

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

TOWN OF SPRING LAKE

HANCOCK COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
10/18/2012

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Claudetta Sue Dennemann	01-01-08 to 12-31-15
President of the Town Council	Mary Sweetland	01-01-10 to 12-31-12



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF SPRING LAKE, HANCOCK COUNTY, INDIANA

We have examined the financial statements of the Town of Spring Lake (Town), for the period of January 1, 2010 to December 31, 2011. The Town's management is responsible for the financial statements. 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2010 and 2011, on the basis of accounting described in Note 1.

The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town's management, Town Council, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

September 18, 2012

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FINANCIAL STATEMENTS

The financial statements and accompanying notes were approved by management of the Town. The financial statements and notes are presented as intended by the Town.

TOWN OF SPRING LAKE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 59,879	\$ 46,887	\$ 30,487	\$ 76,279
Motor Vehicle Highway	32,575	14,677	14,298	32,954
Local Road And Street	4,484	3,521	-	8,005
Flower Fund	493	40	273	260
Law Enforcement Continuing Ed	17	-	-	17
Rainy Day	2,821	1,465	-	4,286
Cedit Special Revenue	-	1,065	-	1,065
Levy Excess	-	70	-	70
Cumulative Capl Imprv Cigarette Tax	958	767	791	934
Cumulative Capital Development	8,766	1,127	-	9,893
Totals	<u>\$ 109,993</u>	<u>\$ 69,619</u>	<u>\$ 45,849</u>	<u>\$ 133,763</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF SPRING LAKE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 76,279	\$ 54,532	\$ 31,368	\$ 99,443
Motor Vehicle Highway	32,954	16,311	12,251	37,014
Local Road And Street	8,005	3,443	4,031	7,417
Law Enforcement Continuing Ed	17	-	17	-
Rainy Day	4,286	-	-	4,286
Cedit Special Revenue	1,065	-	-	1,065
Levy Excess	70	-	70	-
Cumulative Capl Imprv Cigarette Tax	934	752	300	1,386
Cumulative Capital Development	9,893	-	-	9,893
Flower Fund	260	-	-	260
Totals	<u>\$ 133,763</u>	<u>\$ 75,038</u>	<u>\$ 48,037</u>	<u>\$ 160,764</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF SPRING LAKE
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services.

The accompanying financial statements present the financial information for the Town.

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), wheel tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: fishing licenses.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

TOWN OF SPRING LAKE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

Capital outlay which include all outflows for improvements, and equipment having an appreciable and calculable period of usefulness.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

TOWN OF SPRING LAKE
NOTES TO FINANCIAL STATEMENTS
(Continued)

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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 SPRING LAKE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 5. Risk Management

The Town may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement any replacement items purchased.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 2010 Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the Town's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Town which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was approved by management of the Town. It is presented as intended by the Town.

TOWN OF SPRING LAKE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road And Street	Flower Fund	Law Enforcement Continuing Ed	Rainy Day	Cedit Special Revenue	Levy Excess	Cumulative Capl Imprv Cigarette Tax	Cumulative Capital Development	Totals
Cash and investments - beginning	\$ 59,879	\$ 32,575	\$ 4,484	\$ 493	\$ 17	\$ 2,821	\$ -	\$ -	\$ 958	\$ 8,766	\$ 109,993
Receipts:											
Taxes	24,117	-	-	-	-	-	-	-	-	1,023	25,140
Licenses and permits	36	-	-	-	-	-	-	-	-	-	36
Intergovernmental	17,605	14,677	3,521	-	-	1,465	1,065	70	767	104	39,274
Other receipts	5,129	-	-	40	-	-	-	-	-	-	5,169
Total receipts	<u>46,887</u>	<u>14,677</u>	<u>3,521</u>	<u>40</u>	<u>-</u>	<u>1,465</u>	<u>1,065</u>	<u>70</u>	<u>767</u>	<u>1,127</u>	<u>69,619</u>
Disbursements:											
Personal services	4,937	210	-	-	-	-	-	-	-	-	5,147
Supplies	735	-	-	-	-	-	-	-	-	-	735
Other services and charges	24,315	14,088	-	-	-	-	-	-	-	-	38,403
Capital outlay	500	-	-	-	-	-	-	-	791	-	1,291
Other disbursements	-	-	-	273	-	-	-	-	-	-	273
Total disbursements	<u>30,487</u>	<u>14,298</u>	<u>-</u>	<u>273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>791</u>	<u>-</u>	<u>45,849</u>
Excess (deficiency) of receipts over disbursements	<u>16,400</u>	<u>379</u>	<u>3,521</u>	<u>(233)</u>	<u>-</u>	<u>1,465</u>	<u>1,065</u>	<u>70</u>	<u>(24)</u>	<u>1,127</u>	<u>23,770</u>
Cash and investments - ending	<u>\$ 76,279</u>	<u>\$ 32,954</u>	<u>\$ 8,005</u>	<u>\$ 260</u>	<u>\$ 17</u>	<u>\$ 4,286</u>	<u>\$ 1,065</u>	<u>\$ 70</u>	<u>\$ 934</u>	<u>\$ 9,893</u>	<u>\$ 133,763</u>

