

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

TOWN OF POTTAWATTOMIE PARK

LAPORTE COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
02/28/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kimberly Gondeck John Beck Susan C.Tochell	08-04-05 to 01-31-12 02-01-12 to 08-19-12 08-20-12 to 12-31-16
President of the Town Council	Susan C. Tochell Bob Wisthoff	01-01-10 to 12-31-11 01-01-12 to 12-31-13



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF POTTAWATTOMIE PARK, LAPORTE COUNTY, INDIANA

We were engaged to examine the accompanying financial statements of the Town of Pottawattomie Park (Town), for the period of January 1, 2010 to December 31, 2011. The financial statements are the responsibility of the Town's management.

The Town did not reconcile the cash balances of all its funds to the Town's bank accounts for the period of January 1, 2010 to December 31, 2011. Because of the posting errors, unidentified differences and lack of records, it cannot be determined if all cash is accounted for in the Town's records. The Town's records do not permit adequate testing of cash and the cash balances of the Town funds and does not permit the application of other examination procedures to ascertain if the financial statements are fairly stated.

Since the Town did not properly maintain accounting records for cash and cash balances, and we were not able to apply other examination procedures to satisfy ourselves as to whether the financial statements are fairly stated, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these financial statements.

Our examination was conducted for the purpose of forming an opinion on the Town's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, and the 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.

STATE BOARD OF ACCOUNTS

February 7, 2013

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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 POTTAWATTOMIE PARK
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	\$ (35,289)	\$ 64,700	\$ 97,331	\$ (67,920)
Motor Vehicle Highway	(697)	13,343	10,024	2,622
Local Road And Street	16,661	3,255	13,230	6,686
Riverboat	233,829	42,987	-	276,816
Cedit Special Revenue	44,642	7,554	-	52,196
Major Moves Construction	65,764	-	-	65,764
Totals	<u>\$ 324,910</u>	<u>\$ 131,839</u>	<u>\$ 120,585</u>	<u>\$ 336,164</u>

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

TOWN OF POTTAWATTOMIE PARK
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	\$ (67,920)	\$ 95,449	\$ 134,536	\$ (107,007)
Motor Vehicle Highway	2,622	12,201	-	14,823
Local Road And Street	6,686	3,174	14,339	(4,479)
Riverboat	276,816	44,448	128,698	192,566
Cedit Special Revenue	52,196	10,397	-	62,593
Major Moves Construction	65,764	-	-	65,764
Totals	<u>\$ 336,164</u>	<u>\$ 165,669</u>	<u>\$ 277,573</u>	<u>\$ 224,260</u>

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

TOWN OF POTTAWATTOMIE PARK
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 the following services: public safety, health and social services, culture and recreation, and 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 may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage 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: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

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: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

TOWN OF POTTAWATTOMIE PARK
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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 may include, but are not limited to, 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.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery 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.

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.

TOWN OF POTTAWATTOMIE PARK
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

TOWN OF POTTAWATTOMIE PARK
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 Indiana Public Retirement System (INPRS) 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 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

Note 7. Cash Balance Deficits

The financial statements contain some funds with deficits in cash. This is a result of property tax assessment issues in LaPorte County as described in Note 9.

Note 8. Restatements

For the year ended December 31, 2010, certain changes have been made to some of the beginning balances of the financial statements to more appropriately reflect financial activity of the Town. The Cumulative Capital Improvement (CCI) Fund and the Levy Excess Fund are not reported on the 2010 financial statements. The following schedule presents a summary of restated beginning balances.

TOWN OF POTTAWATTOMIE PARK
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund	Balance as of December 31, 2009		Adjustments	Balance as of January 1, 2010
General	\$ (38,826)		\$ 2,853	\$ (35,289)
Riverboat	249,648		(15,819)	233,829
CCI	2,007	Fund Eliminated	(2,007)	
Levy Excess	4,104	Fund Eliminated	(4,104)	
Major Moves				
Construction	70,611		(4,847)	65,764

Note 9. Subsequent Events

LaPorte County has been unable to establish approved assessment amounts for county-wide properties for the past several years. This has caused delays in the billing and collection of property taxes. The billing of property taxes over the past several years has been on a "provisional" type basis. Once approved assessment amounts are established then "reconciling" type bills are distributed and a final settlement of taxes to governmental units is made. The County has distributed 10 Pay 11 reconciling property tax bills in January 2013 and has established a February 14, 2013, due date for final payment from taxpayers. The County is expecting have a final settlement of these taxes to governmental units by March 2013.

These delays and uncertainties have resulted in a lower than budgeted property tax collection rate for units of government within LaPorte County. It is undetermined how much property tax collections the County will receive once all the reconciliation bills have been distributed and the collections received.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Reports for years prior to 2011 can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the Town's Annual Report information for years 2011 and later 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 POTTAWATTOMIE PARK
 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	Riverboat	Cedit Special Revenue	Major Moves Construction	Totals
Cash and investments - beginning	\$ (35,289)	\$ (697)	\$ 16,661	\$ 233,829	\$ 44,642	\$ 65,764	\$ 324,910
Receipts:							
Taxes	51,765	-	-	-	-	-	51,765
Licenses and permits	4,182	-	-	-	-	-	4,182
Intergovernmental	8,753	13,343	3,255	42,987	7,554	-	75,892
Total receipts	<u>64,700</u>	<u>13,343</u>	<u>3,255</u>	<u>42,987</u>	<u>7,554</u>	<u>-</u>	<u>131,839</u>
Disbursements:							
Personal services	23,365	-	-	-	-	-	23,365
Supplies	2,950	-	4,080	-	-	-	7,030
Other services and charges	69,958	10,024	-	-	-	-	79,982
Capital outlay	1,058	-	9,150	-	-	-	10,208
Total disbursements	<u>97,331</u>	<u>10,024</u>	<u>13,230</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,585</u>
Excess (deficiency) of receipts over disbursements	<u>(32,631)</u>	<u>3,319</u>	<u>(9,975)</u>	<u>42,987</u>	<u>7,554</u>	<u>-</u>	<u>11,254</u>
Cash and investments - ending	<u>\$ (67,920)</u>	<u>\$ 2,622</u>	<u>\$ 6,686</u>	<u>\$ 276,816</u>	<u>\$ 52,196</u>	<u>\$ 65,764</u>	<u>\$ 336,164</u>

