

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

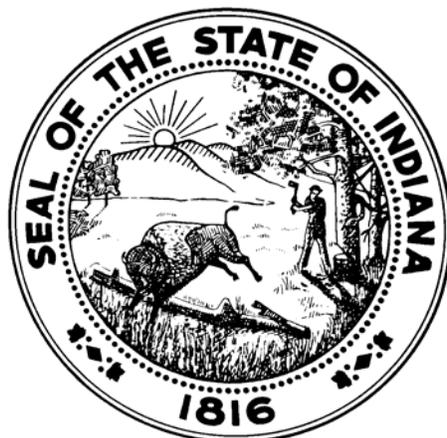
EXAMINATION REPORT

OF

TOWN OF PENDLETON

MADISON COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED

09/28/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Timothy J. Ryan	01-01-04 to 12-31-07
President of the Town Council	Donald E. Henderson	01-01-05 to 12-31-07
Town Manager	Douglas McGee	01-01-05 to 12-31-07
Public Works Superintendent	Imon Bankson	01-01-05 to 12-31-07
Superintendent of Electric Utility	Eric Nixon	01-01-05 to 12-31-07
Utility Office Manager	Lana Barton	01-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF PENDLETON, MADISON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Pendleton (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

August 9, 2007

TOWN OF PENDLETON
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
Governmental Funds:				
General	\$ 806,260	\$ 1,795,192	\$ 1,472,264	\$ 1,129,188
Motor Vehicle Highway	342,874	265,612	251,732	356,754
Local Road and Street	68,144	43,007	88	111,063
Park and Recreation	287,063	456,196	460,255	283,004
Law Enforcement Continuing Education	9,218	3,121	10,933	1,406
Town Donation	14,998	8,104	6,453	16,649
Tree Donation	887	-	15	872
Park Donation	14,495	5,906	13,449	6,952
Clerk Record Perpetuation	-	7,972	-	7,972
Cumulative Capital Improvement	18,104	11,972	18,000	12,076
Cumulative Capital Development	21,154	40,169	39,239	22,084
Economic Development	122,388	285,325	237,146	170,567
Unsafe Building	7,115	-	100	7,015
Fire Station Lease	56,083	109,186	114,336	50,933
Park Bond and Lease	208,971	394,857	381,911	221,917
Pool Note	-	195,489	135,744	59,745
Police Lease	35,075	62,937	67,268	30,744
Storage Business	43,752	28,464	38,657	33,559
State Road 38 Transfer	175,000	5,638	-	180,638
User Fees	9,873	99,336	69,832	39,377
Levy Excess	-	20,928	-	20,928
Petty Cash	350	881	881	350
Proprietary Funds:				
Water Utility - Operating	38,079	624,153	635,207	27,025
Water Utility - Bond and Interest	177,544	237,480	230,410	184,614
Water Utility - Depreciation	12,947	81,405	72,553	21,799
Water Utility - Customer Deposit	42,722	7,230	5,031	44,921
Water Utility - In Lieu of Taxes	-	9,600	9,600	-
Water Utility - Improvement	29,918	92,181	51,206	70,893
Water Utility - Revenue	-	949,921	949,921	-
Water Utility - Debt Reserve	240,150	1,446	-	241,596
Electric Utility - Operating	472,000	4,066,023	4,066,023	472,000
Electric Utility - Bond and Interest	79,002	162,922	164,599	77,325
Electric Utility - Depreciation	138,916	466,873	423,166	182,623
Electric Utility - Customer Deposit	103,168	35,775	22,854	116,089
Electric Utility - Improvement	451,580	200,701	224,775	427,506
Electric Utility - Revenue	-	4,749,262	4,749,262	-
Electric Utility - In Lieu of Taxes	50,000	84,000	84,000	50,000
Electric Utility - Debt Reserve	160,000	964	-	160,964
Fiduciary Funds:				
Town Court	71,957	840,272	796,686	115,543
Payroll	37,213	1,636,948	1,641,629	32,532
Totals	<u>\$ 4,347,000</u>	<u>\$ 18,087,448</u>	<u>\$ 17,445,225</u>	<u>\$ 4,989,223</u>

