

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

EXAMINATION REPORT  
OF  
TOWN OF ALBION  
NOBLE COUNTY, INDIANA  
January 1, 2008 to December 31, 2009



**FILED**  
11/30/2010



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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Carol A. Selby

01-01-08 to 12-31-11

President of the Town Council

James L. Stull

01-01-08 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Town of Albion (Town), for the period of January 1, 2008 to December 31, 2009. 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, 2008 and 2009, 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 29, 2010

TOWN OF ALBION  
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, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
<b>Governmental Funds:</b>				
General	\$ 486,743	\$ 675,732	\$ 728,505	\$ 433,970
Motor Vehicle Highway	302,367	399,723	379,313	322,777
Local Road and Street	61,507	12,325	-	73,832
Park and Recreation	30,530	84,625	87,014	28,141
Park - Donation	5,058	20,668	18,364	7,362
Park - Cougar Basketball	2,732	-	2,732	-
Park - Soccer	50	-	-	50
Park - Fireworks Donation	2,279	4,808	4,613	2,474
Park - Skateboard	1,809	1,389	-	3,198
Law Enforcement Continuing Education	1,193	1,405	1,694	904
Rainy Day Fund	38,617	17,081	14,575	41,123
Donation	3,351	14,400	4,628	13,123
Cemetery	47,219	55,678	64,583	38,314
Chipper Replacement Fund	3,046	513	-	3,559
Grant	-	4,596	4,596	-
Cumulative Capital Improvement	76,079	7,427	26,192	57,314
Cumulative Capital Development	118,285	45,571	33,803	130,053
Park Development	1,361	103	-	1,464
CEDIT	135,729	90,594	138,599	87,724
General Improvement	9,304	-	-	9,304
TIF #1	808,598	372,091	209,971	970,718
TIF #2	39,496	30,032	1,092	68,436
Debt Service - Fire Station	29,484	71,202	100,044	642
Forfeiture Fund	-	223	-	223
<b>Proprietary Funds:</b>				
Water Utility - Operating	581,176	627,159	471,636	736,699
Water Utility - Customer Deposit	44,617	8,800	7,789	45,628
Wastewater Utility - Operating	143,477	233,885	244,418	132,944
<b>Fiduciary Funds:</b>				
PERF	1,602	4,546	5,121	1,027
Payroll	22,891	289,863	289,948	22,806
Corporation Payroll Tax	144	184,931	184,928	147
<b>Totals</b>	<u>\$ 2,998,744</u>	<u>\$ 3,259,370</u>	<u>\$ 3,024,158</u>	<u>\$ 3,233,956</u>

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

TOWN OF ALBION  
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, 2008 And 2009  
(Continued)

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 433,970	\$ 822,415	\$ 779,206	\$ 477,179
Motor Vehicle Highway	322,777	279,828	330,627	271,978
Local Road and Street	73,832	11,467	-	85,299
Park and Recreation	28,141	110,614	93,053	45,702
Park - Donation	7,362	17,339	17,329	7,372
Park - Soccer	50	-	-	50
Park - Fireworks Donation	2,474	3,853	2,403	3,924
Park - Skateboard	3,198	-	-	3,198
Law Enforcement Continuing Education	904	1,761	1,712	953
Rainy Day Fund	41,123	38,853	6,698	73,278
Donation	13,123	2,736	10,175	5,684
Cemetery	38,314	46,906	38,209	47,011
Chipper Replacement Fund	3,559	510	-	4,069
Cumulative Capital Improvement	57,314	7,004	17,322	46,996
Cumulative Capital Development	130,053	38,161	28,241	139,973
Park Development	1,464	1	-	1,465
CEDIT	87,724	96,974	75,735	108,963
General Improvement	9,304	-	9,304	-
TIF #1	970,718	387,558	386,937	971,339
TIF #2	68,436	31,947	20,276	80,107
Debt Service - Fire Station	642	104,942	108,050	(2,466)
Forfeiture Fund	223	-	-	223
Proprietary Funds:				
Water Utility - Operating	736,699	1,713,712	1,804,585	645,826
Water Utility - Customer Deposit	45,628	7,300	7,188	45,740
Wastewater Utility - Operating	132,944	224,520	265,716	91,748
Fiduciary Funds:				
PERF	1,027	3,893	3,865	1,055
Payroll	22,806	406,533	407,019	22,320
Corporation Payroll Tax	147	178,820	178,815	152
Totals	<u>\$ 3,233,956</u>	<u>\$ 4,537,647</u>	<u>\$ 4,592,465</u>	<u>\$ 3,179,138</u>

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

TOWN OF ALBION  
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, 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. 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.

TOWN OF ALBION  
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

In 2010, the Town of Albion was awarded an Energy Efficiency and Conservation Block Grant of \$126,203. These funds are being used to upgrade the HVAC systems and apply insulation at the Albion Municipal Building in order to improve the overall energy efficiency of the building.

