

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

EXAMINATION REPORT
OF
TOWN OF HAUBSTADT
GIBSON COUNTY, INDIANA
January 1, 2007 to December 31, 2009



FILED
01/05/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Bonnie J. Wagner	01-01-04 to 12-31-11
President of the Town Council	Kenneth Reinbrecht	01-01-07 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 HAUBSTADT, GIBSON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Haubstadt (Town), for the period of January 1, 2007 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, 2007, 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

November 17, 2010

TOWN OF HAUBSTADT
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, 2007, 2008, And 2009

	Cash and	Receipts	Disbursements	Cash and
	Investments			Investments
	01-01-07			12-31-07
Governmental Funds:				
General	\$ 123,436	\$ 282,767	\$ 291,383	\$ 114,820
Motor Vehicle Highway	114,904	71,883	139,212	47,575
Local Road and Street	(177)	6,869	6,858	(166)
Park and Recreation	37,750	46,040	48,956	34,834
Law Enforcement Continuing Education	2,074	2,091	1,552	2,613
Riverboat	17,328	9,852	-	27,180
Rainy Day	38,759	-	-	38,759
Old School Property - Gym	31,404	444	2,093	29,755
Fire Department Special Run	4,036	1,379	45	5,370
Special Police Training and Equipment	8,586	86	1,454	7,218
Fire Territory Operating	-	285,294	115,717	169,577
Cumulative Capital Improvement	5,324	5,370	6,000	4,694
Cumulative Capital Development	-	7,503	-	7,503
Fire Territory Equipment Replacement	-	80,977	8,448	72,529
County Economic Development Income Tax	227,505	68,956	82,407	214,054
Cumulative Fire	47,346	42,697	89,077	966
Proprietary Funds:				
Water Utility - Operating	79,179	282,557	301,471	60,265
Water Utility - Customer Deposit	10,645	9,500	9,920	10,225
Water Utility - Construction	9,041	-	9,041	-
Wastewater Utility - Operating	994,888	798,180	689,117	1,103,951
Wastewater Utility - Bond and Interest	577,541	661,393	606,965	631,969
Wastewater Utility - Reserve	48,500	-	-	48,500
Wastewater Utility - Improvement	16,380	24,000	-	40,380
Wastewater Utility - Capital Improvement	566,580	118,393	102,000	582,973
Fiduciary Fund:				
Payroll	3,055	328,000	328,541	2,514
Totals	\$ 2,964,084	\$ 3,134,231	\$ 2,840,257	\$ 3,258,058

	Cash and	Receipts	Disbursements	Cash and
	Investments			Investments
	01-01-08			12-31-08
Governmental Funds:				
General	\$ 114,820	\$ 290,052	\$ 280,553	\$ 124,319
Motor Vehicle Highway	47,575	70,491	105,467	12,599
Local Road and Street	(166)	6,560	-	6,394
Park and Recreation	34,834	53,623	36,628	51,829
Law Enforcement Continuing Education	2,613	1,107	674	3,046
Riverboat	27,180	-	-	27,180
Rainy Day	38,759	-	-	38,759
Old School Property - Gym	29,755	15,410	-	45,165
Fire Department Special Run	5,370	2,507	828	7,049
Special Police Training and Equipment	7,218	-	1,297	5,921
Fire Territory Operating	169,577	291,595	109,120	352,052
Grant	-	51,118	49,500	1,618
Cumulative Capital Improvement	4,694	4,972	5,000	4,666
Cumulative Capital Development	7,503	7,806	-	15,309
Fire Territory Equipment Replacement	72,529	116,878	-	189,407
County Economic Development Income Tax	214,054	120,617	55,980	278,691
Cumulative Fire	966	-	-	966
Proprietary Funds:				
Water Utility - Operating	60,265	298,316	291,494	67,087
Water Utility - Customer Deposit	10,225	7,400	7,520	10,105
Wastewater Utility - Operating	1,103,951	670,110	615,968	1,158,093
Wastewater Utility - Bond and Interest	631,969	536,525	527,284	641,210
Wastewater Utility - Reserve	48,500	-	-	48,500
Wastewater Utility - Improvement	40,380	24,000	24,204	40,176
Wastewater Utility - Capital Improvement	582,973	513,748	466,085	630,636
Fiduciary Fund:				
Payroll	2,514	340,868	340,531	2,851
Totals	\$ 3,258,058	\$ 3,423,703	\$ 2,918,133	\$ 3,763,628

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

TOWN OF HAUBSTADT
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, 2007, 2008, And 2009
(Continued)

