

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

EXAMINATION REPORT  
OF

TOWN OF BURNS HARBOR  
AND WASTEWATER UTILITY  
PORTER COUNTY, INDIANA

January 1, 2008 to December 31, 2009



**FILED**  
12/14/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jane M. Jordan	01-01-08 to 12-31-11
President of the Town Council	James P. McGee	01-01-08 to 12-31-10
President of the Sanitary Board	R. Michael Perrine	01-01-08 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF BURNS HARBOR AND  
WASTEWATER UTILITY, PORTER COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Burns Harbor (Town), and Wastewater Utility (Utility) for the period of January 1, 2008 to December 31, 2009. 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, 2008 and 2009, 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

October 18, 2010

TOWN OF BURNS HARBOR AND WASTEWATER UTILITY  
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, 2008 And 2009

	Cash and Investments			Cash and Investments
	01-01-08	Receipts	Disbursements	
<b>Governmental Funds:</b>				
General	\$ 156,891	\$ 1,627,148	\$ 1,698,105	\$ 85,934
Motor Vehicle Highway	114,812	86,624	90,041	111,395
Local Road and Street	20,518	12,792	10,000	23,310
Park and Recreation	8,326	92,910	99,384	1,852
Park Nonreverting	8,927	3,608	10,722	1,813
Park Donation	746	200	-	946
Law Enforcement Continuing Education	18,142	4,935	2,801	20,276
Rainy Day	961	537,556	292,948	245,569
Police Donation	4,084	200	200	4,084
Fire Donation	373	-	-	373
County Mobile Enforcement Grant	-	3,942	3,942	-
Homeland Security Grant	59	5,548	5,607	-
Operation Pull Over Grant	40	1,676	1,671	45
County DUI/CJI Funds Grant	473	3,000	2,998	475
County Fatal Crash Grant	-	1,850	1,764	86
Cumulative Capital Cigarette Tax	1,425	3,151	-	4,576
Cumulative Capital Development	285,240	34,179	68,272	251,147
Redevelopment Bond and Interest	1,054,375	319,790	691,234	682,931
Redevelopment Debt Service Reserve	952,999	27,122	-	980,121
Redevelopment General Fund	37,769	889,820	905,281	22,308
Redevelopment Bonds of 2005	-	407	-	407
2001 Redevelopment Bond Escrow	-	5,097,157	684,187	4,412,970
2001 General Obligation Bond Escrow	-	1,346,545	178,696	1,167,849
CEDIT	15,005	51,004	15,005	51,004
<b>Proprietary Funds:</b>				
Wastewater Utility - Operating	591,503	283,448	227,735	647,216
Wastewater Utility - Improvement	52,940	13,274	-	66,214
<b>Fiduciary Funds:</b>				
Traffic Light Escrow	95,286	696	-	95,982
Payroll	2,199	591,921	592,171	1,949
Sales Tax Payable	-	55	-	55
<b>Totals</b>	<b>\$ 3,423,093</b>	<b>\$ 11,040,558</b>	<b>\$ 5,582,764</b>	<b>\$ 8,880,887</b>

	Cash and Investments			Cash and Investments
	01-01-09	Receipts	Disbursements	
<b>Governmental Funds:</b>				
General	\$ 85,934	\$ 2,422,012	\$ 1,812,252	\$ 695,694
Motor Vehicle Highway	111,395	174,723	126,472	159,646
Local Road and Street	23,310	12,201	-	35,511
Park and Recreation	1,852	180,326	160,545	21,633
Park Nonreverting	1,813	5,392	6,564	641
Park Nonreverting Capital	-	30,000	-	30,000
Park Donation	946	190	224	912
Law Enforcement Continuing Education	20,276	7,061	30	27,307
Rainy Day	245,569	718,800	359,605	604,764
Police Donation	4,084	-	-	4,084
Fire Donation	373	-	-	373
Operation Pull Over Grant	45	3,605	3,650	-
County DUI/CJI Funds Grant	475	1,000	1,475	-
County Fatal Crash Grant	86	1,500	1,586	-
Federal DNR Grant	-	100,000	100,000	-
NW Indiana RDA Grant	-	50,000	50,000	-
Lake Michigan Marina Development Grant	-	15,000	-	15,000
Cumulative Capital Cigarette Tax	4,576	2,349	-	6,925
Cumulative Capital Development	251,147	57,746	54,283	254,610
Redevelopment Bond and Interest	682,931	1,311,153	687,298	1,306,786
Redevelopment Debt Service Reserve	980,121	95	980,216	-
Redevelopment General Fund	22,308	6,655,905	6,678,213	-
Redevelopment Bonds of 2005	407	1	-	408
2001 Redevelopment Bond Escrow	4,412,970	96,672	4,509,642	-
2001 General Obligation Bond Escrow	1,167,849	26,059	1,193,908	-
CEDIT	51,004	61,772	80,494	32,282
<b>Proprietary Funds:</b>				
Wastewater Utility - Operating	647,216	326,820	298,697	675,339
Wastewater Utility - Improvement	66,214	22,508	-	88,722
<b>Fiduciary Funds:</b>				
Traffic Light Escrow	95,982	29	-	96,011
Payroll	1,949	613,636	613,430	2,155
Sales Tax Payable	55	102	61	96
<b>Totals</b>	<b>\$ 8,880,887</b>	<b>\$ 12,896,657</b>	<b>\$ 17,718,645</b>	<b>\$ 4,058,899</b>

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

TOWN OF BURNS HARBOR AND WASTEWATER UTILITY  
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 (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, and wastewater treatment 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 BURNS HARBOR AND WASTEWATER UTILITY  
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.