TOWN OF ALBION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2009

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 years have been reported. There will be no retroactive reporting of general infrastructure assets.

	Ending Balance <u>12-31-09</u>
<u>Primary Government</u>	
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 220,020
Infrastructure	641,911
Buildings	3,040,486
Improvements other than buildings	316,485
Machinery and equipment	<u>2,998,676</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 7,217,578</u>
 Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 11,457
Infrastructure	1,102,913
Buildings	68,847
Improvements other than buildings	923,216
Machinery and equipment	323,242
Transportation equipment	<u>125,493</u>
 Total Water Utility capital assets	 <u>2,555,168</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	15,002
Buildings	80,465
Improvements other than buildings	1,252,980
Machinery and equipment	210,952
Transportation equipment	<u>134,209</u>
 Total Wastewater Utility capital assets	 <u>1,693,608</u>
 Total business-type activities capital assets	 <u>\$ 4,248,776</u>

TOWN OF ALBION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2009

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Fire Station/Municipal Building	\$ 995,000	\$ 51,393
Police Vehicle	7,139	7,610
Police vehicle	13,610	7,382
Police vehicle	14,813	8,037
Park Equipment	3,327	3,502
Street/Utility Equipment (1/3)	6,341	3,375
Loan Payable (1/2)	<u>196,952</u>	<u>47,644</u>
Total governmental activities debt	<u>\$ 1,237,182</u>	<u>\$ 128,943</u>
Business-type activities:		
Water Utility:		
Capital leases:		
Street/Utility Equipment (1/3)	\$ 6,341	\$ 3,375
Loan Payable (1/2)	<u>196,952</u>	<u>-</u>
Total Water Utility	<u>203,293</u>	<u>3,375</u>
Wastewater Utility:		
Capital leases:		
Street/Utility Equipment (1/3)	<u>6,341</u>	<u>3,375</u>
Total business-type activities debt	<u>\$ 209,634</u>	<u>\$ 6,750</u>

TOWN OF ALBION  
EXAMINATION RESULTS AND COMMENTS

UTILITY RECEIPT TAX UNDERPAYMENT

The Town used the previous rate of 1.2% instead of the current utility receipt tax rate of 1.4% for configuring utility receipt tax in 2008 and 2009. As a result, the Town owes the Indiana Department of Revenue \$699 for 2008 and \$751 for 2009.

The utility receipts tax is imposed upon the receipt of the entire taxable gross receipts of a taxpayer that is a resident or domiciliary of Indiana, and the taxable gross receipts derived from activities or business or any other sources within Indiana by a taxpayer that is not a resident or domiciliary of Indiana. The tax is imposed at a rate of one and four-tenths percent (1.4%). (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCE

The cash balance of the Debt Service - Fire Station Fund was overdrawn by \$2,466 at December 31, 2009.

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)

TOWN OF ALBION  
EXIT CONFERENCE

The contents of this report were discussed on September 29, 2010 with Carol A. Selby, Clerk-Treasurer; Beth A. Shellman, Town Manager; and James L. Stull, President of the Town Council. The official response has been made a part of this report and may be found on page 12.

# THE TOWN OF ALBION

P.O. Box 27 Albion, Indiana 46701  
Telephone (260) 636-2246  
Fax (260) 636-2821

*Gateway To The Chain O'Lakes State Park*

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September 29, 2010

State Board of Accounts  
302 West Washington Street, Room E 418  
Indianapolis, Indiana 46204-2765

Re: OFFICAL RESPONSE

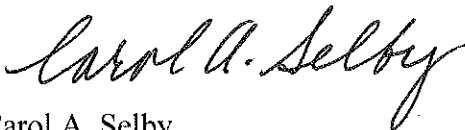
This letter is in response to the comments listed in the examination results for the Town of Albion.

Previously, the town was unaware of the utility receipt tax increase from 1.2% to 1.4% that occurred in 2003, and resulted in underpayment of gross income tax for the town's water utility. Since discovery of the miscalculation, the town contacted the Dept of Revenue, completed the necessary forms, and payment for the amount due was processed on September 17, 2010. Procedures have been implemented to ensure the town is informed of future rate increases.

In regards to the overdrawn cash balance for the Debt Service Fund, the town experienced a property tax shortfall resulting in insufficient revenue in the amount of \$2466 for 2009. With receipt of 2010 property tax revenue, this fund now has a positive cash balance. However, in an effort to address future shortfalls, the town has appropriated a line item within the Rainy Day Fund to supplement future bond payments when needed.

I believe the steps outlined above serve to address and resolve the examination findings.

Respectfully submitted,



Carol A. Selby  
Clerk-Treasurer  
Town of Albion