

B37740

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, 2008 to December 31, 2009



FILED
11/05/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Neva Johnson	01-01-08 to 12-31-11
President of the Town Council	Curtis Simpkins	01-01-08 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 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 23, 2010

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, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 132,215	\$ 185,472	\$ 248,886	\$ 68,801
Motor Vehicle Highway	10,098	58,120	38,089	30,129
Local Road and Street	4,421	5,462	5,143	4,740
Park and Recreation	15,874	8,154	6,531	17,497
Law Enforcement Continuing Education	924	792	811	905
Riverboat	5,953	5,144	-	11,097
Rainy Day	-	59,698	-	59,698
Park Donation	115	-	-	115
Police Donation	780	-	400	380
Video Camera Grant	-	990	-	990
Cumulative Capital Improvement	13,337	1,401	-	14,738
Cumulative Capital Development	4,218	3,652	-	7,870
County Economic Development Income Tax	26,493	-	24,819	1,674
Proprietary Funds:				
Water Utility - Operating	10,415	76,609	87,370	(346)
Water Utility - Bond and Interest	9,026	18,000	16,899	10,127
Water Utility - Reserve	14,500	-	-	14,500
Water Utility - Customer Deposit	29,380	5,645	3,824	31,201
Wastewater Utility - Operating	76,105	193,694	134,819	134,980
Wastewater Utility - Bond and Interest	69,762	44,400	43,017	71,145
Wastewater Utility - Reserve	23,335	5,280	-	28,615
Fiduciary Fund:				
Payroll	1,223	167,927	165,278	3,872
Totals	\$ 448,174	\$ 840,440	\$ 775,886	\$ 512,728

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 68,801	\$ 236,154	\$ 274,072	\$ 30,883
Motor Vehicle Highway	30,129	38,923	40,202	28,850
Local Road and Street	4,740	4,548	1,126	8,162
Park and Recreation	17,497	4,580	14,077	8,000
Law Enforcement Continuing Education	905	154	-	1,059
Riverboat	11,097	5,132	-	16,229
Rainy Day	59,698	44,249	94,978	8,969
Park Donation	115	180	-	295
Police Donation	380	-	-	380
Video Camera Grant	990	990	-	1,980
Cumulative Capital Improvement	14,738	2,515	-	17,253
Cumulative Capital Development	7,870	3,186	75	10,981
County Economic Development Income Tax	1,674	80,345	16,913	65,106
Proprietary Funds:				
Water Utility - Operating	(346)	99,823	89,726	9,751
Water Utility - Bond and Interest	10,127	18,000	16,114	12,013
Water Utility - Reserve	14,500	-	-	14,500
Water Utility - Customer Deposit	31,201	3,532	4,266	30,467
Water Utility - Tower Inspection	-	46,350	16,987	29,363
Wastewater Utility - Operating	134,980	190,563	175,954	149,589
Wastewater Utility - Bond and Interest	71,145	44,400	43,017	72,528
Wastewater Utility - Reserve	28,615	5,280	-	33,895
Fiduciary Fund:				
Payroll	3,872	210,621	207,304	7,189
Totals	\$ 512,728	\$ 1,039,525	\$ 994,811	\$ 557,442

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, culture and recreation, water treatment and distribution, wastewater collection and treatment, 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.

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.

Note 7. Subsequent Event

In July of 2010, the Town of Hamlet was awarded an \$870,000 Office of Community and Rural Affairs grant for a proposed storm sewer project. Construction is expected to be bid in the winter of 2010 with actual construction estimated to begin in the spring of 2011.

TOWN OF HAMLET
 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 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:	
Land	\$ 3,260
Infrastructure	50,000
Buildings	151,417
Improvements other than buildings	16,000
Machinery and equipment	<u>118,244</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u>338,921</u>
 Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Infrastructure	\$ 574,783
Machinery and equipment	<u>153,386</u>
 Total Water Utility capital assets	 <u>728,169</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	45,319
Infrastructure	50,000
Buildings	29,527
Improvements other than buildings	14,027
Machinery and equipment	<u>905,319</u>
 Total Wastewater Utility capital assets	 <u>1,044,192</u>
 Total business-type activities capital assets	 \$ <u>1,772,361</u>

TOWN OF HAMLET
 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:		
Waterworks Refunding Revenue Bonds of 2001	\$ 45,000	\$ 16,720
Wastewater Utility:		
Revenue bonds:		
Sewage Works Bond Anticipation Notes of 2006	1,078,125	45,414
Total business-type activities debt	<u>\$ 1,123,125</u>	<u>\$ 62,134</u>

TOWN OF HAMLET
EXAMINATION RESULTS AND COMMENTS

UTILITY BILLINGS

The Town of Hamlet has an ordinance concerning water usage. However, as of August 5, 2010, there were approximately 10 customers without meters and about 30 customers with new meters that were not working properly; these customers were billed the minimum rate. The rate ordinance requires that water usage be measured based on the meter size and the number of gallons used. A similar comment was noted in the prior audit reports.

Also, the Town has an ordinance concerning wastewater rates, based on water consumption. On October 2, 2007, the Hamlet Town Council approved a new rate ordinance effective January 1, 2008. However, these new rates were never put into the billing system. The wastewater utility continues to charge customers based on the old rates.

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)

OVERDRAWN CASH BALANCES

The cash balance of the Water Utility - Operating Fund was overdrawn at December 31, 2008.

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)

DAILY DEPOSITS

In numerous instances, receipts were deposited later than the next business day.

IC 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

TOWN OF HAMLET
EXAMINATION RESULTS AND COMMENTS
(Continued)

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Park and Recreation	2009	<u>\$ 3,266</u>

IC 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."

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the fund report.

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)

PRESCRIBED FORMS

The following prescribed or approved form was not always in use or was not properly used: Form No. 310 - Consumer's Guarantee Deposit.

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)

TOWN OF HAMLET
EXIT CONFERENCE

The contents of this report were discussed on August 23, 2010, with Curtis Simpkins, President of the Town Council; Neva Johnson, Clerk-Treasurer; and Cheryl Runkle, Deputy Clerk-Treasurer. The officials concurred with our findings.