

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

EXAMINATION REPORT
OF
TOWN OF PITTSBORO
HENDRICKS COUNTY, INDIANA
January 1, 2004 to December 31, 2005



FILED
09/22/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Patricia A. Mitchell	01-01-04 to 12-31-07
President of the Town Council	Shelby Smith	01-01-04 to 12-31-06



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF PITTSBORO AND UTILITIES, HENDRICKS COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Pittsboro and Utilities (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

July 31, 2006

TOWN OF PITTSBORO
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL 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	\$ 515,899	\$ 444,200	\$ 503,259	\$ 456,840
Dare	191	-	-	191
Local Road and Street	35,496	21,318	34,484	22,330
Motor Vehicle Highway	226,312	179,330	132,523	273,119
Cumulative Street Fund	32,173	34,125	-	66,298
Police Administration	52	-	-	52
Law Enforcement Continuing Education	390	22,965	20,251	3,104
Park and Recreation	59,416	116,449	112,974	62,891
Park Nonreverting Capital	24,397	17,406	1,021	40,782
Cumulative Capital Improvement	4,625	5,926	2,320	8,231
Economic Development Income Tax	253,252	145,323	22,733	375,842
Nonreverting Fund	38,792	31,346	27,896	42,242
Riverboat Wagering Tax	10,041	10,264	6,610	13,695
C. Waters	(238)	355	117	-
Proprietary Funds:				
Electric Utility - Operating	213,193	602,389	632,195	183,387
Electric Utility - Depreciation	137,105	1,372	-	138,477
Electric Utility - Cash Reserve	12,707	-	-	12,707
Electric Utility - Meter Deposit	8,815	3,800	3,500	9,115
Gas Utility - Operating	68,882	529,765	634,434	(35,787)
Gas Utility - Depreciation	41,411	428	-	41,839
Gas Utility - Meter Deposit	11,525	4,000	3,930	11,595
Gas Utility - Cash Reserve	7,745	-	5,973	1,772
Wastewater Utility - Operating	843,974	672,930	1,289,511	227,393
Wastewater Utility - Storm Sewer	1,889	1,669	3,558	-
Wastewater Utility - Debt Service	412,089	4,477	-	416,566
Wastewater Utility - Bond and Interest	76,928	750,545	325,989	501,484
Wastewater Utility - Rate Stabilization	-	200,000	-	200,000
Wastewater Utility - Cumulative Sewer	3,157	21	-	3,178
Wastewater Utility - Sanitation	24,955	64,502	54,883	34,574
Sewer Tap Fee	-	29,850	-	29,850
Sewer Availability Fee	-	29,850	-	29,850
Water Utility - Operating	247,166	442,973	351,155	338,984
Water Utility - Bond Depreciation	18,638	-	-	18,638
Water Utility - Meter Deposit	3,460	1,200	1,025	3,635
Water Utility - Cash Reserve	16,544	-	-	16,544
Water - Sinking	111,383	69,882	68,745	112,520
Sales Tax	891	76,848	76,540	1,199
Internal Service	127	492,397	486,679	5,845
	<u>\$ 3,463,382</u>	<u>\$ 5,007,905</u>	<u>\$ 4,802,305</u>	<u>\$ 3,668,982</u>

The accompanying notes are an integral part of the schedules.

TOWN OF PITTSBORO
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2004 And 2005
(Continued)

