

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

TOWN OF WHEATFIELD

JASPER COUNTY, INDIANA

January 1, 2015 to December 31, 2018



FILED
06/13/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cynthia M. Davis Elizabeth Dawn Stalbaum Deborah L. Norberg	01-01-15 to 12-31-15 01-01-16 to 01-31-17 02-01-17 to 12-31-19
President of the Town Council	Dean Stalbaum	01-01-15 to 12-31-19



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF THE TOWN OF WHEATFIELD, JASPER COUNTY, INDIANA

We have reviewed the accompanying financial statements of the Town of Wheatfield (Town), for the period of January 1, 2015 to December 31, 2018. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Town's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with a regulatory basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by 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. This includes determining that the basis of accounting the Town uses is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.


INDEPENDENT ACCOUNTANT'S REVIEW REPORT
(Continued)

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the prescribed basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by 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. Our conclusion is not modified with respect to this matter.


Paul D. Joyce, CPA
State Examiner

April 29, 2019

FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

The financial statements and accompanying notes were approved by management of the Town.
The financial statements and notes are presented as intended by the Town.

TOWN OF WHEATFIELD
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Years Ended December 31, 2015 and 2016

Fund	Cash and Investments			Cash and Investments			Cash and Investments
	01-01-15	Receipts	Disbursements	12-31-15	Receipts	Disbursements	12-31-16
GENERAL	\$ 437,203	\$ 249,986	\$ 192,073	\$ 495,116	\$ 234,420	\$ 220,055	\$ 509,481
MVH	80,890	30,096	72,436	38,550	28,094	22,238	44,406
LR&S	16,320	4,041	9,000	11,361	5,683	6,028	11,016
CEDIT	60,268	18,958	14,430	64,796	21,753	18,484	68,065
SANITATION	-	-	-	-	27,196	16,377	10,819
LOCAL LAW ENF CONT ED	766	175	330	611	4,216	309	4,518
RIVERBOAT	28,797	5,053	-	33,850	5,053	8,238	30,665
RAINY DAY	48,014	-	-	48,014	22,500	4,430	66,084
LEVY EXCESS	10	-	-	10	-	-	10
CCI- CIG TAX	23,539	2,143	1,007	24,675	2,174	-	26,849
CCD	58,189	12,898	2,381	68,706	14,918	150	83,474
LOIT- PUBLIC SAFETY	5,083	19,356	16,566	7,873	18,642	17,164	9,351
SPECIAL EVENT	322	-	-	322	-	-	322
PARK DONATION	1,678	-	225	1,453	11,574	11,747	1,280
CEMETERY	12,727	3,676	6,479	9,924	8,500	5,845	12,579
LOIT 2016 SPECIAL DISTRIBUTION	-	-	-	-	90,078	22,500	67,578
PAYROLL	1	136,829	136,829	1	137,579	134,653	2,927
SEWAGE UTL GRANT PROJECT	-	183,615	183,615	-	-	-	-
SEWAGE UTL DEBT RESERVE	122,591	-	122,000	591	-	-	591
SEWAGE UTL OPERATING	195,282	196,602	195,816	196,068	238,329	328,793	105,604
SEWAGE UTL GRANT TOWN MATCH	-	139,245	83,098	56,147	-	41,764	14,383
Totals	<u>\$ 1,091,680</u>	<u>\$ 1,002,673</u>	<u>\$ 1,036,285</u>	<u>\$ 1,058,068</u>	<u>\$ 870,709</u>	<u>\$ 858,775</u>	<u>\$ 1,070,002</u>

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

TOWN OF WHEATFIELD
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended December 31, 2017 and 2018

Fund	Cash and Investments			Cash and Investments			Cash and Investments		
	01-01-17	Receipts	Disbursements	12-31-17	Receipts	Disbursements	12-31-18		
GENERAL	\$ 509,481	\$ 185,876	\$ 196,863	\$ 498,494	\$ 210,149	\$ 288,029	\$ 420,614		
MVH	44,406	52,760	27,777	69,389	52,562	65,964	55,987		
LR&S	11,016	5,117	1,862	14,271	6,961	11,303	9,929		
CEDIT	68,065	19,449	8,913	78,601	19,691	35,000	63,292		
SANITATION	10,819	46,014	45,803	11,030	45,191	50,484	5,737		
LOCAL ROAD & BRIDGE MATCHING GRANT	-	64,450	119,071	(54,621)	612,981	529,816	28,544		
LOCAL LAW ENF CONT ED	4,518	1,805	3,149	3,174	1,700	375	4,499		
RIVERBOAT	30,665	5,053	3,601	32,117	5,053	-	37,170		
RAINY DAY	66,084	-	1,265	64,819	30,000	30,000	64,819		
LEVY EXCESS FUND	10	-	-	10	-	-	10		
CCI- CIG TAX	26,849	2,074	-	28,923	1,994	15,200	15,717		
CCD	83,474	13,108	134	96,448	13,193	30,000	79,641		
LOIT- PUBLIC SAFETY	9,351	20,136	18,889	10,598	19,978	17,576	13,000		
PARK DONATION	1,280	6,012	2,989	4,303	21,054	4,612	20,745		
CEMETERY	12,579	14,426	6,957	20,048	20,266	12,126	28,188		
LOIT 2016 SPECIAL DISTRIBUTION	67,578	-	-	67,578	248	-	67,826		
SPECIAL EVENT	322	-	-	322	-	-	322		
PAYROLL	2,927	173,866	167,666	9,127	165,101	159,749	14,479		
SEWAGE UTILITY OPERATING	105,604	208,807	222,007	92,404	225,420	169,743	148,081		
SEWAGE UTL DEBT RESERVE	591	-	-	591	-	-	591		
SEWAGE UTL GRANT TOWN MATCH	14,383	-	-	14,383	-	-	14,383		
Totals	<u>\$ 1,070,002</u>	<u>\$ 818,953</u>	<u>\$ 826,946</u>	<u>\$ 1,062,009</u>	<u>\$ 1,451,542</u>	<u>\$ 1,419,977</u>	<u>\$ 1,093,574</u>		

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

TOWN OF WHEATFIELD
NOTES TO FINANCIAL STATEMENTS

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 statements present the financial information for the Town.