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 124,319	\$ 336,042	\$ 305,638	\$ 154,723
Motor Vehicle Highway	12,599	74,432	63,728	23,303
Local Road and Street	6,394	6,268	6,076	6,586
Park and Recreation	51,829	50,100	77,421	24,508
Law Enforcement Continuing Education	3,046	4,375	1,311	6,110
Riverboat	27,180	19,160	-	46,340
Rainy Day	38,759	23,273	-	62,032
Old School Property - Gym	45,165	290	44,188	1,267
Fire Department Special Run	7,049	3,155	3,371	6,833
Special Police Training and Equipment	5,921	900	4,238	2,583
Fire Territory Operating	352,052	301,924	157,299	496,677
Grant	1,618	246,532	246,532	1,618
Cumulative Capital Improvement	4,666	4,688	5,000	4,354
Cumulative Capital Development	15,309	5,766	-	21,075
Fire Territory Equipment Replacement	189,407	74,230	-	263,637
County Economic Development Income Tax	278,691	134,252	93,251	319,692
Cumulative Fire	966	-	-	966
Proprietary Funds:				
Water Utility - Operating	67,087	309,553	276,294	100,346
Water Utility - Customer Deposit	10,105	3,200	2,800	10,505
Wastewater Utility - Operating	1,158,093	756,581	694,874	1,219,800
Wastewater Utility - Bond and Interest	641,210	158,155	114,486	684,879
Wastewater Utility - Reserve	48,500	-	48,500	-
Wastewater Utility - Improvement	40,176	24,000	34,491	29,685
Wastewater Utility - Capital Improvement	630,636	418,808	507,325	542,119
Fiduciary Fund:				
Payroll	2,851	373,958	374,625	2,184
Totals	<u>\$ 3,763,628</u>	<u>\$ 3,329,642</u>	<u>\$ 3,061,448</u>	<u>\$ 4,031,822</u>

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

TOWN OF HAUBSTADT
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, water and wastewater.

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. Building Corporation

In 2009, the Town entered into a capital lease totaling \$1,490,500 with the Haubstadt Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing a fire station for lease to the Town. The lessor has been determined to be a related party of the Town. Semiannual lease rental payments begin June 30, 2010 and continue through December 31, 2028.

TOWN OF HAUBSTADT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
For The Year Ended 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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 105,000
Infrastructure	220,000
Buildings	1,104,477
Machinery and equipment	<u>1,336,119</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 2,765,596</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 5,205
Infrastructure	856,056
Buildings	23,494
Machinery and equipment	<u>885,474</u>
 Total Water Utility capital assets	 <u>1,770,229</u>

Wastewater Utility:	
Capital assets, not being depreciated:	
Land	18,563
Infrastructure	1,506,443
Buildings	234,956
Machinery and equipment	<u>5,616,158</u>
 Total Wastewater Utility capital assets	 <u>7,376,120</u>

Total business-type activities capital assets	<u>\$ 9,146,349</u>
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TOWN OF HAUBSTADT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended December 31, 2009

The Town has entered into the following debt:

Description of Asset	Ending Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Fire Station Building	\$ 1,490,500	\$ 65,500
Total governmental activities debt	<u>\$ 1,490,500</u>	<u>\$ 65,500</u>
Business-type activities:		
Wastewater Utility:		
State Revolving Loan Fund	\$ 2,325,000	\$ 40,688
Total business-type activities debt	<u>\$ 2,325,000</u>	<u>\$ 40,688</u>

TOWN OF HAUBSTADT
EXAMINATION RESULTS AND COMMENTS

TOWN MARSHAL CONVICTION – (Applies to Town)

In 2010, former Town Marshal, Micah Rulli, pled guilty to two felony charges of theft and official misconduct and was sentenced on November 1, 2010.

According to the Indiana State Police affidavit, several time sheets in the summer of 2009 were inaccurate with discrepancies between what hours two reserve officers actually worked compared to hours they were paid for. The former Town Marshal had instructed two reserve officers to add time to their time sheets even if they did not work the entire 28 hours of time allotted for reserve officers per week and to give him the extra money.

Per the Court Order, in addition to a 540 day sentence, the former Town Marshal must also pay \$370 in restitution to the Town as well as \$350 to a third party which was seized in an arrest in 2009.

GUN PERMITS – (Applies to Town)

According to Indiana State Police records, seven gun permit applications were taken at the Town during the examination period but no fees were deposited. Further investigation indicates that various Town police officers signed the applications and various notaries notarized the applicant's signature over the three year period.

IC 35-47-2-3 states in part:

"(a) A person desiring a license to carry a handgun shall apply:

(1) to the chief of police or corresponding law enforcement officer of the municipality in which the applicant resides; . . .

(b) The law enforcement agency which accepts an application for a handgun license shall collect the following application fees:

(1) From a person applying for a four (4) year handgun license, a ten dollar (\$10) application fee, five dollars (\$5) of which shall be refunded if the license is not issued.

(2) From a person applying for a lifetime handgun license who does not currently possess a valid Indiana handgun license, a fifty dollar (\$50) application fee, thirty dollars (\$30) of which shall be refunded if the license is not issued.

(3) From a person applying for a lifetime handgun license who currently possesses a valid Indiana handgun license, a forty dollar (\$40) application fee, thirty dollars (\$30) of which shall be refunded if the license is not issued.

Except as provided in subsection (h), the fee shall be deposited into the law enforcement agency's firearms training fund or other appropriate training activities fund and used by the agency to train law enforcement officers in the proper use of firearms or in other law enforcement duties, or to purchase firearms, firearm related equipment, or body armor (as defined in IC 35-47-5-13(a)) for the law enforcement officers employed by the law enforcement agency. The state board of accounts shall establish rules for the proper accounting and expenditure of funds collected under this subsection."

TOWN OF HAUBSTADT
EXIT CONFERENCE

The contents of this report were discussed on November 17, 2010, with Bonnie J. Wagner, Clerk-Treasurer. The official concurred with our findings.