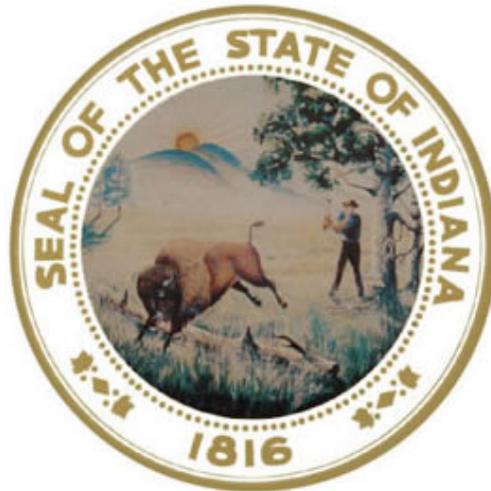


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
TOWN OF TRAIL CREEK
LAPORTE COUNTY, INDIANA
January 1, 2007 to December 31, 2009



FILED
11/19/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Anne M. Dobbs (Vacant)	01-01-04 to 06-17-10
	Shannon M. Gast (Vacant)	06-18-10 to 07-21-10
		07-22-10 to 08-23-10
President of the Town Council		08-24-10 to present
	Jeffrey Studtman	01-01-07 to 12-31-07
	Ronald Lombard	01-01-08 to 12-31-08
	John Bayler	01-01-09 to 12-31-09
	Warren Schacht	01-01-10 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 TRAIL CREEK, LAPORTE COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Trail Creek (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.

The Town's records do not include \$21,374 interest earned on an investment that matured in 2009.

In our opinion, except for the effects of the unrecorded interest revenue as referred to in the preceding paragraph, the financial information referred to above present 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

September 20, 2010

TOWN OF TRAIL CREEK
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL 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
Governmental Funds:				
General	\$ 206,703	\$ 371,532	\$ 609,677	\$ (31,442)
Motor Vehicle Highway	99,800	103,771	125,295	78,276
Local Road and Street	1,555	25,084	5,928	20,711
Law Enforcement Continuing Education	2,195	1,130	231	3,094
Riverboat	186,513	92,301	162,081	116,733
Rainy Day	20,203	-	-	20,203
Park Donation	430	5,760	3,393	2,797
Cumulative Capital Improvement	4,986	8,065	-	13,051
Cumulative Capital Development	3,692	8,545	-	12,237
County Economic Development Income Tax	1,467	57,570	54,056	4,981
Local Major Moves Construction	487,724	-	-	487,724
Refuse Removal	90,172	148,215	165,839	72,548
Drunk Driving Prevention	184	-	-	184
Infraction Deferral	3,300	120	-	3,420
Fiduciary Funds:				
Levy Excess	13,071	-	-	13,071
Payroll	4,304	85,330	85,225	4,409
Totals	<u>\$ 1,126,299</u>	<u>\$ 907,423</u>	<u>\$ 1,211,725</u>	<u>\$ 821,997</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ (31,442)	\$ 434,044	\$ 595,256	\$ (192,654)
Motor Vehicle Highway	78,276	117,503	124,540	71,239
Local Road and Street	20,711	23,094	40,000	3,805
Law Enforcement Continuing Education	3,094	1,188	505	3,777
Riverboat	116,733	89,094	111,946	93,881
Rainy Day	20,203	-	-	20,203
Park Donation	2,797	4,660	5,982	1,475
Cumulative Capital Improvement	13,051	7,467	-	20,518
Cumulative Capital Development	12,237	24,072	28,813	7,496
County Economic Development Income Tax	4,981	56,432	53,133	8,280
Local Major Moves Construction	487,724	90,000	179,965	397,759
Refuse Removal	72,548	136,497	169,748	39,297
Drunk Driving Prevention	184	-	-	184
Infraction Deferral	3,420	560	-	3,980
Fiduciary Funds:				
Levy Excess	13,071	-	-	13,071
Payroll	4,409	102,265	102,100	4,574
Totals	<u>\$ 821,997</u>	<u>\$ 1,086,876</u>	<u>\$ 1,411,988</u>	<u>\$ 496,885</u>