B. Basis of Accounting

The financial statements are 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 statements. The aggregate receipts include the following sources:

Taxes. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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. Amounts received from businesses, occupations, or non-businesses 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 the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF WHEATFIELD
NOTES TO FINANCIAL STATEMENTS
(Continued)

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines 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.

Utility fees. Amounts received from charges for current services.

Penalties. Amounts received from late payment fees.

Other receipts. Amounts received from various sources, including, but 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 statements. The aggregate disbursements include the following uses:

Personal services. Amounts disbursed 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. Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses. Amounts disbursed for operating the utilities.

TOWN OF WHEATFIELD
NOTES TO FINANCIAL STATEMENTS
(Continued)

Other disbursements. Amounts disbursed for various other purposes including, but 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, make transfers 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 amounts 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 amounts 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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 WHEATFIELD
NOTES TO FINANCIAL STATEMENTS
(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, the following: 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 statements. 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

Simple IRA (Savings Incentive Match Plan for Employees Individual Retirement Account)

The Town of Wheatfield offers a retirement benefit per month. Full-time employees are eligible to receive \$150 per month paid to the employee or into a retirement account for the employee.

Note 7. Cash Balance Deficits

The financial statements contain a fund with a deficit in cash. This is a result of the Town not moving their portion of a matching grant into the grant fund until 2018.

TOWN OF WHEATFIELD
REVIEW RESULTS AND COMMENTS

BANK RECONCILEMENTS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, they were not always completed timely during 2017 and 2018. The Town was unable to reconcile depository cash and investment balances to their financial records since June 2017. The record balance exceeded the depository balance at December 31, 2017, by \$9,422. The depository balance exceeded the record balance at December 31, 2018, by \$469.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

PAYROLL

Overpayment

The former Clerk-Treasurer was paid for unused vacation, personal, and sick days upon termination of employment with the Town. The documentation supporting the unused paid time off did not agree to the amount paid, resulting in an overpayment of \$176.

Advance Payments

Employee compensation, hours, and leave time were reported to the Clerk-Treasurer's office on a bimonthly basis on the 15th and last day of each month; however, payroll was not always generated on those dates. Employees were paid in advance, ranging from one to six days, prior to performing the services for 13 of the 24 pay periods during 2018.

Payroll Withholding Fund

The Town's Payroll fund included all of the gross pay and the Town's portion of federal taxes. Transactions were receipted into the fund at the time of payroll, disbursed when the payroll was paid to employees, and payroll taxes were paid to the appropriate federal and state agencies. The fund should have a zero balance at year end or have supporting documentation which accounts for the ending balance. The Town posted other transactions to the Payroll fund, which resulted in ending cash and investment balances of \$2,927, \$9,127, and \$14,479 at December 31, 2016, 2017, and 2018, respectively. Officials could not provide documentation to support those balances.

Penalties and Interest

The Town paid penalties and interest in February 2017 totaling \$40.58 for untimely state withholding tax payments.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN OF WHEATFIELD
REVIEW RESULTS AND COMMENTS
(Continued)

Indiana Code 5-7-3-1(a) states: "Public officers may not draw or receive their salaries in advance."

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

In order to simplify the handling of withholdings from employees' salaries and wages, a city or town may use a "Payroll Fund." If the local officials decide to establish a "Payroll Fund," the following procedures should be used in connection with such fund: . . .

6. Payroll deductions will be accumulated in the payroll fund, and then disbursed from this fund at the proper time to the various receiving agencies by payroll warrants. It is suggested the payroll fund ledger sheet be supported by subsidiary ledger sheets for each type of payroll deduction in order to see that no unidentified balance is allowed to accumulate in the payroll fund.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

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 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 unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CREDIT CARD DISCREPANCIES

The Town Council approved the use of credit cards for authorized individuals in Ordinance No. 2015-01 which states in part: "The credit card user is responsible for turning in the receipts of all credit card purchases to the Clerk-Treasurer upon making the purchase. Any charges that appear on the credit card statement that do not have a corresponding receipt will be paid by the credit card user. Any late fees that might be assessed to the town credit card due to untimely payment for a lack of a receipt will be the responsibility of the credit card user."

The Town did not follow their approved policy which enabled the following exceptions:

1. The credit card statement for March 2017 had undocumented expenses totaling \$623.
2. The credit card statement for December 2017 had undocumented expenses totaling \$477.
3. The Town paid \$16 in finance charges for the December 2017 statement.

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN OF WHEATFIELD
REVIEW RESULTS AND COMMENTS
(Continued)

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 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 unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed:

1. The governing body must authorize credit card use through an ordinance /resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use must be handled by an official or employee designated by the governing body.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Credit cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of the responsible officer or employee.
8. If authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN OF WHEATFIELD
EXIT CONFERENCE

The contents of this report were discussed on April 29, 2019, with Deborah L. Norberg, Clerk-Treasurer; Elizabeth Dawn Stalbaum, former Clerk-Treasurer; and Janice Moore, Town Council member.