

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

EXAMINATION REPORT  
OF  
TOWN OF AVILLA  
NOBLE COUNTY, INDIANA  
January 1, 2005 to December 31, 2006



**FILED**  
10/17/2007



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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Nancy Fischer

01-01-04 to 12-31-07

President of the Town Council

Paul Shepherd

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](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF AVILLA, NOBLE COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Avilla (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 required parts 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

September 12, 2007

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

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
<b>Governmental Funds:</b>				
General	\$ 303,724	\$ 706,912	\$ 656,226	\$ 354,410
Motor Vehicle Highway	58,075	267,413	197,498	127,990
Local Road and Street	14,796	11,146	17,517	8,425
Park and Recreation	45,659	68,885	82,395	32,149
Law Enforcement Continuing Education	2,063	856	583	2,336
Park Donation	7,023	-	5,895	1,128
Police Donation	3,666	11,360	8,788	6,238
Drug Free Indiana	223	-	-	223
Criminal Justice COPS Grant	62	-	-	62
Infrastructure Revolving Loan	1	-	-	1
Sewer and Water Revolving Loan	97,564	9,415	1,100	105,879
Levy Excess	3,842	-	-	3,842
Cumulative Capital Improvement	31,612	6,334	20,000	17,946
Cumulative Building and Fire Fighting Equipment	46,886	26,867	32,105	41,648
Cumulative Sewer	6,421	-	-	6,421
Tax Incremental Financing	465,142	637,612	243,744	859,010
County Economic Development Income Tax	147,875	65,246	8,765	204,356
Noble County Community Foundation	56,012	1,794	9,697	48,109
Build Indiana Grant	25,468	-	-	25,468
Avilla Park Improvement	31,638	5,275	-	36,913
<b>Proprietary Funds:</b>				
Water Utility - Operating	64,545	286,640	295,468	55,717
Water Utility - Bond and Interest	225,858	64,310	55,672	234,496
Water Utility - Debt Service Reserve	74,835	-	-	74,835
Water Utility - Customer Deposit	11,245	2,530	2,080	11,695
Water Utility - Improvement	312,911	28,764	-	341,675
Wastewater Utility - Operating	37,831	373,717	304,283	107,265
Wastewater Utility - Bond and Interest	170,072	90,000	143,779	116,293
Wastewater Utility - Debt Service Reserve	144,362	-	44,657	99,705
Wastewater Utility - Depreciation	74,795	-	59,634	15,161
Wastewater Utility - Customer Deposit	10,106	2,470	2,055	10,521
Wastewater Utility - Grant	2,857	-	-	2,857
Electric Utility - Operating	636,027	2,265,473	1,982,365	919,135
Electric Utility - Bond and Interest	94,601	114,640	124,845	84,396
Electric Utility - Debt Service Reserve	195,292	21,410	-	216,702
Electric Utility - Depreciation	336,987	5,977	9,085	333,879
Electric Utility - Cash Reserve	154,487	-	-	154,487
Electric Utility - Customer Deposit	50,028	17,305	10,818	56,515
Electric Utility - Construction	31,748	303	-	32,051
<b>Fiduciary Fund:</b>				
Payroll	13,646	652,020	652,623	13,043
<b>Totals</b>	<u>\$ 3,989,985</u>	<u>\$ 5,744,674</u>	<u>\$ 4,971,677</u>	<u>\$ 4,762,982</u>

The accompanying notes are an integral part of the financial information.

