

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

EXAMINATION REPORT
OF
TOWN OF TRAIL CREEK
LAPORTE COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
12/27/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5-6
Supplementary Information:	
Schedule of Long-Term Debt	7
Examination Results and Comments:	
Park Baseball Program Deficiencies	8-9
Park Board Meetings	10
Conflict of Interest.....	10
Official Bond	11
Claim Deficiencies	11-12
Appropriations.....	12
Exit Conference.....	13
Official Response	14

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Anne M. Dobbs	01-01-04 to 12-31-07
President of the Town Council	Ronald Lombard	01-01-05 to 12-31-05
	Jamie Baldwin	01-01-06 to 12-31-06
	Bruce Baker	01-01-07 to 04-01-07
	Jeffrey Studtman	04-01-07 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 TRAIL CREEK, LAPORTE COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Trail Creek (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.

The Town's records do not include the activity or depository account balance of the park baseball program. The depository balance at December 31, 2006 was \$7,640.89.

In our opinion, except for the affects of the park baseball program as referred to in the preceding paragraph, the financial information referred to above present 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 Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

October 30, 2007

TOWN OF TRAIL CREEK
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL 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
Governmental Funds:				
General	\$ 168,350	\$ 519,296	\$ 476,945	\$ 210,701
Motor Vehicle Highway	96,154	125,136	142,224	79,066
Local Road and Street	5,223	25,339	27,996	2,566
Park and Recreation	350	80	-	430
Law Enforcement Continuing Education	2,066	4,521	2,932	3,655
Riverboat	247,150	102,246	183,240	166,156
Rainy Day	20,203	-	-	20,203
Cumulative Capital Improvement	17,686	7,098	10,000	14,784
Cumulative Capital Development	11,639	21,990	15,297	18,332
County Economic Development Income Tax	784	49,399	45,000	5,183
Refuse Removal	84,781	119,079	112,171	91,689
Drunk Driving Prevention	184	-	-	184
Infraction Deferral	2,010	630	-	2,640
Fiduciary Fund:				
Payroll	4,340	72,030	71,481	4,889
Totals	<u>\$ 660,920</u>	<u>\$ 1,046,844</u>	<u>\$ 1,087,286</u>	<u>\$ 620,478</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 210,701	\$ 509,136	\$ 513,134	\$ 206,703
Motor Vehicle Highway	79,066	168,453	147,719	99,800
Local Road and Street	2,566	24,773	25,784	1,555
Park and Recreation	430	-	236	194
Law Enforcement Continuing Education	3,655	960	2,420	2,195
Riverboat	166,156	125,011	104,654	186,513
Rainy Day	20,203	-	-	20,203
Park Donation	-	236	-	236
Cumulative Capital Improvement	14,784	8,202	18,000	4,986
Cumulative Capital Development	18,332	20,918	35,558	3,692
County Economic Development Income Tax	5,183	56,920	60,636	1,467
Local Major Moves Construction	-	487,724	-	487,724
Refuse Removal	91,689	111,961	113,478	90,172
Drunk Driving Prevention	184	-	-	184
Infraction Deferral	2,640	660	-	3,300
Fiduciary Funds:				
Levy Excess	-	13,071	-	13,071
Payroll	4,889	76,987	77,572	4,304
Totals	<u>\$ 620,478</u>	<u>\$ 1,605,012</u>	<u>\$ 1,099,191</u>	<u>\$ 1,126,299</u>

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

TOWN OF TRAIL CREEK
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, 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 TRAIL CREEK
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

Tax Levies and Rates for 2007

Due to delays caused by trending of assessments, the assessed valuations of LaPorte County have not been finalized. Therefore, the 2006 pay 2007 property tax rates and levies, as well as related budget orders for 2007, have not yet been established.

