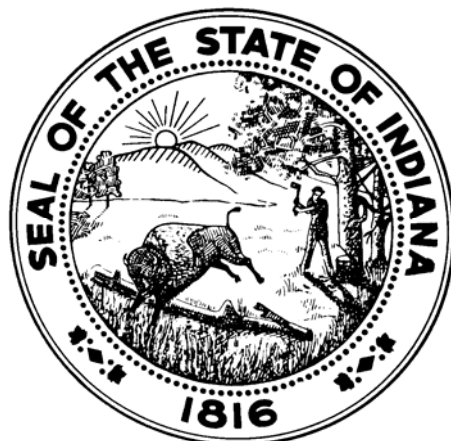


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT
OF
TOWN OF ROYAL CENTER
CASS COUNTY, INDIANA
January 1, 2004 to December 31, 2005



FILED
10/27/2006

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Freida J. Miller

01-01-04 to 12-31-07

President of the Town Council

Lee Aldridge

01-01-04 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF ROYAL CENTER, CASS COUNTY, INDIANA

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

September 25, 2006

TOWN OF ROYAL CENTER
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	\$ 58,643	\$ 150,608	\$ 175,356	\$ 33,895
Motor Vehicle Highway	34,498	56,685	53,374	37,809
Local Road and Street	-	3,973	-	3,973
County Economic Development Income Tax	73,283	12,998	48	86,233
Fire Department	8,194	28,095	26,345	9,944
Riverboat	5,246	5,264	48	10,462
Chet's Park	24,490	1,826	3,223	23,093
Chet's Building	20,305	2,410	48	22,667
Cumulative Capital Improvement	49,057	3,382	48	52,391
Cumulative Capital Development	31,257	3,469	48	34,678
Community Focus Fund Grant	245	154,500	154,745	-
Proprietary Funds:				
Water Utility - Operating	187,725	264,659	278,475	173,909
Water Utility - Depreciation	26,249	26,438	-	52,687
Water Utility - Customer Deposit	5,420	1,330	1,265	5,485
Water Utility - Tower	-	12,000	-	12,000
Wastewater Utility - Operating	5,549	120,720	125,665	604
Wastewater Utility - Bond and Interest	13,286	54,048	52,355	14,979
Wastewater Utility - Depreciation	11,066	-	-	11,066
Wastewater Utility - Construction	68,198	171	-	68,369
Wastewater Utility - Reserve	26,138	10,429	22,096	14,471
Fiduciary Fund:				
Payroll	1,611	173,948	169,480	6,079
Totals	<u>\$ 650,460</u>	<u>\$ 1,086,953</u>	<u>\$ 1,062,619</u>	<u>\$ 674,794</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 33,895	\$ 161,419	\$ 146,396	\$ 48,918
Motor Vehicle Highway	37,809	38,243	38,550	37,502
Local Road and Street	3,973	4,000	-	7,973
County Economic Development Income Tax	86,233	5,821	48	92,006
Fire Department	9,944	35,172	27,854	17,262
Riverboat	10,462	5,286	48	15,700
Chet's Park	23,093	1,840	48	24,885
Chet's Building	22,667	2,429	48	25,048
Cumulative Capital Improvement	52,391	2,877	48	55,220
Cumulative Capital Development	34,678	4,055	48	38,685
Proprietary Funds:				
Water Utility - Operating	173,909	204,163	263,939	114,133
Water Utility - Depreciation	52,687	20,052	-	72,739
Water Utility - Customer Deposit	5,485	1,090	935	5,640
Water Utility - Tower	12,000	72,000	-	84,000
Wastewater Utility - Operating	604	140,589	135,343	5,850
Wastewater Utility - Bond and Interest	14,979	57,258	57,589	14,648
Wastewater Utility - Depreciation	11,066	-	10,944	122
Wastewater Utility - Construction	68,369	182	14,500	54,051
Wastewater Utility - Reserve	14,471	10,443	48	24,866
Fiduciary Fund:				
Payroll	6,079	143,261	142,900	6,440
Totals	<u>\$ 674,794</u>	<u>\$ 910,180</u>	<u>\$ 839,286</u>	<u>\$ 745,688</u>

The accompanying notes are an integral part of the schedules.

TOWN OF ROYAL CENTER
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 (police and fire), highways and streets, culture and recreation, public improvement, planning and zoning, general administrative services, wastewater and water.

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.

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 ROYAL CENTER
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 debts such as bonds for wastewater and water. The outstanding principal at December 31, 2005, was \$435,000 and \$1,193,279, respectively.

TOWN OF ROYAL CENTER
EXAMINATION RESULTS AND COMMENTS

COMPENSATION AND BENEFITS

Four employees received a total of \$2,149 in payments and benefits in 2004 (paid for fifty-three weeks instead of fifty-two weeks) which were not included on the salary ordinance or resolution.

Officials have advised us of their intention to amend the 2004 salary ordinance, at the next meeting of the Town Council.

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)

RECORD INFORMATION

The Ledger of Appropriations, Encumbrances, Disbursements and Balances (Town Form 209) was not always used and reconciled to the Ledger of Receipts, Disbursements and Balances (Town Form 208) Payroll Control Account.

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)

At all times, the manual and 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)

ORDINANCES AND RESOLUTIONS

Water Ordinance 2002-1 requires the Town to make monthly transfers to the Bond and Interest Fund to meet bond payments and the Debt Reserve Fund to equal the maximum annual debt service on the Bonds then outstanding. The Town has five years from the date of delivery of the 2002 Bonds to accumulate these funds in reserve. At December 31, 2005, the balance in the Water Bond and Interest and the Water Debt Reserve Funds was \$0.

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)

TOWN OF ROYAL CENTER
EXAMINATION RESULTS AND COMMENTS
(Continued)

BOND DISPOSITION OF PROCEEDS

In 2005, the Town made two transfers of \$5,000 each from the Wastewater Construction Fund to the Wastewater Operating Fund to help cover Operating Expenses.

Indiana Code 36-9-23-20 states in part: "(a) The first proceeds of any revenue bonds issued under this chapter shall be used to repay all amounts advanced for preliminary expenses under section 13 of this chapter. The remaining proceeds of the bond issue shall be applied to the cost of acquiring, constructing, or improving the sewage works. (b) After the payments required by subsection (a) have been made, any proceeds of the bond issue that have not been spent shall be deposited in the sinking fund established by section 21 of this chapter.

INCORRECT WASTEWATER BILLINGS

The Wastewater Utility bills were not calculated in accordance with the rate ordinance.

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)

HYDRANT RENTAL RECEIVABLE (PAYABLE)

The Town owes the Water Utility hydrant rental \$4,471.50 for each year 2004 and 2005, pursuant to the rate ordinance.

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)

TOWN OF ROYAL CENTER
EXIT CONFERENCE

The contents of this report were discussed on September 25, 2006, with Freida J. Miller, Clerk-Treasurer; and Lee Aldridge, President of the Town Council. The officials concurred with our findings.