

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

EXAMINATION REPORT

OF

TOWN OF HAMLET

STARKE COUNTY, INDIANA

January 1, 2004 to December 31, 2005



**FILED**  
09/26/2006



## 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
Examination Results and Comments:	
Overdrawn Fund Balances .....	7
Cash Necessary to Balance, Bank Reconciliations .....	7
Disbursements by Automatic Withdrawals .....	7
Loan from Utility in Anticipation of Taxes to be Collected.....	7-8
Capital Asset Records .....	8
Water Meters .....	8
Paving Contract .....	8-9
Exit Conference .....	10

OFFICIALS

Office

Official

Term

Clerk-Treasurer

Mariam Johnson

01-01-04 to 12-31-07

President of the Town Council

Dave Kesvormas  
John Goble

01-01-04 to 12-31-05  
01-01-06 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF HAMLET, STARKE COUNTY, INDIANA

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

August 29, 2006

TOWN OF HAMLET  
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
<b>Governmental Funds:</b>				
General	\$ (105,193)	\$ 230,291	\$ 245,618	\$ (120,520)
Motor Vehicle Highway	2,016	25,640	20,466	7,190
Local Road and Street	1,000	5,192	3,681	2,511
Park and Recreation	6,437	4,587	3,357	7,667
Law Enforcement Continuing Education	355	549	-	904
Riverboat	5,185	5,171	4,784	5,572
Park Donation	115	-	-	115
Cumulative Capital Improvement	2,566	3,060	-	5,626
Cumulative Capital Development	20,240	5,284	-	25,524
County Economic Development	83,591	27,918	10,859	100,650
Operation Pullover	(46)	746	734	(34)
Excess Levy	29,861	-	-	29,861
<b>Proprietary Funds:</b>				
Water Utility - Operating	35,970	64,666	78,484	22,152
Water Utility - Bond and Interest	4,376	19,500	18,165	5,711
Water Utility - Depreciation	14,500	-	-	14,500
Water Utility - Customer Deposit	22,822	6,885	28,006	1,701
Water Utility - Sales Tax	(246)	-	-	(246)
Wastewater Utility - Operating	17,246	146,490	149,078	14,658
Wastewater Utility - Bond and Interest	12,666	30,800	24,895	18,571
Wastewater Utility - Depreciation	14,581	1,981	-	16,562
<b>Fiduciary Fund:</b>				
Payroll	646	139,758	139,614	790
<b>Totals</b>	<b>\$ 168,688</b>	<b>\$ 718,518</b>	<b>\$ 727,741</b>	<b>\$ 159,465</b>

  

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
<b>Governmental Funds:</b>				
General	\$ (120,520)	\$ 288,543	\$ 114,898	\$ 53,125
Motor Vehicle Highway	7,190	26,924	28,274	5,840
Local Road and Street	2,511	5,217	4,097	3,631
Park and Recreation	7,667	9,634	3,435	13,866
Law Enforcement Continuing Education	904	1,369	1,881	392
Riverboat	5,572	5,170	-	10,742
Rainy Day	-	-	26,803	(26,803)
Park Donation	115	-	-	115
Police Donation	-	817	614	203
Cumulative Capital Improvement	5,626	2,535	-	8,161
Cumulative Capital Development	25,524	2,626	-	28,150
County Economic Development	100,650	46,147	80,339	66,458
Operation Pullover	(34)	1,350	1,454	(138)
Excess Levy	29,861	-	29,861	-
<b>Proprietary Funds:</b>				
Water Utility - Operating	22,152	71,648	79,890	13,910
Water Utility - Bond and Interest	5,711	18,000	17,078	6,633
Water Utility - Depreciation	14,500	-	-	14,500
Water Utility - Customer Deposit	1,701	5,851	5,677	1,875
Water Utility - Sales Tax	(246)	802	556	-
Wastewater Utility - Operating	14,658	146,959	146,331	15,286
Wastewater Utility - Bond and Interest	18,571	26,840	25,345	20,066
Wastewater Utility - Depreciation	16,562	2,640	3,482	15,720
<b>Fiduciary Fund:</b>				
Payroll	790	135,113	135,172	731
<b>Totals</b>	<b>\$ 159,465</b>	<b>\$ 798,185</b>	<b>\$ 705,187</b>	<b>\$ 252,463</b>

The accompanying notes are an integral part of the schedules.