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

TOWN OF PENDLETON
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	\$ 1,129,188	\$ 1,692,797	\$ 1,951,197	\$ 870,788
Motor Vehicle Highway	356,754	283,537	304,731	335,560
Local Road and Street	111,063	42,916	34,008	119,971
Park and Recreation	283,004	417,019	417,315	282,708
Law Enforcement Continuing Education	1,406	2,633	884	3,155
Town Donation	16,649	26,330	1,200	41,779
Tree Donation	872	-	15	857
Park Donation	6,952	4,210	5,770	5,392
Clerk Record Perpetuation	7,972	10,799	8,905	9,866
Cumulative Capital Improvement	12,076	13,837	18,378	7,535
Cumulative Capital Development	22,084	42,359	-	64,443
Economic Development	170,567	433,675	238,313	365,929
Unsafe Building	7,015	-	150	6,865
Fire Station Lease	50,933	117,788	112,931	55,790
Park Bond and Lease	221,917	428,069	412,820	237,166
Pool Note	59,745	2,775	4,450	58,070
Police Lease	30,744	64,077	66,434	28,387
Storage Business	33,559	26,741	45,479	14,821
State Road 38 Transfer	180,638	8,856	-	189,494
User Fees	39,377	94,657	111,471	22,563
Levy Excess	20,928	14,622	20,928	14,622
Petty Cash	350	1,089	1,089	350
Victims Impact	-	1,755	-	1,755
Proprietary Funds:				
Water Utility - Operating	27,025	653,005	668,530	11,500
Water Utility - Bond and Interest	184,614	235,440	233,845	186,209
Water Utility - Depreciation	21,799	84,383	65,764	40,418
Water Utility - Customer Deposit	44,921	7,020	4,786	47,155
Water Utility - In Lieu of Taxes	-	9,600	9,600	-
Water Utility - Improvement	70,893	94,000	44,489	120,404
Water Utility - Revenue	-	965,578	965,578	-
Water Utility - Debt Reserve	241,596	11,844	-	253,440
Electric Utility - Operating	472,000	4,252,285	4,252,285	472,000
Electric Utility - Bond and Interest	77,325	163,494	164,240	76,579
Electric Utility - Depreciation	182,623	341,451	336,663	187,411
Electric Utility - Customer Deposit	116,089	28,275	20,348	124,016
Electric Utility - Improvement	427,506	348,385	137,423	638,468
Electric Utility - Revenue	-	5,156,140	5,156,140	-
Electric Utility - In Lieu of Taxes	50,000	84,000	84,000	50,000
Electric Utility - Debt Reserve	160,964	7,891	-	168,855
Fiduciary Funds:				
Town Court	115,543	996,218	969,917	141,844
Payroll	32,532	1,688,351	1,688,509	32,374
Totals	<u>\$ 4,989,223</u>	<u>\$ 18,857,901</u>	<u>\$ 18,558,585</u>	<u>\$ 5,288,539</u>

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

TOWN OF PENDLETON
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.

TOWN OF PENDLETON
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.

TOWN OF PENDLETON
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

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 are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Infrastructure	\$ 309,276
Machinery and equipment	<u>3,623,503</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 3,932,779</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Improvements other than buildings	\$ 1,211,248
Machinery and equipment	<u>155,283</u>
Total Water Utility capital assets	<u>1,366,531</u>
Electric Utility:	
Capital assets, not being depreciated:	
Improvements other than buildings	2,233,705
Machinery and equipment	<u>749,832</u>
Total Electric Utility capital assets	<u>2,983,537</u>
Total business-type activities capital assets	<u>\$ 4,350,068</u>

TOWN OF PENDLETON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

December 31, 2006

LONG TERM DEBT

The Town has entered into the following Long Term Debt Arrangements:

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Fire Station	\$ 984,000	\$ 65,600
Police Station	440,000	42,000
Sports Complex	3,190,000	130,000
Notes and loans payable	3,426,689	231,107
Bonds payable:		
General obligation bonds:		
Park	575,000	45,000
Total governmental activities long-term debt	\$ 8,615,689	\$ 513,707
Business-type Activities:		
Water Utility		
Revenue bonds:		
Water Project	\$ 1,725,000	\$ 135,000
Electric Utility:		
Revenue bonds:		
Substation	\$ 1,087,000	\$ 103,000
Total business-type activities long-term debt	\$ 2,812,000	\$ 238,000

TOWN OF PENDLETON
EXAMINATION RESULTS AND COMMENTS

CONSULTANT CONTRACT

The former Police Chief retired in June of 2006, but he was paid his regular salary for serving as a consultant through the pay period ending September 6, 2006. A written consulting contract was not provided.

