

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

EXAMINATION REPORT
OF
TOWN OF REYNOLDS
WHITE COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
06/06/2007

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OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|-------------------------------|-------------------|----------------------|
| Clerk-Treasurer | Shirley Rose | 01-01-04 to 12-31-07 |
| President of the Town Council | Charles VanVoorst | 01-01-05 to 12-31-07 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF REYNOLDS, WHITE COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Reynolds (Town), for the period of January 1, 2005 to December 31, 2006. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

April 16, 2007

TOWN OF REYNOLDS
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2005 And 2006

| | Cash and Investments | | Cash and Investments | |
|--|----------------------|-------------------|----------------------|-------------------|
| | 01-01-05 | Receipts | Disbursements | 12-31-05 |
| Governmental Funds: | | | | |
| General | \$ 76,659 | \$ 92,727 | \$ 100,361 | \$ 69,025 |
| Motor Vehicle Highway | 14,220 | 16,580 | 20,592 | 10,208 |
| Local Road and Street | 1,916 | 2,709 | 4,088 | 537 |
| Park and Recreation | 8,106 | 2,735 | 2,404 | 8,437 |
| Law Enforcement Continuing Education | 851 | 199 | 104 | 946 |
| Riverboat | 6,908 | 3,449 | - | 10,357 |
| Rainy Day | 8,743 | - | - | 8,743 |
| Donation | 14,383 | - | 14,050 | 333 |
| Cumulative Capital Improvement | 27,591 | 1,691 | 5,000 | 24,282 |
| County Economic Development Income Tax | 25,542 | 5,515 | 6,000 | 25,057 |
| Community Center | 2,221 | 285 | 274 | 2,232 |
| Department of Energy Grant | - | 150,500 | 87,912 | 62,588 |
| Excess Levy | - | 302 | - | 302 |
| Proprietary Funds: | | | | |
| Water Utility - Operating | 37,523 | 137,488 | 111,608 | 63,403 |
| Water Utility - Bond and Interest | 9,495 | 30,534 | 29,990 | 10,039 |
| Water Utility - Depreciation | 32,078 | 112 | - | 32,190 |
| Water Utility - Customer Deposit | 5,407 | 1,450 | 1,185 | 5,672 |
| Wastewater Utility - Operating | 42,415 | 102,931 | 121,495 | 23,851 |
| Wastewater Utility - Bond and Interest | 9,098 | 31,455 | 28,050 | 12,503 |
| Wastewater Utility - Depreciation | 34,480 | 22,109 | - | 56,589 |
| Wastewater Utility - Customer Deposit | 4,165 | 1,325 | 1,050 | 4,440 |
| Wastewater Utility - Construction | 15,996 | 13,605 | 25,941 | 3,660 |
| Wastewater Utility - Improvement | 1,537 | 14 | 4 | 1,547 |
| Totals | \$ 379,334 | \$ 617,715 | \$ 560,108 | \$ 436,941 |

