

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF SOUTH WHITLEY

WHITLEY COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
06/16/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Robert Gould	01-01-12 to 12-31-15
	Janet E. Howard	01-01-16 to 12-31-19
President of the Town Council	Steve Smith	01-01-15 to 12-31-15
	Bill Boggs	01-01-16 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF SOUTH WHITLEY, WHITLEY COUNTY, INDIANA

We were engaged to examine the accompanying financial statement of the Town of South Whitley (Town), for the period of January 1, 2015 to December 31, 2015. The financial statement is the responsibility of the Town's management.

The Town did not properly maintain accounting records. The Town's accounting records have not been reconciled to depository balances since June 30, 2010. The accounting records contained numerous posting errors, such as transactions not being posted, receipts posted to incorrect funds, and revenue bond ordinance transfer errors. In addition, as incorrect transactions were discovered, correcting transactions were recorded as negative receipts and disbursements. The Town's records do not permit the application of other examination procedures to ascertain if the financial statement is fairly stated.

Since the Town did not properly maintain accounting records and we were not able to apply other examination procedures to satisfy ourselves as to whether the financial statement is fairly stated, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on this financial statement.

An examination is conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, 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 examination procedures and, accordingly, we express no opinion on them.

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

March 30, 2016

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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 SOUTH WHITLEY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2015

Fund	Cash and Investments 01-01-15	Receipts	Disbursements	Cash and Investments 12-31-15
General	\$ 177,505	\$ 489,188	\$ 479,648	\$ 187,045
Motor Vehicle Highway	50,823	116,101	110,703	56,221
Local Road and Street	3,178	8,332	4,113	7,397
Sanitation	639	92,842	81,249	12,232
Law Enforcement Continuing Education	15,514	15,986	1,950	29,550
Park and Recreation	15,211	-	-	15,211
Rainy Day	18,634	-	-	18,634
Economic Development Income Tax	152,918	150,745	135,388	168,275
Cumulative Capital Improvement	22,415	-	8,250	14,165
Cumulative Capital Development	21,716	17,036	460	38,292
Police Training and Equipment	19,018	34,490	5,040	48,468
Riverboat	19,373	10,374	1,429	28,318
Sales Tax	-	95,918	95,918	-
FICA Withholding	6,686	-	-	6,686
Medicare Withholding	1,518	-	-	1,518
PERF Withholding	17,297	-	2	17,295
Child Support	-	13,259	13,259	-
Payroll	4,798	687,074	683,355	8,517
Electric Operating	786,168	2,049,047	2,151,201	684,014
Electric Depreciation	133,915	-	80,000	53,915
Electric Meter Deposit	49,698	9,800	10,319	49,179
Electric Cash Reserve	32,340	-	-	32,340
Sewage Operating	470,884	585,440	733,266	323,058
Sewage Bond and Interest	-	314,124	233,494	80,630
Sewage Debt Service Reserve	176,377	274,506	244,218	206,665
Water Operating	124,658	450,719	482,599	92,778
Water Depreciation	62,711	296,279	358,990	-
Totals	<u>\$ 2,383,994</u>	<u>\$ 5,711,260</u>	<u>\$ 5,914,851</u>	<u>\$ 2,180,403</u>

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

TOWN OF SOUTH WHITLEY
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 may 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 licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF SOUTH WHITLEY
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 and 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 may 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.

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 SOUTH WHITLEY
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, 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 SOUTH WHITLEY
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 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:

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

TOWN OF SOUTH WHITLEY
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

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OTHER INFORMATION - UNAUDITED

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 Report of the Town which is 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 other information presented was approved by management of the Town. It is presented as intended by the Town.

TOWN OF SOUTH WHITLEY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015

	General	Motor Vehicle Highway	Local Road and Street	Sanitation	Law Enforcement Continuing Education	Park and Recreation	Rainy Day
Cash and investments - beginning	\$ 177,505	\$ 50,823	\$ 3,178	\$ 639	\$ 15,514	\$ 15,211	\$ 18,634
Receipts:							
Taxes	297,679	-	-	-	3,812	-	-
Licenses and permits	-	-	-	-	1,600	-	-
Intergovernmental	161,117	104,921	8,332	-	-	-	-
Charges for services	1,687	864	-	91,507	10,336	-	-
Fines and forfeits	90	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	28,615	10,316	-	1,335	238	-	-
Total receipts	<u>489,188</u>	<u>116,101</u>	<u>8,332</u>	<u>92,842</u>	<u>15,986</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	254,014	8,277	-	4,642	-	-	-
Supplies	24,095	12,410	-	-	1,950	-	-
Other services and charges	152,745	90,016	4,113	76,607	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	48,794	-	-	-	-	-	-
Total disbursements	<u>479,648</u>	<u>110,703</u>	<u>4,113</u>	<u>81,249</u>	<u>1,950</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>9,540</u>	<u>5,398</u>	<u>4,219</u>	<u>11,593</u>	<u>14,036</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 187,045</u>	<u>\$ 56,221</u>	<u>\$ 7,397</u>	<u>\$ 12,232</u>	<u>\$ 29,550</u>	<u>\$ 15,211</u>	<u>\$ 18,634</u>

