

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

EXAMINATION REPORT

OF

TOWN OF HAMLET

STARKE COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
10/30/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4-5
Notes to Financial Information	6-7
Supplementary Information:	
Schedule of Long-Term Debt	8
Examination Results and Comments:	
Capital Asset Records	9
Overdrawn Cash Balance.....	9
Cash Necessary to Balance, Bank Reconciliations.....	9
Utility Billings.....	9
Exit Conference.....	10

OFFICIALS

Office

Official

Term

Clerk-Treasurer

Mariam Johnson
Neva Bailey

01-01-04 to 12-31-07
01-01-08 to 12-31-11

President of the
Town Council

John Goble
Curtis Simpkins

01-01-06 to 12-31-07
01-01-08 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF HAMLET, STARKE COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Hamlet (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 Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

September 10, 2008

TOWN OF HAMLET
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 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 53,125	\$ 259,280	\$ 188,682	\$ 123,723
Motor Vehicle Highway	5,840	37,709	32,431	11,118
Local Road and Street	3,631	5,246	5,676	3,201
Park and Recreation	13,866	3,729	11,548	6,047
Law Enforcement Continuing Education	392	203	328	267
Riverboat	10,742	5,160	8,125	7,777
Rainy Day	(26,803)	26,803	-	-
Park Donation	115	-	-	115
Police Donation	203	-	1,806	(1,603)
Cumulative Capital Improvement	8,161	2,929	-	11,090
Cumulative Capital Development	28,150	2,871	26,803	4,218
County Economic Development	66,458	64,215	67,046	63,627
Operation Pullover	(138)	1,821	1,683	-
Proprietary Funds:				
Water Utility - Operating	13,910	87,444	89,400	11,954
Water Utility - Bond and Interest	6,633	19,500	17,422	8,711
Water Utility - Reserve	14,500	-	-	14,500
Water Utility - Customer Deposit	1,875	31,324	4,863	28,336
Water Utility - Sales Tax	-	502	502	-
Wastewater Utility - Operating	15,286	169,668	158,538	26,416
Wastewater Utility - Bond and Interest	20,066	44,600	24,745	39,921
Wastewater Utility - Reserve	15,720	5,720	3,385	18,055
Wastewater Utility - Construction	-	590,545	493,493	97,052
Fiduciary Fund:				
Payroll	731	153,201	152,458	1,474
Totals	<u>\$ 252,463</u>	<u>\$ 1,512,470</u>	<u>\$ 1,288,934</u>	<u>\$ 475,999</u>

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

TOWN OF HAMLET
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
(Continued)

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 123,723	\$ 271,328	\$ 262,836	\$ 132,215
Motor Vehicle Highway	11,118	33,092	34,112	10,098
Local Road and Street	3,201	5,133	3,913	4,421
Park and Recreation	6,047	13,135	3,308	15,874
Law Enforcement Continuing Education	267	802	145	924
Riverboat	7,777	5,171	6,995	5,953
Park Donation	115	-	-	115
Police Donation	(1,603)	3,059	676	780
Cumulative Capital Improvement	11,090	2,880	633	13,337
Cumulative Capital Development	4,218	-	-	4,218
County Economic Development	63,627	37,980	75,114	26,493
Proprietary Funds:				
Water Utility - Operating	11,954	74,329	75,868	10,415
Water Utility - Bond and Interest	8,711	18,000	17,685	9,026
Water Utility - Reserve	14,500	-	-	14,500
Water Utility - Customer Deposit	28,336	7,409	6,365	29,380
Wastewater Utility - Operating	26,416	182,386	132,697	76,105
Wastewater Utility - Bond and Interest	39,921	44,404	14,563	69,762
Wastewater Utility - Reserve	18,055	8,980	3,700	23,335
Wastewater Utility - Construction	97,052	857,725	954,777	-
Fiduciary Fund:				
Payroll	1,474	174,582	174,833	1,223
Totals	<u>\$ 475,999</u>	<u>\$ 1,740,395</u>	<u>\$ 1,768,220</u>	<u>\$ 448,174</u>

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

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

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type Activities:		
Water Utility		
Revenue bonds:		
Waterworks Refunding Revenue Bonds of 2001	\$ 71,000	\$ 17,292
Wastewater Utility		
Revenue bonds:		
Sewage Works Bond Anticipation Notes of 2006	1,708,125	43,012
Total business-type activities debt:	<u>\$ 1,779,125</u>	<u>\$ 60,304</u>

TOWN OF HAMLET
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

Neither the Town nor its Utilities maintained a detailed record of capital assets. A similar comment was noted in the prior Report B28137.

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

OVERDRAWN CASH BALANCE

The cash balance of the Police Donation Fund was overdrawn in 2006. A similar comment was contained in the prior Report B28137.

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)

CASH NECESSARY TO BALANCE, BANK RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were presented for audit but were incorrect. A comparison of the records to the bank account indicated cash necessary to balance of \$1,774.50.

Indiana Code 5-13-6-1(e) states in part: "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 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)

UTILITY BILLINGS

The Town of Hamlet has an ordinance concerning water usage. However, approximately 50 customers were billed the minimum rate because they had inoperable water meters. The rate ordinance requires that water usage be measured based on the meter size and the number of gallons used. A similar comment was also noted in the prior reports.

Also, the Town has an ordinance concerning wastewater rates, based on water consumption. However, approximately 250 customers with working water meters were still billed a flat rate for Wastewater services; there was no change in the wastewater rate based on water consumption.

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 HAMLET
EXIT CONFERENCE

The contents of this report were discussed on September 10, 2008, with Curtis Simpkins, President of the Town Council; and Neva Bailey, Clerk-Treasurer. The officials concurred with our findings.