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

TOWN OF TRAIL CREEK
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL 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	\$ (192,654)	\$ 455,982	\$ 584,896	\$ (321,568)
Motor Vehicle Highway	71,239	106,743	116,571	61,411
Local Road and Street	3,805	21,914	18,967	6,752
Law Enforcement Continuing Education	3,777	1,066	-	4,843
Riverboat	93,881	135,945	82,443	147,383
Rainy Day	20,203	-	-	20,203
Park Donation	1,475	1,000	-	2,475
Cumulative Capital Improvement	20,518	7,040	-	27,558
Cumulative Capital Development	7,496	19,723	-	27,219
County Economic Development Income Tax	8,280	59,449	-	67,729
Local Major Moves Construction	397,759	-	11,808	385,951
Refuse Removal	39,297	163,906	188,945	14,258
Drunk Driving Prevention	184	-	-	184
Infraction Deferral	3,980	760	-	4,740
Fiduciary Funds:				
Levy Excess	13,071	-	-	13,071
Payroll	4,574	91,609	92,925	3,258
Totals	<u>\$ 496,885</u>	<u>\$ 1,065,137</u>	<u>\$ 1,096,555</u>	<u>\$ 465,467</u>

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

TOWN OF TRAIL CREEK
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.

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 TRAIL CREEK
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

LaPorte County has not completed and settled an approved property tax cycle since the 2005 payable 2006 property tax year. Each subsequent year the County has sent out various forms of provisional bills with the notice that a reconciliation bill will be provided to taxpayers once assessments are approved and certified and final tax rates are established. These delays and uncertainties have resulted in a lower than budgeted property tax collection rate for the Town. It is undeterminable how much property tax collections the Town will receive once all the reconciliation bills have been distributed and the collections received. Provisional bills for taxes payable in 2009 were due January 29, 2010. The Town received their distribution on February 11, 2010. Provisional bills for taxes payable in 2010, based upon the 2006 pay 2007 tax rates, were mailed in June 2010 and are due in two installments, July 9, 2010, and November 10, 2010.

TOWN OF TRAIL CREEK
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2006

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:		
2006 Caterpillar	\$ 26,671	\$ 14,462
2009 Police Vehicle - Dodge Charger	<u>15,704</u>	<u>8,673</u>
Total governmental activities debt	<u>\$ 42,375</u>	<u>\$ 23,135</u>

TOWN OF TRAIL CREEK
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

For 2008 and 2009, the Ledger of Receipts, Disbursements and Balances (Town Form No. 208) were not maintained. Due to the lack of fund balances for 2008 and 2009, complete depository reconciliations of the fund balances to the bank account balances were not prepared. For 2008 and 2009, the Town's individual receipts and individual disbursements were reconciled to the bank statements only. Subsequently, a Ledger of Receipts, Disbursements and Balances for 2008 and 2009 were prepared by a consultant. The fund balances provided by the consultant did not agree to the adjusted bank balance at December 31, 2009. The adjusted bank balance was \$21,373.75 higher than the ending fund balances provided. Most of the difference is due to interest earned on an investment that was not posted to the records until 2010.

IC 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)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

OVERDRAWN FUND BALANCES

The General Fund was overdrawn in 2007, 2008, and 2009 by \$31,442, \$192,654, and \$321,568, respectively.

The fund 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)

BEGINNING FUND BALANCES

The 2010 beginning balances on the Keystone Financial Software for the following funds did not agree to the ending calculated fund balances for December 31, 2009. The differences were as follows:

TOWN OF TRAIL CREEK
EXAMINATION RESULTS AND COMMENTS
(Continued)

Fund	December 31, 2009	January 1, 2010	Difference
General Fund	\$ (321,567.70)	\$ (319,768.14)	\$ (1,799.56)
Motor Vehicle Highway	61,410.67	64,500.60	(3,089.93)
Local Road and Streets	6,752.36	23,649.70	(16,897.34)
Refuse Removal	14,258.02	11,717.75	2,540.27
Cumulative Capital Improvement	27,558.00	10,660.66	16,897.34

A City and Town Form No. 208 (Rev. 1967), Ledger of Receipts, Disbursements and Balances, shall be prepared for each fund of the municipality. In the receipts section, the date January 1, 20XX with explanation "Balance Forwarded" shall be entered. The preceding year's December 31 closing cash balance shall be entered in the balance column. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 2)

COMPENSATION AND BENEFITS

For 2008, 2009 and 2010, Town employees were paid without the approval of a formal Salary Ordinance.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$102.23 were paid to the Indiana Department of Revenue on September 21, 2007, for late payment of the July 2007 State and County withholdings.

