)	\$ 2,682	\$ 28,084	\$ 744	\$ (43,400)

TOWN OF WINDFALL
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	Wastewater Utility-Operating	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility-Customer Deposit	BONY Bond and Interest	BONY Debt Service Reserve	Community Center Rent	Totals
Cash and investments - beginning	\$ 21,369	\$ 16,769	\$ 185,305	\$ 45,341	\$ 32,938	\$ 49,418	\$ 27,035	\$ 466,028
Receipts:								
Taxes	-	-	-	-	-	-	-	150,792
Licenses and permits	-	-	-	-	-	-	-	85
Intergovernmental	-	-	-	-	-	-	-	141,976
Charges for services	-	-	-	-	-	-	5,945	53,305
Fines and forfeits	-	-	-	-	-	-	-	946
Utility fees	-	307,964	-	5,000	-	-	-	312,964
Penalties	-	1,665	-	-	-	-	-	1,665
Other receipts	232,138	44,367	244,933	-	16,673	36	897	779,907
Total receipts	232,138	353,996	244,933	5,000	16,673	36	6,842	1,441,640
Disbursements:								
Personal services	28,897	47,409	-	-	-	-	-	415,515
Supplies	-	-	-	-	-	-	-	23,983
Other services and charges	4,642	8,126	-	-	-	-	-	129,348
Debt service - principal and interest	82,549	178,904	224,214	-	-	-	-	511,167
Capital outlay	-	-	-	-	-	-	-	6,678
Utility operating expenses	50,454	59,099	-	-	-	-	-	109,553
Other disbursements	35,508	25,296	-	1,380	17,000	-	6,637	156,371
Total disbursements	202,050	318,834	224,214	1,380	17,000	-	6,637	1,352,615
Excess (deficiency) of receipts over disbursements	30,088	35,162	20,719	3,620	(327)	36	205	89,025
Cash and investments - ending	\$ 51,457	\$ 51,931	\$ 206,024	\$ 48,961	\$ 32,611	\$ 49,454	\$ 27,240	\$ 555,053

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TOWN OF WINDFALL
SCHEDULE OF LEASES AND DEBT
December 31, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Windfall Town Hall: ECONOMIC DEVEL CORP OF TIPTON CO	TOWN HALL BUILDING	\$ 25,500	6/1/1999	12/15/2028
Total of annual lease payments		<u>\$ 25,500</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater:			
2000 Sewer Revenue Bonds	IMPROVEMENTS	\$ 195,000	\$ 16,655
2000 Sewer Revenue Bonds	IMPROVEMENTS	136,462	62,396
2010 Sewer Revenue Bonds	IMPROVEMENTS	<u>236,000</u>	<u>21,025</u>
Total Wastewater		<u>567,462</u>	<u>100,076</u>
Water:			
2007 Water Revenue Bonds	WATER SYSTEM UPDATE	<u>3,188,795</u>	<u>179,002</u>
Totals		<u>\$ 3,756,257</u>	<u>\$ 279,078</u>

TOWN OF WINDFALL
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the funds.

The following deficiencies were noted:

1. The Wastewater Construction, Water Utility Bond and Interest, BONY Bond and Interest and BONY Debt Service Reserve funds were not included on the Simplified Cash Journals.
2. Voided receipts and checks were not retained.
3. Receipts and claims were not properly completed. The name of the fund was not noted on the receipt or on the claim and the appropriation number was not noted on the claim.
4. There were several posting errors.
5. Water Utility checks were not issued in numerical order.
6. The Simplified Cash Journal and the ledgers did not always indicate the source of the receipt or the payee of the check.

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)

ORDINANCES AND RESOLUTIONS

The Water Utility has an ordinance for the shut off of water if payments are not made timely; however, this ordinance was not being enforced.

The Town does not have approved ordinances or resolutions for the Town's travel, use of credit cards, leak adjustments, accepting partial payments, compensated absences, claims paid in advance, clothing allowance, and a capitalization policy.

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)

HYDRANT RENTAL PAYABLE

As noted in prior Report B41666, hydrant rental is still due at year end. The Water Utility Rate Ordinance, in effect during the examination period, indicates that a \$23.25 monthly charge for each hydrant was to be used as a basis for the rental payments to the Water Utility. Per inquiry of the Utility Superintendent, there were 47 hydrants in the Town. Accordingly, the hydrant rental to be paid by the Town to the Water Utility should be \$13,113 per year. A rental payment was made by the Town in December of 2012 for \$13,950 and in December of 2013 for \$13,950 to the Water Utility. There was a hydrant rental payable balance in the amount of \$5,365 at the beginning of the examination period. At December 31, 2013, the Town had a hydrant rental payable to the Water Utility in the amount of \$3,691.

TOWN OF WINDFALL
EXAMINATION RESULTS AND COMMENTS
(Continued)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TRANSACTION RECORDING - PAYROLL TRANSFERS

As noted in prior Report B41666, payroll transfers were not properly made. During the examination period, calculated amounts due from the General fund, Water and Wastewater Utilities for payroll were not transferred between the funds or the respective bank accounts. This resulted in the payroll fund balance being understated on the unit's records. As of December 31, 2013, the General fund owed the Payroll fund \$1,440, the Water Utility owed the Payroll fund \$92,072 and the Wastewater Utility owed the Payroll fund \$153,238.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES

The financial statements presented in this report included the following funds with overdrawn cash balances at end of the examination period: December 31, 2012: Payroll fund - \$267,818 and Trash Utility-Operating - \$51,135; December 31, 2013: Payroll fund - \$283,979 and Trash Utility-Operating - \$43,400.

