

B37730

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, 2008 to December 31, 2009



FILED
11/03/2010

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Sandi Minnick

01-01-08 to 12-31-11

President of the
Town Council

Conrad Funk

01-01-08 to 12-31-10



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 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, 2008 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, 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 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 10, 2010

TOWN OF ROYAL CENTER
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 136,302	198,022	183,328	\$ 150,996
Motor Vehicle Highway	33,942	73,145	42,755	64,332
Local Road and Street	4,250	3,455	-	7,705
County Economic Development Income Tax	56,686	12,544	32,347	36,883
Fire Department	36,381	29,317	38,073	27,625
Riverboat	26,508	5,219	-	31,727
Rainy Day	4,348	3,152	229	7,271
Chet's Park	17,461	1,844	7,239	12,066
Chet's Building	26,045	2,482	2,376	26,151
Cumulative Capital Improvement	62,338	3,344	-	65,682
Cumulative Capital Development	48,951	563	13,430	36,084
Proprietary Funds:				
Water Utility - Operating	268,319	204,234	265,622	206,931
Water Utility - Bond and Interest	-	89,904	89,904	-
Water Utility - Customer Deposit	5,225	1,250	995	5,480
Water Utility - Tower	19,000	6,000	-	25,000
Water Utility - Reserve	23,767	65,358	-	89,125
Wastewater Utility - Operating	22,146	125,051	136,191	11,006
Wastewater Utility - Bond and Interest	17,500	55,818	55,818	17,500
Wastewater Utility - Reserve	56,798	-	-	56,798
Fiduciary Fund:				
Payroll	12,798	166,328	166,387	12,739
Totals	<u>\$ 878,765</u>	<u>\$ 1,047,030</u>	<u>\$ 1,034,694</u>	<u>\$ 891,101</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 150,996	187,699	218,303	\$ 120,392
Motor Vehicle Highway	64,332	49,144	46,765	66,711
Local Road and Street	7,705	3,230	2,300	8,635
County Economic Development Income Tax	36,883	15,824	-	52,707
Fire Department	27,625	23,122	28,006	22,741
Riverboat	31,727	5,207	-	36,934
Rainy Day	7,271	37,827	-	45,098
Chet's Park	12,066	1,811	7,498	6,379
Chet's Building	26,151	2,494	299	28,346
Cumulative Capital Improvement	65,682	2,897	3,976	64,603
Cumulative Capital Development	36,084	6,232	-	42,316
Proprietary Funds:				
Water Utility - Operating	206,931	214,110	216,765	204,276
Water Utility - Bond and Interest	-	89,904	89,904	-
Water Utility - Customer Deposit	5,480	955	705	5,730
Water Utility - Tower	25,000	6,000	-	31,000
Water Utility - Reserve	89,125	-	-	89,125
Wastewater Utility - Operating	11,006	208,593	178,633	40,966
Wastewater Utility - Bond and Interest	17,500	53,840	53,840	17,500
Wastewater Utility - Reserve	56,798	-	-	56,798
Fiduciary Fund:				
Payroll	12,739	161,123	161,049	12,813
Totals	<u>\$ 891,101</u>	<u>\$ 1,070,012</u>	<u>\$ 1,008,043</u>	<u>\$ 953,070</u>

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, 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.

TOWN OF ROYAL CENTER
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 ROYAL CENTER
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2009

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 have not been included.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 36,000
Buildings	684,000
Improvements other than buildings	975
Machinery and equipment	<u>1,121,812</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 1,842,787</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 2,000
Buildings	60,000
Improvements other than buildings	479,333
Machinery and equipment	<u>136,862</u>
Total Water Utility capital assets	<u>678,195</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	14,000
Buildings	786,000
Improvements other than buildings	556,667
Machinery and equipment	<u>1,180,657</u>
Total Wastewater Utility capital assets	<u>2,537,324</u>
Total business-type activities capital assets	<u>\$ 3,215,519</u>

TOWN OF ROYAL CENTER
 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
Business-type activities:		
Water Utility:		
Revenue bonds:		
2002 Water Treatment Plant	\$ 962,273	\$ 89,905
Wastewater Utility:		
Revenue bonds:		
1996 Improvement	305,000	51,819
Total business-type activities debt	<u>\$ 1,267,273</u>	<u>\$ 141,724</u>

TOWN OF ROYAL CENTER
EXAMINATION RESULTS AND COMMENTS

HANDGUN APPLICATION FEE

The Town Marshal does not collect a handgun application fee at the time the application is filled out. A similar comment was in prior Report B32946.

IC 35-47-2-3 entitled, "Application for license to carry handgun; procedure" 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."

UTILITY RECEIPTS TAX

The Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue during the audit period. The Water Utility was paying Corporate Estimated Quarterly Income Tax, using form IT-6, rather than the correct form URT-Q. Furthermore the Water Utility was paying at a rate of .85% rather than the required 1.4%. The Water Utility also failed to submit form URT-1, the yearly Utility Receipts Tax Return. Taxes were underpaid \$1,099.25 and \$1,165.33 for 2008 and 2009, respectively.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF ROYAL CENTER
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 6-2.3-6-1 states in part:

"(a) Except as provided in subsections (c) through (e), a taxpayer shall file utility receipts tax returns with, and pay the taxpayer's utility receipts tax liability to, the department by the due date of the estimated return . . ."

SALES TAX

The Water Utility did not compute the sales tax due to the Indiana Department of Revenue correctly. As a result, the Water Utility has underpaid sales tax \$445.18 in 2008 and overpaid \$ 944.57 in 2009.

Collections by a city or town from the retail sale of tangible property, utility service, or commodities in the performance of private or proprietary activities are subject to sales tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

All questions concerning the law or procedure for paying and collecting sales tax should be directed to the Indiana Department of Revenue, Sales Tax Division. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register for the Water Utility does not reconcile with the customer deposit amount recorded on the general ledger. A similar comment was in prior Report B32946.

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
EXIT CONFERENCE

The contents of this report were discussed on August 10, 2010, with Sandi Minnick, Clerk-Treasurer; and Clay Scott, Vice President of the Town Council. The officials concurred with our findings.