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**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, 2007 to December 31, 2009



**FILED**  
08/25/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Timothy J. Ryan	01-01-04 to 12-31-11
President of the Town Council	Donald E. Henderson	01-01-07 to 12-31-10
Town Manager	Douglas McGee	01-01-07 to 12-31-10
Public Works Superintendent	Imon Bankson	01-01-07 to 12-31-10
Superintendent of Electric Utility	Eric Nixon	01-01-07 to 12-31-10
Utility Office Manager	Lana Barton	01-01-07 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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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, 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 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

July 27, 2010

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, 2007, 2008 And 2009

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
<b>Governmental Funds:</b>				
General	\$ 870,788	\$ 1,675,862	\$ 2,102,302	\$ 444,348
Motor Vehicle Highway	335,560	233,900	318,990	250,470
Local Road and Street	119,971	43,785	-	163,756
Rainy Day	-	46,724	-	46,724
Park and Recreation	282,708	256,664	510,657	28,715
Law Enforcement Continuing Education	3,155	2,998	750	5,403
Town Donation	41,779	13,139	45,826	9,092
Tree Donation	857	-	15	842
Park Donation	5,392	3,691	2,499	6,584
Clerk Record Perpetuation	9,866	8,861	1,740	16,987
Cumulative Capital Improvement	7,535	13,603	-	21,138
Cumulative Capital Development	64,443	595	38,004	27,034
Economic Development	365,929	505	285,275	81,159
Unsafe Building	6,865	-	66	6,799
Fire Truck Debt	-	12,714	12,364	350
Fire Station Lease	55,790	59,284	113,483	1,591
Park Bond and Lease	237,166	191,970	422,911	6,225
Pool Note	58,070	2,675	2,523	58,222
Police Lease	28,387	39,538	67,334	591
State Road 38 Transfer	189,494	8,864	-	198,358
User Fees	22,563	96,948	99,184	20,327
Levy Excess	14,622	-	-	14,622
Petty Cash	350	100	-	450
Victims Impact	1,755	11,191	1,360	11,586
<b>Proprietary Funds:</b>				
Storage Business	14,821	24,919	15,936	23,804
Water Utility - Operating	11,500	691,312	648,981	53,831
Water Utility - Bond and Interest	186,209	233,160	231,755	187,614
Water Utility - Depreciation	40,418	92,860	64,413	68,865
Water Utility - Customer Deposit	47,155	7,500	3,778	50,877
Water Utility - In Lieu of Taxes	-	9,600	9,600	-
Water Utility - Improvement	120,404	99,800	28,400	191,804
Water Utility - Revenue	-	1,025,015	1,025,015	-
Water Utility - Debt Reserve	253,440	11,856	-	265,296
Electric Utility - Operating	472,000	4,434,866	4,633,747	273,119
Electric Utility - Bond and Interest	76,579	162,758	163,551	75,786
Electric Utility - Depreciation	187,411	544,121	624,725	106,807
Electric Utility - Customer Deposit	124,016	29,475	16,863	136,628
Electric Utility - Improvement	638,468	265,558	904,026	-
Electric Utility - Revenue	-	5,432,160	5,432,160	-
Electric Utility - In Lieu of Taxes	50,000	84,000	84,000	50,000
Electric Utility - Debt Reserve	168,855	7,899	-	176,754
<b>Fiduciary Funds:</b>				
Town Court	141,844	881,390	857,570	165,664
Payroll	32,374	1,138,743	1,169,298	1,819
<b>Totals</b>	<u>\$ 5,288,539</u>	<u>\$ 17,900,603</u>	<u>\$ 19,939,101</u>	<u>\$ 3,250,041</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, 2007, 2008 And 2009  
(Continued)

