

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT
OF
TOWN OF CULVER
MARSHALL COUNTY, INDIANA
January 1, 2004 to December 31, 2005



FILED
08/25/2006

TABLE OF CONTENTS

| <u>Description</u> | <u>Page</u> |
|---|-------------|
| Officials | 2 |
| Independent Accountant's Report | 3 |
| Schedules of Receipts, Disbursements, and Cash and Investment Balances..... | 4 |
| Notes to Schedules | 5-6 |
| Supplementary Information | |
| Schedule of Capital Assets | 7 |
| Schedule of Long-Term Debt..... | 8 |
| Examination Results and Comments: | |
| Compensation and Benefits..... | 9 |
| Penalties, Interest and Other Charges | 9 |
| Capital Asset Records | 9 |
| Exit Conference | 10 |

OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|-------------------------------|---------------------|----------------------|
| Clerk-Treasurer | Chandra Melvis | 01-01-04 to 12-09-05 |
| | Kay Davis (Interim) | 12-10-05 to 12-31-05 |
| | Casey L. Howard | 01-01-06 to 12-31-07 |
| President of the Town Council | Barbara Behnke | 01-01-04 to 12-31-04 |
| | David Cooper | 01-01-05 to 12-31-06 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

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 CULVER, MARSHALL COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Culver (Town), for the period of January 1, 2004 to December 31, 2005. The Town's management is responsible for the schedules. 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 schedule of receipts, disbursements, and cash and investment balances 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 schedules referred to above present fairly, in all material respects, the cash transactions of the Town for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

June 29, 2006

TOWN OF CULVER
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, 2004 And 2005

| | Cash and Investments 01-01-04 | Receipts | Disbursements | Cash and Investments 12-31-04 |
|--|-------------------------------------|---------------------|---------------------|-------------------------------------|
| Governmental Funds: | | | | |
| General | \$ 495,569 | \$ 688,636 | \$ 836,563 | \$ 347,642 |
| Motor Vehicle Highway | 186,711 | 354,421 | 319,825 | 221,307 |
| Local Road and Street | 65,718 | 11,162 | 20,000 | 56,880 |
| Park and Recreation | 32,503 | 185,299 | 130,160 | 87,642 |
| Law Enforcement Continuing Education | 8,025 | 1,054 | - | 9,079 |
| Riverboat | 9,732 | 9,948 | - | 19,680 |
| Rainy Day | - | 34,391 | - | 34,391 |
| Nonreverting Fire | 8,852 | 458 | - | 9,310 |
| Nonreverting EMS | 1,085 | 65 | - | 1,150 |
| Nonreverting Police | 5,068 | 4,281 | 2,800 | 6,549 |
| Park Gift | 5,036 | 2,359 | 1,466 | 5,929 |
| Unemployment Taxes | 4,733 | 290 | 5,023 | - |
| Safety Seats | 1,533 | 35 | - | 1,568 |
| Cumulative Capital Improvement | - | 5,743 | 5,743 | - |
| Cumulative Capital Development | 180,635 | 28,352 | 21,088 | 187,899 |
| Proprietary Funds: | | | | |
| Water Utility - Operating | 187,447 | 235,855 | 229,884 | 193,418 |
| Water Utility - Customer Deposit | 7,095 | 890 | 560 | 7,425 |
| Wastewater Utility - Operating | 259,956 | 470,245 | 432,772 | 297,429 |
| Wastewater Utility - Bond and Interest | 231,667 | 138,220 | 153,921 | 215,966 |
| Fiduciary Fund: | | | | |
| Payroll | <u>6,567</u> | <u>2,083</u> | <u>-</u> | <u>8,650</u> |
| Totals | <u>\$ 1,697,932</u> | <u>\$ 2,173,787</u> | <u>\$ 2,159,805</u> | <u>\$ 1,711,914</u> |
| | | | | |
| | Cash and Investments 01-01-05 | Receipts | Disbursements | Cash and Investments 12-31-05 |
| Governmental Funds: | | | | |
| General | \$ 347,642 | \$ 1,073,831 | \$ 849,008 | \$ 572,465 |
| Motor Vehicle Highway | 221,307 | 214,434 | 301,211 | 134,530 |
| Local Road and Street | 56,880 | 11,303 | 19,677 | 48,506 |
| Park and Recreation | 87,642 | 247,624 | 158,184 | 177,082 |
| Law Enforcement Continuing Education | 9,079 | 4,889 | 7,810 | 6,158 |
| Riverboat | 19,680 | 10,262 | - | 29,942 |
| Rainy Day | 34,391 | 987 | 9,261 | 26,117 |
| Nonreverting Fire | 9,310 | 257 | - | 9,567 |
| Nonreverting EMS | 1,150 | 43 | 526 | 667 |
| Nonreverting Police | 6,549 | 931 | 7,300 | 180 |
| Park Gift | 5,929 | 1,491 | 4,503 | 2,917 |
| Safety Seats | 1,568 | 42 | 1,000 | 610 |
| Levy Excess | - | 2,939 | - | 2,939 |
| Redevelopment | - | 674,538 | 38,512 | 636,026 |
| Cumulative Capital Improvement | - | 1,942 | 1,942 | - |
| Cumulative Capital Development | 187,899 | 54,907 | 128,488 | 114,318 |
| Proprietary Funds: | | | | |
| Water Utility - Operating | 193,418 | 250,485 | 255,005 | 188,898 |
| Water Utility - Customer Deposit | 7,425 | 800 | 565 | 7,660 |
| Wastewater Utility - Operating | 297,429 | 451,331 | 590,287 | 158,473 |
| Wastewater Utility - Bond and Interest | 215,966 | 177,574 | 182,864 | 210,676 |
| Fiduciary Fund: | | | | |
| Payroll | <u>8,650</u> | <u>221,325</u> | <u>218,938</u> | <u>11,037</u> |
| Totals | <u>\$ 1,711,914</u> | <u>\$ 3,401,935</u> | <u>\$ 2,775,081</u> | <u>\$ 2,338,768</u> |