TOWN OF POTTAWATTOMIE PARK
 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	Riverboat	Cedit Special Revenue	Major Moves Construction	Totals
Cash and investments - beginning	\$ (67,920)	\$ 2,622	\$ 6,686	\$ 276,816	\$ 52,196	\$ 65,764	\$ 336,164
Receipts:							
Taxes	35,342	3,923	-	-	-	-	39,265
Licenses and permits	5,171	-	-	-	-	-	5,171
Intergovernmental	10,488	8,278	3,174	44,448	10,397	-	76,785
Other receipts	44,448	-	-	-	-	-	44,448
Total receipts	<u>95,449</u>	<u>12,201</u>	<u>3,174</u>	<u>44,448</u>	<u>10,397</u>	<u>-</u>	<u>165,669</u>
Disbursements:							
Personal services	28,358	-	-	-	-	-	28,358
Supplies	4,497	-	-	-	-	-	4,497
Other services and charges	101,681	-	-	-	-	-	101,681
Capital outlay	-	-	14,339	84,250	-	-	98,589
Other disbursements	-	-	-	44,448	-	-	44,448
Total disbursements	<u>134,536</u>	<u>-</u>	<u>14,339</u>	<u>128,698</u>	<u>-</u>	<u>-</u>	<u>277,573</u>
Excess (deficiency) of receipts over disbursements	<u>(39,087)</u>	<u>12,201</u>	<u>(11,165)</u>	<u>(84,250)</u>	<u>10,397</u>	<u>-</u>	<u>(111,904)</u>
Cash and investments - ending	<u>\$ (107,007)</u>	<u>\$ 14,823</u>	<u>\$ (4,479)</u>	<u>\$ 192,566</u>	<u>\$ 62,593</u>	<u>\$ 65,764</u>	<u>\$ 224,260</u>

TOWN OF POTTAWATTOMIE PARK
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	\$ 5,000
Machinery, equipment and vehicles	<u>28,000</u>
Total capital assets	<u>\$ 33,000</u>

TOWN OF POTTAWATTOMIE PARK
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The cash balance of the General Fund was overdrawn in 2010 and 2011. The cash balance of the Local Road and Street Fund was overdrawn at December 31, 2011.

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)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for examination. At December 31, 2010, and at December 31, 2011, the fund balances reported were less than the bank balances by material amounts.

The December 31, 2010 bank balances totaled \$372,911 and the identified December 2010 checks issued, that did not clear the bank in December 2010, totaled \$3,024. The total of all funds reported at December 31, 2010, totaled \$337,447. The difference between the bank balances, less outstanding checks identified, and the reported fund balances was \$32,440. The December 31, 2011 bank balances totaled \$273,969 and the identified December 2011 checks issued, that did not clear the bank in December 2011, totaled \$16,345. The total of all funds reported at December 31, 2011, totaled \$224,260. The difference between the bank balances, less outstanding checks identified, and the reported fund balances was \$33,364.

The year-end differences noted have not been identified.

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)

Indiana Code 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 bank statements provided by the respective depositories."

The record balance at the end of every month shall be reconciled with the bank balance. Thus, any errors may be discovered and adjusted monthly. This procedure will localize any errors within the month and will prevent the necessity of a long and tedious search to trace errors covering transactions over a long period of time. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

RECEIPTS, DEPOSITS, AND LEDGER POSTINGS

In numerous instances, receipts were written, deposited and posted to the ledgers later than the next business day. For example, a county distribution check dated July 30, 2010, in the amount of \$20,454 was not deposited until December 14, 2010. The receipt issued and the ledger posting were also on December 14, 2010. Also, most state and other county distributions were receipted, deposited and posted months after the check dates. However, it appears that all collections in 2010 and 2011 were receipted, deposited and posted by the end of the year received.

TOWN OF POTTAWATTOMIE PARK
EXAMINATION RESULTS AND COMMENTS
(Continued)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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."

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping, some that were cited in the prior Report B37979, were present during our period of audit:

1. Record balances were not reconciled to depository balances during the two year period.
2. There were a considerable number of posting errors. These errors included receipts not posted timely, receipts posted to the wrong fund, checks and receipts not recorded in the proper amounts, interest not posted, and bank charges not posted.
3. A material adjustment to the 2011 financial statement was needed to properly record receipts and disbursements in the Riverboat Fund. The adjustment was \$44,448.
4. The beginning balances in the Town annual financial report for 2010 for all funds, \$324,910, is different than the ending balances in the Town annual financial report for 2009 for all funds, \$348,840. The difference of \$23,930 is not identified.
5. No control ledger was maintained for the Cumulative Capital Improvement Fund and the Levy Excess Fund.

Indiana Code 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."

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)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF POTTAWATTOMIE PARK
EXIT CONFERENCE

The contents of this report were discussed on February 7, 2013, with Susan C. Tochell, Clerk-Treasurer, and Bob Wisthoff, President of the Town Council. The officials concurred with our findings.