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
<b>Governmental Funds:</b>				
General	\$ 444,348	\$ 2,105,960	\$ 1,656,646	\$ 893,662
Motor Vehicle Highway	250,470	287,577	340,025	198,022
Local Road and Street	163,756	42,723	65,292	141,187
Rainy Day	46,724	1,774	-	48,498
Park and Recreation	28,715	728,953	755,293	2,375
Law Enforcement Continuing Education	5,403	4,290	7,391	2,302
Town Donation	9,092	1,520	3,512	7,100
Tree Donation	842	-	15	827
Park Donation	6,584	9,704	9,536	6,752
Clerk Record Perpetuation	16,987	11,371	11,356	17,002
Cumulative Capital Improvement	21,138	12,595	11,050	22,683
Cumulative Capital Development	27,034	58,473	21,555	63,952
Economic Development	81,159	648,931	361,084	369,006
Unsafe Building	6,799	150	300	6,649
Fire Equipment Debt	350	34,212	34,103	459
Fire Station Lease	1,591	158,231	158,230	1,592
Town Hall Lease	-	31,232	30,439	793
Park Bond and Lease	6,225	551,641	551,505	6,361
Pool Note	58,222	49,549	59,133	48,638
Police Lease	591	95,225	95,161	655
State Road 38 Transfer	198,358	404,649	400,485	202,522
User Fees	20,327	92,182	91,509	21,000
Levy Excess	14,622	-	-	14,622
Petty Cash	450	-	-	450
Victims Impact	11,586	7,865	7,382	12,069
<b>Proprietary Funds:</b>				
Golf Course	-	155,224	45,567	109,657
Storage Business	23,804	25,695	35,312	14,187
Water Utility - Operating	53,831	708,410	762,241	-
Water Utility - Bond and Interest	187,614	235,440	229,260	193,794
Water Utility - Depreciation	68,865	151,577	137,606	82,836
Water Utility - Customer Deposit	50,877	6,480	5,915	51,442
Water Utility - In Lieu of Taxes	-	9,600	9,600	-
Water Utility - Improvement	191,804	123,944	39,243	276,505
Water Utility - Revenue	-	1,009,232	1,009,232	-
Water Utility - Debt Reserve	265,296	482,499	506,360	241,435
Electric Utility - Operating	273,119	5,071,860	5,210,075	134,904
Electric Utility - Bond and Interest	75,786	162,709	164,725	73,770
Electric Utility - Depreciation	106,807	399,722	208,543	297,986
Electric Utility - Customer Deposit	136,628	25,500	23,145	138,983
Electric Utility - Improvement	-	271,921	248,630	23,291
Electric Utility - Revenue	-	5,588,799	5,588,799	-
Electric Utility - In Lieu of Taxes	50,000	84,000	84,000	50,000
Electric Utility - Debt Reserve	176,754	571,465	337,363	410,856
Electric Utility - Annexation Bonds	-	5,725,500	3,086,000	2,639,500
<b>Fiduciary Funds:</b>				
Town Court	165,664	1,058,379	1,054,941	169,102
Payroll	1,819	1,292,423	1,292,611	1,631
<b>Totals</b>	<u>\$ 3,250,041</u>	<u>\$ 28,499,186</u>	<u>\$ 24,750,170</u>	<u>\$ 6,999,057</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, 2007, 2008 And 2009  
(Continued)