TOWN OF BURNS HARBOR AND WASTEWATER UTILITY  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
For The Year Ended December 31, 2009

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.

	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 170,365
Buildings	418,589
Improvements other than buildings	187,591
Machinery and equipment	<u>1,953,038</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 2,729,583</u>
	<u>Ending Balance</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 315,000
Infrastructure	6,978,350
Buildings	1,247,000
Machinery and equipment	<u>53,978</u>
 Total Wastewater Utility capital assets	 <u>8,594,328</u>
 Total business-type activities capital assets	 <u>\$ 11,323,911</u>

TOWN OF BURNS HARBOR AND WASTEWATER UTILITY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2009

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:		
2006 Emergency One 75' Ladder Truck	\$ 465,108	\$ 46,209
Revenue bonds:		
2005 Redevelopment Refunding Bonds	<u>3,655,000</u>	<u>681,832</u>
Total governmental activities debt	<u>\$ 4,120,108</u>	<u>\$ 728,041</u>

TOWN OF BURNS HARBOR AND WASTEWATER UTILITY  
EXAMINATION RESULT AND COMMENT

PAYROLL

In addition to his earned leave time, a nonelected salaried employee was paid for two additional vacation days, two additional sick days, and one additional "other day" in 2008, and one personal day in 2009. According to the personnel handbook, the Town employees do not earn personal leave time. These additional paid leave days were not posted to the employee's service record. A similar comment appeared in the prior Report B31737.

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)

Appointed officials who are included in an employee benefit policy must maintain proper attendance records which shall disclose clearly the days worked, days missed, type of leave taken, etc. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF BURNS HARBOR AND WASTEWATER UTILITY  
EXIT CONFERENCE

The contents of this report were discussed on October 18, 2010, with Jane M. Jordan, Clerk-Treasurer, and James P. McGee, President of the Town Council. The official response has been made a part of this report and may be found on page 11.



MICHAEL C. HARRIS  
ROBERT A. WELSH  
L. CHARLES LUKMANN, III  
CHARLES F.G. PARKINSON  
MORRIS A. SUNKEL  
JULIE A. PAULSON

107 BROADWAY  
CHESTERTON, INDIANA 46304  
TELEPHONE FAX  
(219) 926-2114 (219) 926-1503  
www.hwllaw.com  
E-MAIL: hwl@hwllaw.com

October 27, 2010

Mr. Bruce Hartman, CPA  
State Examiner  
Porter County Administration Center  
155 Indiana Avenue  
Valparaiso, IN 46383

Attn: State Board of Accounts

Re: Burns Harbor, Indiana State Board of Accounts Audit

Dear Mr. Hartman,

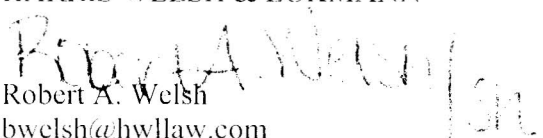
I serve as counsel for the Town of Burns Harbor in Porter County, Indiana. Mrs. Jane Jordan, the Clerk-Treasurer of the Town, has forwarded to me the Exit Audit Comments of State Board of Accounts Auditor and has asked that I respond to those comments on behalf of the Town. Please consider this letter to be that response.

The Exit Audit Comments address several occasions in 2008 and one occasion in 2009 when a non-elected salaried employee was paid for vacation days, sick days, "other days" and a personal day in contravention of the Town's Personnel Handbook and without adequate documentation on the employee's service record. The Town Council and the Clerk-Treasurer addressed these issues in October of 2009. At that time, a policy was adopted requiring all employees to execute time record forms for each pay period certifying the hours they worked during the days contained within each pay period. The employees are required to submit these executed forms to their Department Heads, who are also required to review and approve the statement of hours worked. The Department Heads then submit these forms to the Clerk-Treasurer, who uses them as a basis for authorizing payment of wages for that pay period. The Clerk-Treasurer retains these records in her office.

Since this format was adopted in October of 2009, no further problems have been encountered by the Town regarding verification of hours worked by employees or the correct amount of compensation to which employees are entitled for each pay period. We hope this corrective action meets with the approval of the State Board of Accounts. If the Board has any questions or concerns regarding the action the Town has taken to address these issues, please communicate those concerns to me and to Mrs. Jordan.

Very truly yours,

HARRIS WELSH & LUKMANN

  
Robert A. Welsh  
[bwelsh@hwllaw.com](mailto:bwelsh@hwllaw.com)

RAW/sh

cc: Jane Jordan, Clerk-Treasurer