

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

EXAMINATION REPORT
OF
TOWN OF ROYAL CENTER
CASS COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
10/09/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Freida J. Miller Sandra S. Minnick	01-01-06 to 12-31-07 01-01-08 to 12-31-11
President of the Town Council	Lee Aldridge Conrad Funk	01-01-06 to 12-31-07 01-01-08 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF ROYAL CENTER, CASS COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Royal Center (Town), for the period of January 1, 2006 to December 31, 2007. 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, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Funding Progress 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 9, 2008

TOWN OF ROYAL CENTER
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, 2006 And 2007

	Cash and Investments		Cash and Investments	
	01-01-06	Receipts	Disbursements	12-31-06
Governmental Funds:				
General	\$ 48,918	\$ 259,603	\$ 175,919	\$ 132,602
Motor Vehicle Highway	37,502	53,735	59,120	32,117
Local Road and Street	7,973	3,803	11,257	519
County Economic Development Income Tax	92,006	11,626	35,209	68,423
Fire Department	17,262	39,583	19,998	36,847
Riverboat	15,700	5,425	32	21,093
Chet's Park	24,885	1,917	48	26,754
Chet's Building	25,048	2,514	48	27,514
Cumulative Capital Improvement	55,220	3,577	32	58,765
Cumulative Capital Development	38,685	6,670	32	45,323
Fire Construction	-	40,050	39,939	111
Proprietary Funds:				
Water Utility - Operating	114,133	211,006	180,944	144,195
Water Utility - Bond and Interest	-	85,110	72,602	12,508
Water Utility - Depreciation	72,739	12,370	85,109	-
Water Utility - Customer Deposit	5,640	1,195	1,450	5,385
Water Utility - Tower	84,000	72,000	-	156,000
Water Utility - Reserve	-	5,942	-	5,942
Wastewater Utility - Operating	5,850	134,344	115,188	25,006
Wastewater Utility - Bond and Interest	14,648	54,642	54,290	15,000
Wastewater Utility - Depreciation	122	-	122	-
Wastewater Utility - Construction	54,051	164	54,215	-
Wastewater Utility - Reserve	24,866	31,964	32	56,798
Fiduciary Fund:				
Payroll	6,440	151,218	148,814	8,844
Totals	\$ 745,688	\$ 1,188,458	\$ 1,054,400	\$ 879,746

	Cash and Investments		Cash and Investments	
	01-01-07	Receipts	Disbursements	12-31-07
Governmental Funds:				
General	\$ 132,602	\$ 203,300	\$ 199,600	\$ 136,302
Motor Vehicle Highway	32,117	48,979	47,154	33,942
Local Road and Street	519	3,731	-	4,250
County Economic Development Income Tax	68,423	11,413	23,150	56,686
Fire Department	36,847	26,566	27,032	36,381
Riverboat	21,093	5,415	-	26,508
Rainy Day	-	4,348	-	4,348
Chet's Park	26,754	31,105	40,398	17,461
Chet's Building	27,514	2,499	3,968	26,045
Cumulative Capital Improvement	58,765	3,573	-	62,338
Cumulative Capital Development	45,323	3,628	-	48,951
Fire Construction	111	-	111	-
Proprietary Funds:				
Water Utility - Operating	144,195	364,191	240,067	268,319
Water Utility - Bond and Interest	12,508	77,396	89,904	-
Water Utility - Customer Deposit	5,385	1,140	1,300	5,225
Water Utility - Tower	156,000	3,500	140,500	19,000
Water Utility - Reserve	5,942	17,825	-	23,767
Wastewater Utility - Operating	25,006	118,292	121,152	22,146
Wastewater Utility - Bond and Interest	15,000	55,123	52,623	17,500
Wastewater Utility - Reserve	56,798	-	-	56,798
Fiduciary Fund:				
Payroll	8,844	159,609	155,655	12,798
Totals	\$ 879,746	\$ 1,141,633	\$ 1,142,614	\$ 878,765

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

TOWN OF ROYAL CENTER
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 (police and fire), highways and streets, culture and recreation, general administrative services, wastewater, and water.

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 ROYAL CENTER
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. Long-Term Debt

The Town has entered into various debts such as bonds for wastewater and water. The outstanding principal at December 31, 2007, was \$375,000 and \$1,081,077, respectively.

TOWN OF ROYAL CENTER
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 126,788	\$ 96,264	\$ 30,524	132%	\$ 88,925	34%
07-01-06	165,769	97,042	68,727	171%	90,599	76%
07-01-07	187,727	111,177	76,550	169%	88,026	87%

TOWN OF ROYAL CENTER
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type Activities:		
Water Utility		
Revenue bonds:		
2002 Water Treatment Plant	\$ 1,081,077	\$ 89,904
Total Water Utility	<u>1,081,077</u>	<u>89,904</u>
Wastewater Utility		
Revenue bonds:		
1996 Improvement	<u>375,000</u>	<u>55,818</u>
Total Wastewater Utility	<u>375,000</u>	<u>55,818</u>
Total business-type activities debt:	<u>\$ 1,456,077</u>	<u>\$ 145,722</u>

TOWN OF ROYAL CENTER
EXAMINATION RESULTS AND COMMENTS

HYDRANT RENTAL RECEIVABLE (PAYABLE)

The Town of Royal Center overpaid the Water Utility hydrant rental established by Rate Ordinance 2002-2 by \$14,071.50 for the year 2007.

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)

PUBLIC RECORDS RETENTION

Handgun applications for Town employees and volunteer firemen were not presented for examination.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part:

"Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, 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 7)

COLLECTION OF AMOUNTS DUE

The Town is not charging or collecting a handgun application fee from employees and/or volunteer firemen.

Indiana Code 35-47-2-3 states in part:

"(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 fireman's 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

TOWN OF ROYAL CENTER
EXAMINATION RESULTS AND COMMENTS
(Continued)

enforcement duties, or to purchase firearms or firearm related equipment, or both 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."

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONFLICT OF INTEREST

Conrad Funk, President of the Town Council dba Conrad's Small Engine Repair, provides service and parts to the Town. A Uniform Conflict of Interest Disclosure Statement does not appear to have been filed.

Indiana Code 35-44-1-3 states in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony. . . .

(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant . . . and (B) makes a disclosure under subsection (d) (1) through (d) (6).

(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase. . . ."

CAPITAL ASSET RECORDS

The Town capital asset records had the following deficiencies:

Current capital asset additions were recorded at what appears to be the insured amount, not actual costs.

Capital asset records did not show items sold in auctions as being disposed.

Capital asset records lack sufficient detail. There is no breakdown listing each vehicle with serial number and cost.

TOWN OF ROYAL CENTER
EXAMINATION RESULTS AND COMMENTS
(Continued)

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. 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)

SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

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 7)

RECORD INFORMATION

As stated in the prior Report B28527, the Ledger of Appropriations, Encumbrances, Disbursements and Balances (Town Form 209) was not always reconciled to the Ledger of Receipts, Disbursements and Balances (Town Form 208).

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit cash balance shown on the simplified cash journal.

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)

TOWN OF ROYAL CENTER
EXAMINATION RESULTS AND COMMENTS
(Continued)

INCORRECT UTILITY BILLINGS

The Water and the Wastewater Utility bills were not calculated in accordance with the rate ordinances. A similar comment was in prior Report B28527.

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 ROYAL CENTER
EXIT CONFERENCE

The contents of this report were discussed on September 9, 2008, with Sandra S. Minnick, Clerk-Treasurer. The official concurred with our findings.