TOWN OF SPRING LAKE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Ed	Rainy Day	Cedit Special Revenue	Levy Excess	Cumulative Capl Imprv Cigarette Tax	Cumulative Capital Development	Flower Fund	Totals
Cash and investments - beginning	\$ 76,279	\$ 32,954	\$ 8,005	\$ 17	\$ 4,286	\$ 1,065	\$ 70	\$ 934	\$ 9,893	\$ 260	\$ 133,763
Receipts:											
Taxes	36,788	7,844	-	-	-	-	-	752	-	-	45,384
Licenses and permits	24	-	-	-	-	-	-	-	-	-	24
Intergovernmental	16,925	8,467	3,443	-	-	-	-	-	-	-	28,835
Charges for services	550	-	-	-	-	-	-	-	-	-	550
Other receipts	245	-	-	-	-	-	-	-	-	-	245
Total receipts	<u>54,532</u>	<u>16,311</u>	<u>3,443</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>752</u>	<u>-</u>	<u>-</u>	<u>75,038</u>
Disbursements:											
Personal services	4,205	210	-	-	-	-	-	-	-	-	4,415
Supplies	1,820	4,016	-	-	-	-	-	300	-	-	6,136
Other services and charges	24,970	8,025	4,031	-	-	-	-	-	-	-	37,026
Debt service - principal and interest	138	-	-	-	-	-	-	-	-	-	138
Capital outlay	235	-	-	-	-	-	-	-	-	-	235
Other disbursements	-	-	-	17	-	-	70	-	-	-	87
Total disbursements	<u>31,368</u>	<u>12,251</u>	<u>4,031</u>	<u>17</u>	<u>-</u>	<u>-</u>	<u>70</u>	<u>300</u>	<u>-</u>	<u>-</u>	<u>48,037</u>
Excess (deficiency) of receipts over disbursements	<u>23,164</u>	<u>4,060</u>	<u>(588)</u>	<u>(17)</u>	<u>-</u>	<u>-</u>	<u>(70)</u>	<u>452</u>	<u>-</u>	<u>-</u>	<u>27,001</u>
Cash and investments - ending	\$ <u>99,443</u>	\$ <u>37,014</u>	\$ <u>7,417</u>	\$ <u>-</u>	\$ <u>4,286</u>	\$ <u>1,065</u>	\$ <u>-</u>	\$ <u>1,386</u>	\$ <u>9,893</u>	\$ <u>260</u>	\$ <u>160,764</u>

TOWN OF SPRING LAKE
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

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.

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 40,000
Buildings	12,900
Improvements other than buildings	<u>5,000</u>
Total governmental activities	<u>57,900</u>
Total capital assets	<u>\$ 57,900</u>

TOWN OF SPRING LAKE
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances for March through December 2010, and May through November 2011 were not presented for examination. The bank reconciliations provided by the Town did not reconcile to the records and did not always identify outstanding checks or deposits in transit properly. Notations were made as to the amount that the reconciliation was out of balance, but no explanation was given for the variance. The December 31, 2010 and the December 31, 2011 reconciliations reflected amounts in the bank which were in excess of the record balances, by \$1,429.22 and \$1,599.01, respectively. Similar comments appeared in prior reports, most recently B37268.

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

CAPITAL ASSET RECORDS

The Town's capital asset records are not complete. The Town's dams and improvements to the dams are not listed. In addition, there was a laptop computer purchased in 2011 that was not posted to the capital asset ledger. A similar comment appeared in the prior reports, most recently B37268.

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 form. 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)

A capital asset account for the cost of infrastructure should reflect the location of each road, bridge, tunnel, drainage system, stormwater system, dam, or lighting system. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONFLICT OF INTEREST

Mr. James Sweetland, husband of the town council president, received compensation for work performed during 2010 and 2011 for the Town of Spring Lake. A Uniform Conflict of Interest Disclosure Statement was not filed for the period examined and has not been filed for the current year. A similar comment appeared in the prior Report B37268.

TOWN OF SPRING LAKE
EXAMINATION RESULTS AND COMMENTS

Prior to its amendment, effective July 1, 2011, Indiana Code 35-44-1-3 stated in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony . . ."

"(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant . . . and (B) makes a disclosure under subsection (d)(1) through (d)(6)."

"(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

"(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant . . ."

"(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-3-4-1) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (2) of whose support is provided during a year by the public servant."

DEPOSITS

Nine of ten receipts reviewed were not deposited by the next business day. The deposits occurred between one and thirty nine days from the receipt of funds.

Indiana Code 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 SPRING LAKE
EXIT CONFERENCE

The contents of this report were discussed on September 18, 2012, with Claudetta Sue Dennemann, Clerk-Treasurer, Mary Sweetland, President of the Town Council; and Victoria Merlau, Deputy Clerk-Treasurer. The officials concurred with our findings.