TOWN OF TRAIL CREEK
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2006

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
2005 Police Squad Car Crown Victoria	\$ 7,070	\$ 7,466
2006 Caterpillar	<u>62,052</u>	<u>14,462</u>
Total governmental activities debt	<u>\$ 69,122</u>	<u>\$ 21,928</u>

TOWN OF TRAIL CREEK
EXAMINATION RESULTS AND COMMENTS

PARK BASEBALL PROGRAM DEFICIENCIES

- (1) A checking account for the park baseball program was established in 1986 using the Town of Trail Creek's tax identification number. Since the inception of this checking account, the receipts and disbursements have not been posted to the town's records. Bank reconciliations were not presented for examination.
- (2) Official receipts were not written for any collections. Duplicate deposit slips were not used. A form is completed with general information such as the child's name, address, shirt size, and amount paid. This form has not been prenumbered, not signed by a town official, and not approved by the State Board of Accounts. A fee schedule for the amounts charged for baseball registration was not approved by the governing board.
- (3) Claim forms were not used to support disbursements. Disbursements have never been approved by the governing board or presented at a public meeting. Duplicate or approved checks were not in use.
- (4) Some invoices were submitted; however the majority of the checks issued had no supporting documentation. An itemization for amounts paid to umpires and field workers was not presented.
- (5) Expenditures to restaurants were made with no detailed itemization presented for examination.
- (6) Compensation schedules were not established or approved by the governing board for the payment of umpires, field workers, treasurer/director fees, honorariums.
- (7) Internal revenue service form 1099's (Miscellaneous Income) were not issued when over \$600 was paid to an individual.
- (8) No contract was entered into for the operation of the concession stand.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

Indiana Code 5-11-10-1.6 states:

"(a) This section applies to a municipality (as defined in IC 36-1-2-11), a school corporation (as defined in IC 36-1-2-7), a county having a consolidated city, a municipally owned utility that is subject to IC 8-1.5-3 or IC 8-1.5-4, a board of an airport authority under IC 8-22-3, a board of aviation commissioners under IC 8-22-2, a public transportation corporation under IC 36-9-4, or a commuter transportation district under IC 8-5-15.

TOWN OF TRAIL CREEK
EXAMINATION RESULTS AND COMMENTS
(Continued)

(b) As used in this section, 'claim' means a bill or an invoice submitted to a municipality for goods and services.

(c) The fiscal officer of a municipality may not draw a warrant or check for payment of a claim unless:

- (1) There is a fully itemized invoice or bill for the claim;
- (2) The invoice or bill is approved by the officer or person receiving the goods and services;
- (3) The invoice or bill is filed with the municipality's fiscal officer;
- (4) The fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) Payment of the claim is allowed by the municipality's legislative body or the board having jurisdiction over allowance of payment of the claim.

(d) The fiscal officer of a municipality shall issue checks or warrants for claims by the municipality that meet all of the requirements of this section. The fiscal officer does not incur personal liability for disbursements:

- (1) Processed in accordance with this section; and
- (2) For which funds are appropriated and available.

(e) The certification provided for in subsection (c)(4) must be on a form prescribed by the state board of accounts"

Indiana Code 5-11-10-2 states in part:

"(a) Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against, a municipality (as defined in IC 36-1-2-11), the claim must be certified by the fiscal officer."

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

TOWN OF TRAIL CREEK
EXAMINATION RESULTS AND COMMENTS
(Continued)

PARK BOARD MEETINGS

The Park Board did not meet as required.

Indiana Code 36-10-3-8 states in part:

"(a) All meetings of the board are open to the public. The board shall fix the time and place of its regular meetings, but it shall meet at least quarterly."

CONFLICT OF INTEREST

The Town Council President was also receiving compensation as the baseball program director/treasurer during the examination period. A Uniform Conflict of Interest Disclosure Statement was not filed for either situation.

Indiana Code 35-44-1-3 states in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony. . . ."

"(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant. . . and (B) makes a disclosure under subsection (d)(1) through (d)(6)."

"(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase. . . ."

"(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant. . . ."

"(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-9-2-2) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (1/2) of whose support is provided during a year by the public servant."

TOWN OF TRAIL CREEK
EXAMINATION RESULTS AND COMMENTS
(Continued)

OFFICIAL BOND

The official bond for the Clerk Treasurer was not filed in the Office of the County Recorder:

Indiana Code 5-4-1-5.1(b) states in part:

"Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

CLAIM DEFICIENCIES

The following deficiencies were noted relating to claims:

- (1) Claims paid to the Town Attorney and the Town Engineer were not supported with a written contract
- (2) A credit card claim did not contain all supporting documentation. A late payment and minimal finance charge was paid.
- (3) A claim submitted to the Clerk Treasurer for the annual Christmas party had no supporting documentation.
- (4) Amounts paid to building inspectors are not included in the salary ordinance nor in a written contract. These amounts are informally approved during the budget process but not approved during a public meeting.