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 893,662	\$ 1,969,303	\$ 1,897,073	965,892
Motor Vehicle Highway	198,022	354,940	378,923	174,039
Local Road and Street	141,187	40,671	14,780	167,078
Rainy Day	48,498	12,703	59,000	2,201
Park and Recreation	2,375	445,224	445,204	2,395
Law Enforcement Continuing Education	2,302	5,508	3,385	4,425
Town Donation	7,100	1,035	1,005	7,130
Tree Donation	827	-	15	812
Park Donation	6,752	3,260	4,375	5,637
Clerk Record Perpetuation	17,002	12,513	17,300	12,215
Cumulative Capital Improvement	22,683	11,876	28,924	5,635
Cumulative Capital Development	63,952	38,388	58,023	44,317
Economic Development	369,006	320,184	407,659	281,531
Unsafe Building	6,649	-	-	6,649
Fire Equipment Debt	459	24,270	24,729	-
Fire Station Lease	1,592	121,314	114,000	8,906
Town Hall Lease	793	85,936	59,854	26,875
Park Bond and Lease	6,361	472,950	419,568	59,743
Pool Note	48,638	15,932	31,100	33,470
Police Lease	655	76,288	67,810	9,133
State Road 38 Transfer	202,522	1,678	-	204,200
User Fees	21,000	111,682	110,521	22,161
Levy Excess	14,622	-	14,622	-
Petty Cash	450	400	-	850
Victims Impact	12,069	16,020	12,411	15,678
Proprietary Funds:				
Golf Course	109,657	298,442	400,165	7,934
Storage Business	14,187	30,787	31,286	13,688
Water Utility - Operating	-	761,190	746,745	14,445
Water Utility - Bond and Interest	193,794	232,080	231,210	194,664
Water Utility - Depreciation	82,836	91,607	71,061	103,382
Water Utility - Customer Deposit	51,442	6,750	6,290	51,902
Water Utility - In Lieu of Taxes	-	9,600	9,600	-
Water Utility - Improvement	276,505	32,720	127,130	182,095
Water Utility - Revenue	-	1,018,439	1,018,439	-
Water Utility - Debt Reserve	241,435	1,993	2,516	240,912
Electric Utility - Operating	134,904	6,098,154	5,755,841	477,217
Electric Utility - Bond and Interest	73,770	469,040	316,273	226,537
Electric Utility - Depreciation	297,986	501,658	204,092	595,552
Electric Utility - Customer Deposit	138,983	27,000	24,606	141,377
Electric Utility - Improvement	23,291	120,773	1,817	142,247
Electric Utility - Revenue	-	7,044,591	7,044,591	-
Electric Utility - In Lieu of Taxes	50,000	84,000	134,000	-
Electric Utility - Debt Reserve	410,856	53,743	3,140	461,459
Electric Utility - Annexation Bonds	2,639,500	2,358,783	4,803,310	194,973
Fiduciary Funds:				
Town Court	169,102	1,120,106	1,099,222	189,986
Payroll	1,631	1,503,808	1,502,667	2,772
Totals	<u>\$ 6,999,057</u>	<u>\$ 26,007,339</u>	<u>\$ 27,704,282</u>	<u>5,302,114</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.

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.

TOWN OF PENDLETON  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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. 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 LONG-TERM DEBT  
December 31, 2009

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Park Sports Complex Lease	\$ 2,785,000	\$ 297,688
Fire Station Lease	777,600	113,951
Police Station Lease	307,000	66,340
Town Hall Lease	552,000	60,456
Notes and loans payable:		
Park Improvements	64,000	44,301
Fire Equipment Purchase	68,609	24,729
Bonds payable:		
General obligation bonds:		
Park Improvements	430,000	78,789
TIF Improvements	<u>2,395,000</u>	<u>421,600</u>
Total governmental activities debt	<u>\$ 7,379,209</u>	<u>\$ 1,107,853</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
Capital Improvements	<u>\$ 1,300,000</u>	<u>\$ 227,515</u>
Total Water Utility	<u>1,300,000</u>	<u>227,515</u>
Electric Utility:		
Revenue bonds:		
Capital Improvement	<u>3,699,000</u>	<u>472,140</u>
Total Electric Utility	<u>3,699,000</u>	<u>472,140</u>
Golf Course:		
Revenue bonds:		
Purchase of Golf Course	<u>451,000</u>	<u>50,632</u>
Total Other Utility	<u>451,000</u>	<u>50,632</u>
Total business-type activities debt	<u>\$ 5,450,000</u>	<u>\$ 750,287</u>

TOWN OF PENDLETON  
EXIT CONFERENCE

The contents of this report were discussed on July 27, 2010, with Timothy J. Ryan, Clerk-Treasurer; Donald E. Henderson, President of the Town Council; Douglas McGee, Town Manager; and Linda Kreigh, Deputy Clerk-Treasurer. Our examination disclosed no material items that warrant comment at this time.