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

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 354,410	\$ 621,757	\$ 908,210	\$ 67,957
Motor Vehicle Highway	127,990	172,304	159,082	141,212
Local Road and Street	8,425	10,814	4,174	15,065
Park and Recreation	32,149	108,994	98,567	42,576
Law Enforcement Continuing Education	2,336	1,173	1,704	1,805
Park Donation	1,128	5,250	-	6,378
Police Donation	6,238	11,685	14,910	3,013
Fire Donation	-	2,311	1,914	397
Drug Free Indiana	223	-	-	223
Criminal Justice COPS Grant	62	-	-	62
Infrastructure Revolving Loan	1	-	-	1
Sewer and Water Revolving Loan	105,879	2,554	30,000	78,433
Levy Excess	3,842	-	-	3,842
Cumulative Capital Improvement	17,946	7,320	-	25,266
Cumulative Building and Fire Fighting Equipment	41,648	20,459	17,340	44,767
Cumulative Sewer	6,421	-	-	6,421
Tax Incremental Financing	859,010	350,838	313,399	896,449
County Economic Development Income Tax	204,356	90,018	8,025	286,349
Noble County Community Foundation	48,109	-	48,109	-
Build Indiana Grant	25,468	-	-	25,468
Avilla Park Improvement	36,913	-	36,913	-
Proprietary Funds:				
Water Utility - Operating	55,717	250,757	284,742	21,732
Water Utility - Bond and Interest	234,496	73,272	53,889	253,879
Water Utility - Debt Service Reserve	74,835	-	-	74,835
Water Utility - Customer Deposit	11,695	2,997	2,495	12,197
Water Utility - Improvement	341,675	33,977	14,225	361,427
Wastewater Utility - Operating	107,265	461,123	461,273	107,115
Wastewater Utility - Bond and Interest	116,293	402,600	253,716	265,177
Wastewater Utility - Debt Service Reserve	99,705	114,043	-	213,748
Wastewater Utility - Depreciation	15,161	-	15,161	-
Wastewater Utility - Customer Deposit	10,521	3,000	2,480	11,041
Wastewater Utility - Grant	2,857	-	-	2,857
Electric Utility - Operating	919,135	2,537,939	2,152,427	1,304,647
Electric Utility - Bond and Interest	84,396	137,568	126,250	95,714
Electric Utility - Debt Service Reserve	216,702	25,692	-	242,394
Electric Utility - Depreciation	333,879	8,939	3,911	338,907
Electric Utility - Cash Reserve	154,487	-	-	154,487
Electric Utility - Customer Deposit	56,515	19,765	17,383	58,897
Electric Utility - Construction	32,051	305	-	32,356
Fiduciary Fund:				
Payroll	13,043	672,222	670,655	14,610
Totals	<u>\$ 4,762,982</u>	<u>\$ 6,149,676</u>	<u>\$ 5,700,954</u>	<u>\$ 5,211,704</u>

The accompanying notes are an integral part of the financial information.

TOWN OF AVILLA  
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, general administrative services, and electric, water, and wastewater 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.

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.

TOWN OF AVILLA  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

Note 7. Subsequent Event

Under the terms of an agreement dated June 30, 2006, with the State Revolving Loan Fund, revenue bonds were purchased by the Indiana Bond Bank. The proceeds of which are to be used to finance the construction of improvements to the wastewater collection system. Funds are loaned to the Town as construction costs accrue to the maximum allowed (\$2,561,000). Drawdown requests to December 31, 2006, totaled \$162,821. Also, on May 16, 2007, the Town was awarded a \$525,000 CDBG grant by the Indiana Office of Community and Rural Affairs for this project.

TOWN OF AVILLA  
 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.

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 20,500
Buildings	780,936
Improvements other than buildings	1,802,248
Machinery and equipment	<u>70,701</u>
Total Water Utility capital assets	<u>2,674,385</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	101,431
Buildings	282,070
Improvements other than buildings	4,308,330
Machinery and equipment	<u>537,170</u>
Total Wastewater Utility capital assets	<u>5,229,001</u>
Electric Utility:	
Capital assets, not being depreciated:	
Land	61,663
Buildings	63,322
Improvements other than buildings	1,457,548
Machinery and equipment	<u>710,614</u>
Total Electric Utility capital assets	<u>2,293,147</u>
Total business-type activities capital assets	<u><u>\$ 10,196,533</u></u>