Penalties and interest totaling \$271.94 were paid to the Indiana Department of Revenue on April 15, 2008, for late payment of the February and December 2008 State and County withholdings.

Penalties and interest totaling \$5.84 were paid to the Indiana Department of Revenue on April 15, 2008, for late payment of the April 2009 State and County withholdings.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF TRAIL CREEK
EXAMINATION RESULTS AND COMMENTS
(Continued)

INTEREST ON INVESTMENTS

Since January 1, 2007, the Town has earned \$25,782.50 in interest on investments. The interest earned was automatically added to the principal and not recorded in the records.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BUDGETS/APPROPRIATIONS

The Town Council did not approve a Town budget for 2008, 2009, and 2010 as required by law.

The Town has been operating under the 2007 budget approved by the Department of Local Government and Finance. In 2008, disbursements for the Local Road and Street Fund and Cumulative Capital Development Fund exceeded the 2007 appropriations in the amount of \$14,891 and \$8,813, respectively.

The law requires the adoption of a balanced budget which shall include all anticipated revenues and expenses of every organizational unit with the exception of utilities.

A budget is the record of a definite financial program for a given period of time and the means of carrying such program into effect. It shows the contemplated expenditures and their relation to the revenues received and expected.

At least two days prior to September 22 of each year, two copies of the budget on which tax levies are based shall be filed with the county auditor for use of the county tax adjustment board. [IC 6-1.1-17-5(b)]

In preparing the budget, careful planning for the necessary income is essential, and it is equally important to provide a specific program for the disposition or anticipated revenue.

No budget plan will work of its own accord. With complete information available it is possible for the Clerk-Treasurer or Controller to formulate a balanced budget. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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."

REFUSE DEPOSITS

In numerous instances, refuse receipts were deposited later than the next business day. Days between collection day and deposit day varied from two days up to nineteen days.

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 TRAIL CREEK
EXAMINATION RESULTS AND COMMENTS
(Continued)

CRIME INSURANCE POLICY

The crime insurance policy procured by the Town of Trail Creek has not been filed in the office of the County Recorder

Crime insurance policies permitted by statute should be recorded in the same manner as official bonds under IC 5-4. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORT

Annual reports for 2008 and 2009 were not presented for audit.

IC 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

CERTIFIED REPORT NOT FILED

The Town did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the years 2008, 2009, and 2010.

IC 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of employees was not certified to the County Treasurer for 2007, 2008, and 2009.

IC 6-1.1-22-14(a) states in part:

"On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

CAPITAL ASSET

The Town does not have a list of capital assets. Capital assets owned by the Town should be listed on the Capital Assets Ledger (Town Form No. 211).

TOWN OF TRAIL CREEK
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

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)

CHANGE ORDERS

Changes orders totaling \$11,857 for the Evergreen Park/Pagel Park Drainage Ditch Improvement Project and \$23,074 for the Roeske Avenue Storm Drainage and Street Improvement Project were not approved by the governing board at a public meeting.

IC 36-1-12-18(a) states:

"If, in the course of the construction, reconstruction, or repair of a public work project, it becomes necessary to change or alter the original specifications, a change order may be issued to add, delete, or change an item or items in the original contract. The change order becomes an addendum to the contract and must be approved and signed by the board and the contractor."

IC 36-1-12-18(b) states: "If a licensed architect or engineer is assigned to the public work project, the change order must be prepared by that person."

TOWN OF TRAIL CREEK
EXIT CONFERENCE

The contents of this report were discussed on September 20, 2010, with Warren Schacht, President of the Town Council; James Balwin, Council member; and Cindy Kautz, Chief Deputy Clerk-Treasurer. The officials concurred with our findings.