TOWN OF HAMLET  
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, public improvements, planning and zoning, general administrative services and water and wastewater 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 HAMLET  
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 debt, such as bonds for water and wastewater improvement. The outstanding principal at December 31, 2005, was \$350,900.

Note 8. Subsequent Event

The Town has been awarded a \$525,000 grant and has issued bond anticipation notes for \$1,370,000 for wastewater treatment plant improvements to begin in 2006.

TOWN OF HAMLET  
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN FUND BALANCES

The General Fund, the Operation Pullover Fund, and the Water Utility Sales Tax Fund were overdrawn in 2004. The Rainy Day Fund and the Operation Pullover Fund were overdrawn in 2005.

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)

CASH NECESSARY TO BALANCE, BANK RECONCILIATIONS

A comparison of the records to the bank account indicated cash necessary to balance of \$895.18.

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)

DISBURSEMENTS BY AUTOMATIC WITHDRAWALS

Disbursements were not always made by check. Payments to a software vendor were made by automatic bank withdrawals. These disbursements were not being posted to the Town's ledgers.

Disbursements, other than proper petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

LOAN FROM UTILITY IN ANTICIPATION OF TAXES TO BE COLLECTED

A loan of \$24,000 was made in 2004 and \$10,000 in 2005 from the Water Utility to the Town in anticipation of taxes to be levied and collected and was not repaid on or before thirty days after the last day for the payment of the anticipated taxes.

Indiana Code 8-1.5-3-12 states:

"(a) A municipality may, by ordinance of its legislative body, borrow money from a utility owned by the municipality for current purposes in anticipation of taxes levied and to be collected during the current or following year."

"(b) The board may by resolution lend money to the municipality if the utility has on hand:

- (1) A surplus of cash exceeding by at least the amount loaned the sum of all amounts required to pay the indebtedness of the utility falling due during the current calendar year and the following year;
- (2) The amount necessary to meet current expenses during the year; and
- (3) The amount necessary to pay for improvements contemplated to be made during the current calendar year minus the estimated receipts during the calendar year."

TOWN OF HAMLET  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

"(c) A loan may not be made for a sum in excess of 50% of the amount estimated to be collected from anticipated taxes. The loan:

- (1) Must be evidenced by an obligation of the municipality;
- (2) Must be signed by the executive;
- (3) Is due on or before thirty (30) days after the last day of the payment of anticipated taxes; and
- (4) May bear interest at any rate as determined by the board, payable at maturity."

CAPITAL ASSET RECORDS

The Town and its utilities do not maintain a sufficient detail record of its capital asset additions and deletions.

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 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)

WATER METERS

The Town of Hamlet has an ordinance concerning water usage. However, approximately 50 customers were billed the minimum rate because they had inoperable meters. The rate ordinance requires that water usage be measured based on the meter size and the number of gallons of water used. A similar comment was noted in the prior audit reports.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PAVING CONTRACT

A 1991 paving of a road which crosses through the Town limits and extends into County jurisdiction was performed by the Starke County Highway Department. According to the Town Council President at the time, it was orally agreed that the Town would pay for the materials used to pave the section within the Town limits and the County would pay the balance. However, when the vendor submitted the bill for material in the amount of \$40,762, the County Commissioners refused to approve payment. The vendor subsequently filed a lawsuit against the County in 1992. The lawsuit was settled in January, 1993 for \$70,000 for materials and damages. A similar comment was noted in the prior five audit reports.

During 2002, the Town offered to pay the County \$3,200 as final settlement to reimburse the County for the Town's share of the project. The County rejected this offer. As of the date of this report, no payment has been made by the Town while the County has reaffirmed its position that as soon as the Town is financially sound again the County expects to be repaid.

TOWN OF HAMLET  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

All transactions may not have been anticipated herein and may necessitate local study for conformance to legal requirements. If any legal question arises, consult your city or town attorney. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF HAMLET  
EXIT CONFERENCE

The contents of this report were discussed on August 29, 2006, with Mariam Johnson, Clerk-Treasurer; and John Goble, President of the Town Council. The officials concurred with our findings.