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)

CAPITAL ASSETS

Capital asset records were not presented for examination.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the applicable Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES

The Town paid penalties, interest, and other charges to state agencies and vendors in the amount of \$734 because the Town did not remit payments on a timely basis.

The Town paid a penalty to the Indiana Department of Environmental Management in the amount of \$500 because the Town violated paragraph six of an Agreed Order (NPDES #IN0040762, Case No. 2009-18625-W).

TOWN OF WINDFALL
EXAMINATION RESULTS AND COMMENTS
(Continued)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DISTRIBUTION OF GROSS REVENUES TO THE VARIOUS FUNDS

We were unable to determine if the debt service requirements to maturity were met. Transfers for three of the four debt issues were accounted for in the Water Utility-Bond and Interest fund. We were unable to determine how the ending balance of the Water Utility-Bond and Interest fund of \$206,024 was to be divided between the three debt issues. Also, the Town did not provide a bond ordinance for the 2000 Sewage Revenue Bond issue, so we were unable to determine the debt service requirements for that issue.

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)

PUBLIC RECORDS RETENTION

Board minutes prior to July 9, 2013, were not provided for examination. Board minutes after that date, with the exception of those dated August 13, 2014, were not signed by the Town Council, but were generated from the computer for our examination.

The following utility records were not maintained for examination: Billing Transaction Report, Aged Trial Balance, Penalties, Adjustment Report, and Meter Deposit Report.

Indiana Code 5-15-6-3(f), concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

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)

ANNUAL FINANCIAL REPORT

The Annual Financial Report for 2012 and 2013 contained a number of material errors and did not properly reflect the financial activity of the Town. The BONY Bond and Interest and the BONY Debt Service Reserve funds were not included in the Annual Financial Report. In addition, transactions for the Water Bond and Interest fund were also not included.

TOWN OF WINDFALL
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

PAYROLL PROCEDURES

A review of payroll procedures indicated the following deficiencies:

1. A leave or overtime policy was not presented for examination.
2. Time cards for some employees were not presented for examination.
3. Employee's Service Record (Form 99A) was not maintained for employees.
4. The WH-3, Annual Withholding Tax Form, was not remitted to the Indiana Department of Revenue for 2013.
5. An overpayment was made to the Indiana Department of Revenue in the amount of \$4,257 for the 2013 state and county withholdings.
6. Transfers to the Payroll fund from the Water and Wastewater funds were not correct.

Each governmental unit should adopt a written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing board would be considered as written policy. The policy should conform to the requirements of all state and federal regulatory agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF WINDFALL
EXAMINATION RESULTS AND COMMENTS
(Continued)

RECEIPTS

As noted in prior Report B41666, receipts were still not always issued and if issued, were not always issued at the time the transaction occurred. Generic unapproved receipts were also being used.

As noted in prior Report B41666, some receipts were still deposited later than the next business day.

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)

Indiana Code 5-13-6-1(c) states in part:

" . . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

COLLECTION OF AMOUNTS DUE

The amount of \$211,394 was due from customers for water, wastewater and trash services as of November 24, 2014. Of this amount, \$166,806 (approximately 80 percent) was overdue at least 90 days.

Governmental units have a 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)

ERRORS ON CLAIMS

The following deficiencies were noted during a review of claims:

1. Claims did not have adequate supporting documentation. Many invoices were missing.
2. Claims were paid prior to Board approval.
3. Disbursements were not properly posted. Many disbursements were not prorated between Town and utility funds. These disbursements were for fuel, supplies, travel, software, etc.
4. Mileage Form 101 was not in use.
5. Sales tax was paid on some purchases.

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:

TOWN OF WINDFALL
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (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."

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

The records presented for examination indicated disbursements for the Debt Service Town Hall fund exceeded budgeted appropriations in the amount of \$6,121 in 2013.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

NEPOTISM POLICY

Based on records presented for examination, each elected officer, with the exception of the Clerk-Treasurer in 2013, did not certify in writing that the officer had not violated Indiana Code 36-1-20.2-16 by December 31, 2012 and 2013.

Indiana Code 36-1-20.2-16 states: "Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer has not violated this chapter. An officer shall submit the certification to the executive of the unit no later than December 31 of each year."

TOWN OF WINDFALL
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONTRACTING POLICY

The Town did not have a Contracting Policy for 2012 and 2013.

Each elected officer did not certify in writing that the officer had not violated Indiana Code 36-1-21 (Contracting With a Unit) by December 31, 2012 and 2013.

Indiana Code 36-1-21-4(a) states in part: "This chapter establishes minimum requirements regarding contracting with a unit. The legislative body of the unit shall adopt a policy that includes, at a minimum, the requirements set forth in this chapter . . ."

Indiana Code 36-1-21-6 states: "Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer is in compliance with this chapter. An officer shall submit this certification to the executive of the unit not later than December 31 of each year."

TOWN OF WINDFALL
EXIT CONFERENCE

The contents of this report were discussed on December 22, 2014, with Beth Lange, Clerk-Treasurer, and Roy Brown, President of the Town Council.