| | Cash and Investments | | Cash and Investments | |
|--|----------------------|-------------------|----------------------|-------------------|
| | 01-01-06 | Receipts | Disbursements | 12-31-06 |
| Governmental Funds: | | | | |
| General | \$ 69,025 | \$ 99,152 | \$ 104,304 | \$ 63,873 |
| Motor Vehicle Highway | 10,208 | 19,982 | 17,360 | 12,830 |
| Local Road and Street | 537 | 2,606 | - | 3,143 |
| Park and Recreation | 8,437 | 6,390 | 5,473 | 9,354 |
| Law Enforcement Continuing Education | 946 | 30 | 93 | 883 |
| Riverboat | 10,357 | 3,443 | - | 13,800 |
| Rainy Day | 8,743 | - | - | 8,743 |
| Donation | 333 | 12,355 | 3,031 | 9,657 |
| Cumulative Capital Improvement | 24,282 | 1,954 | - | 26,236 |
| County Economic Development Income Tax | 25,057 | 6,084 | 5,770 | 25,371 |
| Community Center | 2,232 | 456 | 211 | 2,477 |
| Department of Energy Grant | 62,588 | 50,150 | 112,738 | - |
| Excess Levy | 302 | 3,674 | 3,976 | - |
| Proprietary Funds: | | | | |
| Water Utility - Operating | 63,403 | 118,621 | 132,130 | 49,894 |
| Water Utility - Bond and Interest | 10,039 | 30,605 | 30,076 | 10,568 |
| Water Utility - Depreciation | 32,190 | 119 | 6 | 32,303 |
| Water Utility - Customer Deposit | 5,672 | 1,450 | 1,125 | 5,997 |
| Wastewater Utility - Operating | 23,851 | 106,654 | 108,815 | 21,690 |
| Wastewater Utility - Bond and Interest | 12,503 | 29,455 | 28,050 | 13,908 |
| Wastewater Utility - Depreciation | 56,589 | 16,429 | - | 73,018 |
| Wastewater Utility - Customer Deposit | 4,440 | 1,375 | 1,050 | 4,765 |
| Wastewater Utility - Construction | 3,660 | - | 3,660 | - |
| Wastewater Utility - Improvement | 1,547 | 4 | - | 1,551 |
| Totals | \$ 436,941 | \$ 510,988 | \$ 557,868 | \$ 390,061 |

The accompanying notes are an integral part of the schedules.

TOWN OF REYNOLDS
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 6. Subsequent Event

The Town of Reynolds has been selected to represent Bio Town USA. In 2006, the Town has entered into an Interlocal Agreement with the Bio Town Authority to construct a new Wastewater Utility Plant expected to be complete in August 2008. Funding for Bio Town USA will come in the form of private donations and private sector financing to construct a facility at this time.

TOWN OF REYNOLDS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets completed in the current year has not been reported. Retroactive reporting of general infrastructure assets will occur by January 1, 2007.

| <u>Primary Government</u> | <u>Ending Balance</u> |
|--|---------------------------|
| Governmental activities: | |
| Capital assets, not being depreciated: | |
| Buildings | \$ 86,000 |
| Improvements other than buildings | 66,768 |
| Machinery and equipment | <u>140,768</u> |
| Total governmental activities, capital assets not being depreciated | \$ <u>293,536</u> |

| <u>Primary Government</u> | <u>Ending Balance</u> |
|--|---------------------------|
| Business-type activities: | |
| Water Utility: | |
| Capital assets, not being depreciated: | |
| Land | \$ 47,772 |
| Buildings | 286,548 |
| Improvements other than buildings | 477,993 |
| Machinery and equipment | <u>129,508</u> |
| Total Water Utility capital assets | <u>941,821</u> |
| Wastewater Utility: | |
| Capital assets, not being depreciated: | |
| Land | 31,650 |
| Improvements other than buildings | 1,184,326 |
| Machinery and equipment | <u>30,866</u> |
| Total Wastewater Utility capital assets | <u>1,246,842</u> |
| Total business-type activities capital assets | \$ <u>2,188,663</u> |

TOWN OF REYNOLDS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended December 31, 2006

| Description of Debt | Ending Balance | Due Within One Year |
|--|-------------------|---------------------------|
| Business-type Activities: | | |
| Water Utility | | |
| Revenue bonds: | | |
| 1995 Waterworks Improvement Bonds | \$ 205,000 | \$ 18,000 |
| Wastewater Utility | | |
| Revenue bonds: | | |
| 1972 Wastewater Improvement Bonds | 120,000 | 22,000 |
| 2004 Wastewater Improvement Bonds | 441,000 | 14,000 |
| Total Wastewater Utility | 561,000 | 36,000 |
| Total business-type activities long-term debt: | \$ 766,000 | \$ 54,000 |

TOWN OF REYNOLDS
EXAMINATION RESULTS AND COMMENTS

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger.

At all times, the manual and 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)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) a description of the premises, as shown by the records of the county auditor; and
 - (C) the amount of the delinquent fees, together with the penalty; or
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder. . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

TOWN OF REYNOLDS
EXIT CONFERENCE

The contents of this report were discussed on April 16, 2007, with Shirley Rose, Clerk-Treasurer. The official concurred with our findings.