TOWN OF SOUTH WHITLEY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	Economic Development Income Tax	Cumulative Capital Improvement	Cumulative Capital Development	Police Training and Equipment	Riverboat	Sales Tax	FICA Withholding
Cash and investments - beginning	\$ 152,918	\$ 22,415	\$ 21,716	\$ 19,018	\$ 19,373	\$ -	\$ 6,686
Receipts:							
Taxes	-	-	17,035	-	10,373	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	150,742	-	-	-	-	93,108	-
Charges for services	-	-	-	13,719	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	3	-	1	20,771	1	2,810	-
Total receipts	<u>150,745</u>	<u>-</u>	<u>17,036</u>	<u>34,490</u>	<u>10,374</u>	<u>95,918</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	135,388	-	460	5,040	1,429	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	8,250	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	95,918	-
Total disbursements	<u>135,388</u>	<u>8,250</u>	<u>460</u>	<u>5,040</u>	<u>1,429</u>	<u>95,918</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>15,357</u>	<u>(8,250)</u>	<u>16,576</u>	<u>29,450</u>	<u>8,945</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 168,275</u>	<u>\$ 14,165</u>	<u>\$ 38,292</u>	<u>\$ 48,468</u>	<u>\$ 28,318</u>	<u>\$ -</u>	<u>\$ 6,686</u>

TOWN OF SOUTH WHITLEY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	Medicare Withholding	PERF Withholding	Child Support	Payroll	Electric Operating	Electric Depreciation	Electric Meter Deposit
Cash and investments - beginning	\$ 1,518	\$ 17,297	\$ -	\$ 4,798	\$ 786,168	\$ 133,915	\$ 49,698
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	1,550,133	-	9,800
Other receipts	-	-	13,259	687,074	498,914	-	-
Total receipts	-	-	13,259	687,074	2,049,047	-	9,800
Disbursements:							
Personal services	-	-	13,259	417,173	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	163,990	80,000	-
Utility operating expenses	-	-	-	-	1,758,190	-	10,319
Other disbursements	-	2	-	266,182	229,021	-	-
Total disbursements	-	2	13,259	683,355	2,151,201	80,000	10,319
Excess (deficiency) of receipts over disbursements	-	(2)	-	3,719	(102,154)	(80,000)	(519)
Cash and investments - ending	\$ 1,518	\$ 17,295	\$ -	\$ 8,517	\$ 684,014	\$ 53,915	\$ 49,179

TOWN OF SOUTH WHITLEY
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2015
(Continued)

	Electric Cash Reserve	Sewage Operating	Sewage Bond and Interest	Sewage Debt Service Reserve	Water Operating	Water Depreciation	Totals
Cash and investments - beginning	\$ 32,340	\$ 470,884	\$ -	\$ 176,377	\$ 124,658	\$ 62,711	\$ 2,383,994
Receipts:							
Taxes	-	-	-	-	-	-	328,899
Licenses and permits	-	-	-	-	-	-	1,600
Intergovernmental	-	-	-	-	-	-	518,220
Charges for services	-	-	-	-	-	-	118,113
Fines and forfeits	-	-	-	-	-	-	90
Utility fees	-	-	-	-	50	-	1,559,983
Other receipts	-	585,440	314,124	274,506	450,669	296,279	3,184,355
Total receipts	-	585,440	314,124	274,506	450,719	296,279	5,711,260
Disbursements:							
Personal services	-	113,166	-	-	56,131	-	866,662
Supplies	-	-	-	-	-	-	38,455
Other services and charges	-	-	-	-	-	-	465,798
Debt service - principal and interest	-	-	233,494	244,218	-	-	477,712
Capital outlay	-	131,627	-	-	236,380	358,990	979,237
Utility operating expenses	-	145,021	-	-	61,349	-	1,974,879
Other disbursements	-	343,452	-	-	128,739	-	1,112,108
Total disbursements	-	733,266	233,494	244,218	482,599	358,990	5,914,851
Excess (deficiency) of receipts over disbursements	-	(147,826)	80,630	30,288	(31,880)	(62,711)	(203,591)
Cash and investments - ending	\$ 32,340	\$ 323,058	\$ 80,630	\$ 206,665	\$ 92,778	\$ -	\$ 2,180,403

TOWN OF SOUTH WHITLEY
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2015

Government or Enterprise	Accounts Payable	Accounts Receivable
Electric	\$ 110,102	\$ 129,092
Wastewater	10,563	56,349
Water	7,318	23,731
Governmental activities	16,710	-
Totals	\$ 144,693	\$ 209,172

TOWN OF SOUTH WHITLEY
SCHEDULE OF LEASES AND DEBT
December 31, 2015

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Notes and loans payable	2014 Street Sweeper Loan	\$ 57,615	\$ 14,833
Water:			
Notes and loans payable	Loan from Electric Utility for Water Tower	150,000	30,000
Electric:			
Notes and loans payable	Electric Bucket Truck	35,208	8,126
Wastewater:			
Revenue bonds	2011 Refunding	280,000	82,167
State Revolving Fund Loan	2011 Plant Improvements	3,063,000	235,420
Total Wastewater		3,343,000	317,587
Totals		\$ 3,585,823	\$ 370,546

OTHER REPORTS

In addition to this report, other reports may have been issued for the Town. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.