

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

EXAMINATION REPORT  
OF  
TOWN OF SANTA CLAUS  
SPENCER COUNTY, INDIANA  
January 1, 2005 to December 31, 2006



**FILED**  
09/27/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Shannon L. Winkler Kim M. Christensen	01-01-04 to 05-20-05 05-21-05 to 12-31-07
President of the Town Council	Ronald L. Smith	01-01-05 to 12-31-07
Superintendent of Utilities	Russell L. Luthy	01-01-05 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF SANTA CLAUS, SPENCER COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Santa Claus (Town), for the period of January 1, 2005 to December 31, 2006. The Town's management is responsible for the financial information presented herein. 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 financial information presented herein 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 financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

July 23, 2007

TOWN OF SANTA CLAU  
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, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
<b>Governmental Funds:</b>				
General	\$ 86,641	\$ 533,466	\$ 557,532	\$ 62,575
Motor Vehicle Highway	83,197	61,628	57,529	87,296
Local Road and Street	12,145	8,630	2,039	18,736
Law Enforcement Continuing Education	755	460	-	1,215
Park and Recreation	16,690	57,421	51,032	23,079
Riverboat	25,776	12,870	-	38,646
Fire Department Donation	408	-	-	408
Community Center Donation	3,897	2,838	1,688	5,047
Park and Recreation Donation	2,205	13,067	9,420	5,852
Town Marshal Special	-	4,985	2,328	2,657
Unsafe Building	25	1,000	-	1,025
Cumulative Capital Improvement	556	3,735	-	4,291
Cumulative Capital Development	59,999	29,800	146	89,653
Cumulative Fire Fighting Equipment	74,503	35,323	210	109,616
Cumulative Building	36,908	16,130	96	52,942
Industrial Development	126,044	1,283	2,383	124,944
Economic Development Income Tax	363,194	76,773	98,813	341,154
EDIT Reserve	15,030	25,010	-	40,040
EDIT Bond and Interest	(21,718)	85,555	49,295	14,542
<b>Proprietary Funds:</b>				
Water Utility - Operating	850,751	827,066	796,264	881,553
Water Utility - Bond and Interest	6,943	86,079	69,342	23,680
Water Utility - Debt Service Reserve	55,274	4,680	-	59,954
Water Utility - Customer Deposit	18,063	6,146	7,246	16,963
Wastewater Utility - Operating	371,399	993,454	796,304	568,549
Wastewater Utility - Bond and Interest	194,785	293,056	371,232	116,609
Wastewater Utility - Debt Service Reserve	391,369	4,420	-	395,789
Wastewater Utility - Customer Deposit	19,200	5,946	7,283	17,863
<b>Fiduciary Funds:</b>				
Levy Excess	-	3,022	-	3,022
Payroll	-	598,693	598,693	-
<b>Totals</b>	<b>\$ 2,794,039</b>	<b>\$ 3,792,536</b>	<b>\$ 3,478,875</b>	<b>\$ 3,107,700</b>

The accompanying notes are an integral part of the financial information.

TOWN OF SANTA CLAU  
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, 2005 And 2006  
(Continued)

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 62,575	\$ 548,159	\$ 494,818	\$ 115,916
Motor Vehicle Highway	87,296	75,832	75,571	87,557
Local Road and Street	18,736	8,920	12,000	15,656
Law Enforcement Continuing Education	1,215	861	485	1,591
Park and Recreation	23,079	44,495	39,136	28,438
Riverboat	38,646	13,314	48,976	2,984
Fire Department Donation	408	-	-	408
Community Center Donation	5,047	2,857	4,016	3,888
Park and Recreation Donation	5,852	15,240	19,616	1,476
Park and Recreation Special	-	11,621	11,548	73
Walking Trail	-	195,118	187,014	8,104
Town Marshal Special	2,657	7,780	3,853	6,584
Unsafe Building	1,025	-	-	1,025
Cumulative Capital Improvement	4,291	7,397	-	11,688
Cumulative Capital Development	89,653	27,657	25,300	92,010
Cumulative Fire Fighting Equipment	109,616	38,960	34,053	114,523
Cumulative Building	52,942	18,337	12,786	58,493
Industrial Development	124,944	828	-	125,772
Economic Development Income Tax	341,154	118,987	74,198	385,943
EDIT Reserve	40,040	10,010	-	50,050
EDIT Bond and Interest	14,542	40,414	48,220	6,736
Proprietary Funds:				
Water Utility - Operating	881,553	853,372	972,173	762,752
Water Utility - Bond and Interest	23,680	134,566	151,560	6,686
Water Utility - Debt Service Reserve	59,954	6,237	-	66,191
Water Utility - Customer Deposit	16,963	4,950	6,045	15,868
Water Utility - Construction	-	100,000	-	100,000
Wastewater Utility - Operating	568,549	1,154,704	1,169,617	553,636
Wastewater Utility - Bond and Interest	116,609	388,696	405,645	99,660
Wastewater Utility - Debt Service Reserve	395,789	10,765	-	406,554
Wastewater Utility - Customer Deposit	17,863	4,825	6,698	15,990
Fiduciary Funds:				
Levy Excess	3,022	-	3,022	-
Payroll	-	646,755	646,755	-
Totals	<u>\$ 3,107,700</u>	<u>\$ 4,491,657</u>	<u>\$ 4,453,105</u>	<u>\$ 3,146,252</u>