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 456,840	\$ 407,148	\$ 461,642	\$ 402,346
Dare	191	-	150	41
Park Gift Donation	-	6,176	5,171	1,005
Police Gift Donation	-	46,765	45,903	862
Local Road and Street	22,330	20,253	37,085	5,498
Motor Vehicle Highway	273,119	135,269	218,436	189,952
Cumulative Street Fund	66,298	34,233	91,807	8,724
Police Administration	52	-	13	39
Law Enforcement Continuing Education	3,104	1,633	3,973	764
Park and Recreation	62,891	102,165	107,126	57,930
Park Nonreverting Operating	-	6,545	2,408	4,137
Park Nonreverting Capital	40,782	9,500	48,500	1,782
Cumulative Capital Improvement	8,231	4,909	8,400	4,740
Economic Development Income Tax	375,842	581,399	904,496	52,745
Nonreverting Fund	42,242	53,904	73,231	22,915
Riverboat Wagering Tax	13,695	10,263	4,648	19,310
Wastewater Utility - Cumulative Sewer	3,178	60	-	3,238
Wastewater Utility - Sanitation	34,574	65,668	58,784	41,458
Proprietary Funds:				
Electric Utility - Operating	183,387	749,503	849,722	83,168
Electric Utility - Depreciation	138,477	3,565	100,000	42,042
Electric Utility - Cash Reserve	12,707	-	-	12,707
Electric Utility - Meter Deposit	9,115	3,300	3,525	8,890
Gas Utility - Operating	(35,787)	845,608	731,625	78,196
Gas Utility - Depreciation	41,839	-	39,800	2,039
Gas Utility - Meter Deposit	11,595	4,755	3,600	12,750
Gas Utility - Cash Reserve	1,772	4	-	1,776
Wastewater Utility - Operating	227,393	718,175	443,945	501,623
Wastewater Utility - Debt Service	416,566	12,222	-	428,788
Wastewater Utility - Bond and Interest	501,484	441,062	743,245	199,301
Wastewater Utility - Rate Stabilization	200,000	-	-	200,000
Sewer Tap Fee	29,850	26,100	-	55,950
Sewer Availability Fee	29,850	153,500	-	183,350
Water Utility - Operating	338,984	523,070	431,785	430,269
Water Utility - Bond Depreciation	18,638	60,962	61,473	18,127
Water Utility - Meter Deposit	3,635	1,925	1,219	4,341
Water Utility - Cash Reserve	16,544	32,956	-	49,500
Water - Sinking	112,520	74,651	71,577	115,594
Sales Tax	1,199	91,592	91,988	803
Internal Service	5,845	553,564	551,188	8,221
Totals	<u>\$ 3,668,982</u>	<u>\$ 5,782,404</u>	<u>\$ 6,196,465</u>	<u>\$ 3,254,921</u>

The accompanying notes are an integral part of the schedules.

TOWN OF PITTSBORO
NOTES TO SCHEDULES

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: 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.

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 PITTSBORO
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. Long-Term Debt

The Town has entered into various capital leases for police cars. The outstanding principal at December 31, 2005, was \$60,980.

The Water Utility issued revenue bonds during 2001 in the amount of \$495,000 to build a water tower. The outstanding principal at December 31, 2005, was \$285,000. In 2005, the Water Utility received authority to borrow \$511,000 in proceeds from the state revolving fund to build and upgrade water mains to the town of Brownsburg. The outstanding principal at December 31, 2005, was \$82,690. The amount remaining available to borrow at December 31, 2005, was \$428,310.

The Wastewater Utility issued revenue bonds during 2002 in the amount of \$4,950,000 to build a wastewater treatment plant. The outstanding principal at December 31, 2005, was \$4,583,000.

TOWN OF PITTSBORO
EXAMINATION RESULTS AND COMMENTS

OFFICIAL BOND

The Clerk Treasurer's bond was made payable to the Town of Pittsboro and not the State of Indiana.

Indiana Code 5-4-1-10 states in part: "All official bonds shall be payable to the state of Indiana; and every such bond shall be obligatory to such state, upon the principal and sureties, for the faithful discharge of all duties required of such officer by any law, then or subsequently in force, for the use of any person injured by any breach of the condition thereof."

PARK BOARD MINUTES

Park Board minutes were not presented for audit. Inquiry of personnel revealed that the park board did not maintain minutes for all public meetings held.

Indiana Code 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes take, by individual members if there is a roll call.
- (5) An additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

OVERDRAWN CASH BALANCE

The Gas Utility Operating Fund was overdrawn in 2004 in the amount of \$35,787.

A similar comment was made in prior Audit Report B25834.

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)

CAPITAL ASSET RECORDS

As stated in prior Audit Report B25834:

The capital asset records for the Town and Utilities were not properly maintained.

Assets not recorded in the records may increase the risk of theft or misappropriation of assets.

The Town Clerk-Treasurer should record the purchase or disposal of all capital assets.

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 PITTSBORO
EXIT CONFERENCE

The contents of this report were discussed on August 23, 2006, with Patricia A. Mitchell, Clerk-Treasurer; and Myron Mitchell, Town Council member. The officials concurred with our findings.