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)

Compensation of all town officers and employees shall be fixed by an ordinance of the town council, and for other than elected town officials, this compensation may be changed by another ordinance of the town council at any time. There is no limitation upon the amount fixed, only to the extent of available appropriations where tax funds are involved. [IC 36-5-3-2] At the time such compensation is fixed, it may be prorated between the general fund or any other applicable funds of the town, as well as any available utility funds. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-11-10-1.6 states in part:

"(a) This section applies to a municipality (as defined in IC 36-1-2-11), a school corporation (as defined in IC 36-1-2-7), a county having a consolidated city, a municipally owned utility that is subject to IC 8-1.5-3 or IC 8-1.5-4, a board of an airport authority under IC 8-22-3, a board of aviation commissioners under IC 8-22-2, a public transportation corporation under IC 36-9-4, or a commuter transportation district under IC 8-5-15.

(b) As used in this section, 'claim' means a bill or an invoice submitted to a municipality for goods and services.

TOWN OF TRAIL CREEK
EXAMINATION RESULTS AND COMMENTS
(Continued)

(c) The fiscal officer of a municipality may not draw a warrant or check for payment of a claim unless:

- (1) There is a fully itemized invoice or bill for the claim;
- (2) The invoice or bill is approved by the officer or person receiving the goods and services;
- (3) The invoice or bill is filed with the municipality's fiscal officer;
- (4) The fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) Payment of the claim is allowed by the municipality's legislative body or the board having jurisdiction over allowance of payment of the claim.

(d) The fiscal officer of a municipality shall issue checks or warrants for claims by the municipality that meet all of the requirements of this section. The fiscal officer does not incur personal liability for disbursements:

- (1) Processed in accordance with this section; and
- (2) For which funds are appropriated and available.

(e) The certification provided for in subsection (c)(4) must be on a form prescribed by the state board of accounts"

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations

Fund	Years	Excess Amount Expended
Local Road and Street	2005	3,382
Cumulative Capital Improvement	2006	9,467
Cumulative Capital Development	2006	15,558

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

TOWN OF TRAIL CREEK
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2007, with Anne M. Dobbs, Clerk-Treasurer; Jeff Studtman, President of the Town Council; and Christopher Willoughby, Park Board member. The official response has been made a part of this report and may be found on page 14.

November 9, 2007

Indiana State Board of Accounts
Porter County Government Center
155 Indiana Avenue
Valparaiso, Indiana 46383

Re: Town of Trail Creek- Response to Examination

To whom it may concern:

This correspondence is being sent in response to the results reported to the Town of Trail Creek ("Town") in an Exit Interview on Tuesday, October, 30, 2007, regarding your office's recent examination of the Town. Specifically, the undersigned learned, based on the preliminary examination results, that certain unfavorable findings were made with regard to how the Trail Creek Baseball and Softball League ("League") has been conducted as well as whether certain State mandated reporting requirements were complied with and/or met.

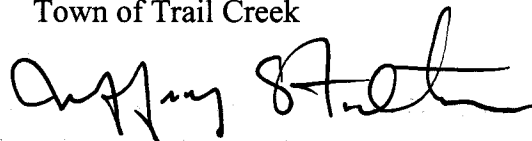
While the undersigned, on behalf of the Town and League, acknowledges that there were and/or are some shortcomings with regard to compliance issues, any such shortcomings were due to lack of knowledge on the part of the Town and League. Specifically, the League, according to the undersigned's best knowledge and belief, has never been operated or considered a Town league, but rather a separate entity, which has existed in excess of twenty (20) years. The League has been operated with the best intention, which is to fund and provide a league for the children of the Town as well as surrounding areas. Nonetheless, the Town and the League realize that compliance is paramount, and, accordingly, the Town and the League are taking appropriate steps to address the deficiencies and concerns reported in the Examination.

Thank you for your time and consideration.

Respectfully submitted,

Town of Trail Creek

By:



Jeffrey Studtman,
Town Council President

JS:clw

cc: Atty. W. Herrbach