The accompanying notes are an integral part of the schedules.

TOWN OF CULVER
NOTES TO SCHEDULES

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: water and wastewater, public safety, health and social services, 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 CULVER
NOTES TO SCHEDULES
(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

The Water and Wastewater Utilities have been authorized to receive up to \$2,700,000 in a State Revolving Loan for water and wastewater improvement projects. The Town has drawn \$281,476 against the loan.

TOWN OF CULVER
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2005

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.

As the government constructs or acquires additional capital assets each period, including infrastructure assets, they will be reported at historical cost.

| <u>Primary Government</u> | <u>Ending Balance</u> |
|---|---------------------------|
| Business-type activities: | |
| Water Utility: | |
| Capital assets, not being depreciated: | |
| Land | \$ 2,200 |
| Buildings | 160,866 |
| Machinery and equipment | <u>265,864</u> |
| Total Water Utility capital assets | <u>428,930</u> |
| Wastewater Utility: | |
| Capital assets, not being depreciated: | |
| Land | 10,642 |
| Buildings | 1,049,819 |
| Machinery and equipment | <u>632,238</u> |
| Total Wastewater Utility capital assets | <u>1,692,699</u> |
| Total business-type activities capital assets | <u>\$ 2,121,629</u> |

TOWN OF CULVER
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended December 31, 2005

The Town has entered into the following long term debt:

| Description of Asset | Ending Balance | Due Within One Year |
|--|---------------------|------------------------|
| Governmental activities: | | |
| Capital leases: | | |
| Street sweep | \$ 90,304 | \$ 24,763 |
| Dump truck | 51,796 | 17,468 |
| Backhoe | 55,826 | 19,677 |
| Revenue bond: | | |
| 2005 Redevelopment | <u>\$ 650,000</u> | <u>\$ 5,000</u> |
| Total governmental activities long-term debt | <u>\$ 847,926</u> | <u>\$ 66,908</u> |
| Business-type activities: | | |
| Wastewater Utility | | |
| Revenue bonds: | | |
| 1998 Sewage works | \$ 1,265,000 | \$ 55,000 |
| 1999 Sewage works | 75,000 | 25,000 |
| SRF loan | <u>68,998</u> | <u>-</u> |
| Total business-type activities: | <u>\$ 1,408,998</u> | <u>\$ 80,000</u> |

TOWN OF CULVER
EXAMINATION RESULTS AND COMMENTS

COMPENSATION AND BENEFITS

The park superintendent lives in a Town-owned cottage, located at the park, rent free and contributes \$70 per month for utilities. This arrangement is not included in the salary ordinance or other resolutions. The park superintendent's W-2 does not include any value for this fringe benefit.

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 \$136.10 were assessed by the Internal Revenue Service in 2006 for the tax period ended December 31, 2005. Also, the Indiana Department of Revenue assessed penalties and interest totaling \$179.96 in 2004 for the tax period ended April 30, 2004. Town funds were used to pay these charges.

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)

CAPITAL ASSET RECORDS

The Town and Utilities do not maintain detailed records of general capital assets. A similar comment was made in the last Examination Report 24671.

Every governmental unit should have a complete inventory of all capital assets owned which reflect 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)

TOWN OF CULVER
EXIT CONFERENCE

The contents of this report were discussed on July 27, 2006, with Casey L. Howard, Clerk-Treasurer; David Cooper, President of the Town Council; and Jon Guenin, Town Manager. The officials concurred with our findings.