The Town Council retroactively approved the consulting arrangement by passing resolution R07-07 on August 2, 2007.

The purchasing agency of a governmental body may purchase services using any procedure the governmental body or the purchasing agency of the governmental body considers appropriate. [IC 5-22-6-1]

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
Park Bond and Lease	2005	\$ 3,679.38
Police Lease	2006	20.00
Fire Station Lease	2006	19.60
Park Bond and Lease	2006	102.00
Cumulative Capital Improvement	2006	2,584.90

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

TOWN OF PENDLETON
EXIT CONFERENCE

The contents of this report were discussed on August 9, 2007, with Timothy J. Ryan, Clerk-Treasurer; and Linda Kreigh, Deputy Clerk-Treasurer; and Penny Creger, Deputy Clerk-Treasurer. The official response has been made a part of this report and may be found on pages 12 through 15.

August 16, 2007

To: State Board of Accounts
302 West Washington Street, Room E418
Indianapolis Indiana 46204-2765

Reference: OFFICIAL RESPONSE regarding the 2005 and 2006 audit results and comments.

The Town of Pendleton was given a letter from State Board of Accounts covering the examination results and comments for the period-examined 1-1-2005 to 12-31-2006.

The Town of Pendleton would like to comment on the expenditures in excess of the budgeted appropriations

- For the Park Bond Fund in 2005 the excess amount is correct. The Park received an additional loan with a capitalized interest payment of \$3,678.88 due in 2005. There should have been a request for an additional appropriation.
- For the Lease Rental Payment and Fire Building Debt Funds in 2006 the excess amount over budget is correct. This was due to a business entity report filed for each of the funds for the years of 2004 and 2005 required by the Indiana Secretary of State for a fee of \$20.00.
- **For the Park Bond Fund in 2006 the excess amount of \$102.00 is inconsistent with the Town of Pendleton's records. The approved budget for the year 2006 was \$404,102.00, total expenditures shown in the Town of Pendleton records were in the amount of \$404,101.75 which is within the approved budget.**
- For the Cumulative Capital Improvement in 2006 the excess amount is correct. There should have been a request for an additional appropriation as the funds were available.

Town of Pendleton
Clerk Treasurer
Timothy J Ryan

Department of Local Government Finance
2006 BUDGET REPORT FOR
PENDLETON CIVIL TOWN

12/2/2006
10:00AM

4830755

UNIT APPROPRIATIONS SUMMARY

0101	GENERAL	1,597,000
0283	L/R PAYMENT	66,414
0706	LR &S	60,492
0708	MVH	413,900
1181	FIRE BLDG DEBT	112,911
1303	PARK	431,000
1380	PARK BOND	404,102
2379	CCI	15,793
2391	CCD	40,414
	TOTAL UNIT APPROPRIATIONS	\$3,142,026

WORK IN PROGRESS

TO: Pendleton Town, Madison County
A Unit of Government with LEVY EXCESS from 2005

FROM: Shelly Gemmill, Assessor-Auditor
Department of Local Government Finance

SUBJECT: LEVY EXCESS

DATE: April 28, 2006

This serves as notice that your taxing unit has received levy in excess of 100% of the certified property taxes for 2004 payable in 2005. You are required to establish a Levy Excess Fund pursuant to I.C. 6-1.1-18.5-17.

Please follow these steps in order to be in compliance with the statute as well as to facilitate your budget process in the fall.

Please TRANSFER FROM the funds listed below the dollar amount indicated. Transfer these dollar amounts TO A LEVY EXCESS FUND before JUNE 30TH, 2006. This is a book transfer only. If your current ledger does not have a Levy Excess Fund, please create one.

<u>FUND</u>	<u>AMOUNT TO TRANSFER</u>
General	0
MVH	0
CCD	0
Police Lease	0
Fire Lease	0
Park	5,904
Park Bond	8,718
TOTAL	14,622

IT IS IMPORTANT THAT THIS MATTER BE HANDLED BY JUNE 30TH, 2006. COMPLIANCE WITH THIS REQUEST WILL HELP ALL OF US EXPEDITE THE BUDGET PROCESS DURING THIS UPCOMING YEAR.

The money should remain in your Levy Excess Fund until you receive further direction from the Department of Local Government Finance. This information will accompany your budget order in the year 2007.

Thank you for your assistance in this matter. Feel free to contact me if you have any questions. I can be reached by calling the Budget Division of the Department of Local Government Finance at (317) 232-3773, or by email at sgemmill@indy.net.