The accompanying notes are an integral part of the financial information.

TOWN OF SANTA CLAUS  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, highways and streets, culture and recreation, public improvements, water, wastewater, 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 SANTA CLAUS  
NOTES TO FINANCIAL INFORMATION  
(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 - Lawsuit

On July 2, 2007, Santa La Hill, Inc. (a private water company) filed a complaint for declaratory judgment and injunctive relief in the United States District Court for the Southern District of Indiana, against the Town of Santa Claus and Koch Development Corporation (d/b/a Holiday World and Splashin' Safari), alleging that the Town acted in violation of Santa La Hill's protection afforded pursuant to 7 U.S.C §1926 when it began billing Koch Development Corporation directly for water provided to that customer on June 20, 2007. The Town has not yet responded to that pleading, but intends to do so in due course.

TOWN OF SANTA CLAUS  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended December 31, 2006

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.

General infrastructure assets completed in the current period have been reported. The Town of Santa Claus is a Phase III unit under GASB 34 and is not required to recognize retroactive reporting of general infrastructure assets prior to January 1, 2004.

<u>Town of Santa Claus</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets:	
Land	\$ 283,250
Infrastructure	1,522,500
Buildings	723,686
Improvements other than buildings	1,108,566
Machinery and equipment	<u>464,717</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 4,102,719</u>

<u>Santa Claus Water and Wastewater Utilities</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets:	
Land	\$ 111,776
Buildings	655,818
Improvements other than buildings	1,876,212
Machinery and equipment	<u>123,632</u>
 Total Water Utility capital assets	 <u>2,767,438</u>
Wastewater Utility:	
Capital assets:	
Land	17,103
Buildings	503,678
Improvements other than buildings	9,251,202
Machinery and equipment	<u>351,530</u>
 Total Wastewater Utility capital assets	 <u>10,123,513</u>
 Total business-type activities capital assets	 <u>\$ 12,890,951</u>

TOWN OF SANTA CLAUS  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT  
For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
State revolving loans:		
2002 State revolving loan (Payable from EDIT)	\$ 515,000	\$ 25,000
Total governmental activities long-term debt	<u>\$ 515,000</u>	<u>\$ 25,000</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
1970 Improvement Revenue Bonds	\$ 78,000	\$ 18,000
Wastewater Utility		
State revolving loans:		
2000 State revolving loan	2,760,000	75,000
2001 State revolving loan	740,000	35,000
Revenue bonds:		
1981 Improvement Revenue Bonds	87,000	5,000
1974 Improvement Revenue Bonds	525,000	55,000
1970 Improvement Revenue Bonds (Series A)	82,000	19,000
1970 Improvement Revenue Bonds (Series B)	<u>74,000</u>	<u>17,000</u>
Total Wastewater Utility	<u>4,268,000</u>	<u>206,000</u>
Total business-type activities long-term debt	<u>\$ 4,346,000</u>	<u>\$ 224,000</u>

TOWN OF SANTA CLAUS  
EXAMINATION RESULTS AND COMMENTS

FEES (Applies to Park and Recreation Department)

The following unauthorized fees were collected: User Fees and Community Center Rental Fee.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPT ISSUANCE (Applies to Park and Recreation Department)

In some instances, the Park Director did not issue receipts for monies received.

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)

TOWN OF SANTA CLAUS  
EXIT CONFERENCE

The contents of this report were discussed on July 23, 2007, with Kim M. Christensen, Clerk-Treasurer; Lisa O'Brien, Park and Recreation Director; and Ronald L. Smith, President of the Town Council. The officials concurred with our findings.