TOWN OF AVILLA  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Fire Chief vehicle	\$ 13,494	\$ 3,136
Utilities Superintendent vehicle	19,061	5,140
Notes and loans payable	3,541	3,541
Bonds payable:		
General obligation bonds:		
Fire truck	<u>20,000</u>	<u>20,000</u>
Total governmental activities long-term debt	<u>\$ 56,096</u>	<u>\$ 31,817</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
Waterworks improvements	<u>\$ 370,000</u>	<u>\$ 30,000</u>
Wastewater Utility		
State Revolving Fund loans	\$ 2,202,636	\$ 86,000
Revenue bonds:		
Sewage works improvements	<u>190,000</u>	<u>25,000</u>
Total Wastewater Utility	<u>2,392,636</u>	<u>111,000</u>
Electric Utility:		
Revenue bonds:		
Electric improvements	<u>\$ 1,045,000</u>	<u>\$ 70,000</u>
Total business-type activities long-term debt:	<u>\$ 3,807,636</u>	<u>\$ 211,000</u>

TOWN OF AVILLA  
EXAMINATION RESULTS AND COMMENTS

BALANCE DUE TO THE ELECTRIC UTILITY FROM TOWN FUNDS

In 2001, the Town purchased the building presently used as the Town Hall. The policy adopted, at the time of purchase, called for the Town and the three Utilities to each pay one-fourth of the cost. One-half of the cost was paid by the Electric Utility. The Town was to repay the Utility over four years. One payment was made in 2002. The balance of \$46,875 has not been repaid, even though appropriations were made for payment.

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)

CAPITAL ASSET RECORDS

As noted in the four previous Reports B12904, B16908, B20900, and B26116, the Town does not have a complete inventory of all capital assets owned.

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. 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)

GUARANTEE DEPOSIT REGISTER

The Guarantee Deposit Register was not reconciled with the Utility Meter Deposit Fund's cash balance for the Water, Wastewater, and Electric Utilities during the examination period. This was noted in the prior Report B26116.

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)

UTILITY RECEIPTS TAX

The Water and Electric Utilities did not pay all of the Utility Receipts Tax to the Indiana Department of Revenue during the examination period.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF AVILLA  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

PENALTIES AND INTEREST

Penalties and interest totaling \$760.81 for late payment of sales tax were paid to the Indiana Department of Revenue on November 9, 2006, for the period of January 2006. As noted in the prior Report B26116, penalties and interest totaling \$1,136 were paid for late payment of sales tax for March 2004 and May 2005.

We are requesting reimbursement from Nancy Fischer, Clerk-Treasurer, in the amount of \$760.81. (See Summary, page 11)

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)

ORDINANCES, RESOLUTIONS, AND POLICIES

The Town has a policy concerning delinquent Water and Electric Utility accounts. However, during the course of reviewing charges and subsequent payments, it was noted that a Town Council member has not been subject to the same shut-off procedures as the rest of the Town's residents.

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)

TOWN OF AVILLA  
EXIT CONFERENCE

The contents of this report were discussed on September 12, 2007, with Nancy Fischer, Clerk-Treasurer. The official concurred with our findings.

TOWN OF AVILLA  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Nancy Fischer, Clerk-Treasurer: Penalties and Interest, page 11	<u>\$ 760.81</u>	<u>\$ -</u>	<u>\$ 760.81</u>

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AFFIDAVIT

STATE OF INDIANA )  
                                  )  
NOBLE COUNTY)

We, Sue Forbes and Heidi L. McCoy, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Town of Avilla, Noble County, Indiana, for the period from January 1, 2005, to December 31, 2006, is true and correct to the best of our knowledge and belief.

Carol Sue Forbes

Heidi L. McCoy  
Field Examiner(s)

Subscribed and sworn to before me this 13<sup>th</sup> day of September, 2007.

Crisco M. Valenti  
(Notary Public)  
(Clerk of the Circuit Court)

My Commission Expires: 8-28-15 (Use with Notary)

County of Residence: Noble (Use with Notary)