

STATE BOARD OF ACCOUNTS
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INDIANAPOLIS, INDIANA 46204-2769

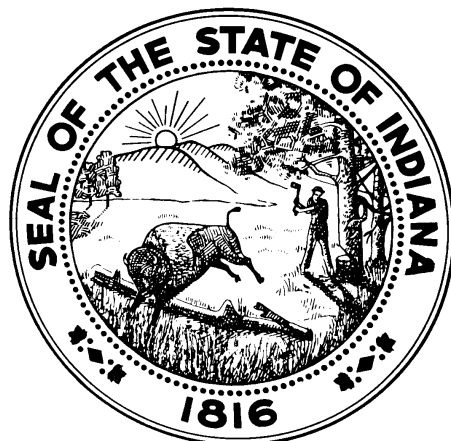
EXAMINATION REPORT

OF

TOWN OF ELIZABETH

HARRISON COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
08/08/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Hugh Burns Adrian Hall	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Town Council	Bradley Evans Christopher Fetz	01-01-06 to 12-31-06 01-01-07 to 12-31-08
Superintendent of Water Utility	Terry L. Miller	01-01-06 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF ELIZABETH, HARRISON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Elizabeth (Town), for the period of January 1, 2006 to December 31, 2007. 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, 2006 and 2007, 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 a required part 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, 2008

TOWN OF ELIZABETH
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 10,146	\$ 21,310	\$ 20,455	\$ 11,001
Motor Vehicle Highway	15,599	6,103	2,675	19,027
Local Road and Street	13,427	1,679	65	15,041
Cemetery	16,491	3,600	4,508	15,583
Riverboat	101,504	54,094	22,125	133,473
Cumulative Capital Improvement	4,104	489	-	4,593
EDIT	5,991	746	-	6,737
Proprietary Funds:				
Water Utility - Operating	313,798	768,360	645,685	436,473
Water Utility - Bond and Interest	316,624	106,812	83,178	340,258
Water Utility - Debt Service Reserve	107,000	-	-	107,000
Water Utility - Customer Deposit	48,993	6,225	5,450	49,768
Water Utility - Improvement	45,627	825	18,197	28,255
Water Utility - Cash Reserve	17,471	8,760	9,500	16,731
Totals	\$ 1,016,775	\$ 979,003	\$ 811,838	\$ 1,183,940

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 11,001	\$ 16,454	\$ 21,359	\$ 6,096
Motor Vehicle Highway	19,027	5,644	2,645	22,026
Local Road and Street	15,041	2,216	817	16,440
Cemetery	15,583	7,150	2,786	19,947
Riverboat	133,473	67,998	32,476	168,995
Cumulative Capital Improvement	4,593	703	-	5,296
EDIT	6,737	1,007	-	7,744
Proprietary Funds:				
Water Utility - Operating	436,473	851,945	696,175	592,243
Water Utility - Bond and Interest	340,258	11,071	37,258	314,071
Water Utility - Debt Service Reserve	107,000	-	-	107,000
Water Utility - Customer Deposit	49,768	6,050	10,743	45,075
Water Utility - Improvement	28,255	56,107	16,567	67,795
Water Utility - Cash Reserve	16,731	-	16,731	-
Totals	\$ 1,183,940	\$ 1,026,345	\$ 837,557	\$ 1,372,728

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

TOWN OF ELIZABETH
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 (fire), highway and streets, public improvements, general administrative services 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. 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.

TOWN OF ELIZABETH
NOTES TO FINANCIAL INFORMATION
(Continued)

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.

Note 6. Debt Refunding

On May 21, 2008, the Town of Elizabeth issued \$1,410,000 in Waterworks refunding revenue bonds with an average rate of 4.39% for the current refunding of \$580,000 of outstanding 1997 Waterworks refunding revenue bonds with an average interest rate of 5.12% and for the current refunding of \$800,000 of outstanding 2002 Waterworks series bonds with an average interest rate of 5.50%. The net proceeds of \$1,397,314 (after payment of \$12,686 in bond discount costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1997 and 2002 series bonds. The 1997 series bonds were redeemed on June 20, 2008, and the 2002 series were redeemed on May 28, 2008. As a result, these bonds are considered to be defeased and are no longer a debt obligation of the Town. The Town in effect decreased its aggregate debt service payments by \$65,295 over the next 14 years and realized an economic gain (difference between the present values of the old debt and the new debt service payments) of \$43,567.

TOWN OF ELIZABETH
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

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>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 135,857
Buildings	1,301,341
Improvements other than buildings	6,291,968
Machinery and equipment	<u>177,155</u>
 Total capital assets	 <u>\$ 7,906,321</u>

TOWN OF ELIZABETH
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type Activities:		
Water Utility		
Revenue bonds:		
1997 Waterworks refunding revenue bonds	\$ 580,000	\$ 593,198 *
2002 Waterworks revenue bonds	<u>800,000</u>	<u>817,967 *</u>
Total business-type activities debt:	<u>\$ 1,380,000</u>	<u>\$ 1,411,165</u>

* Bonds were refunded on May 21, 2008

TOWN OF ELIZABETH
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

The Annual City and Town Financial Report (CTAR-1) was submitted to the State Board of Accounts; however, it contained numerous errors and did not reconcile to the Town's records.

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)

TIMELY RECORDKEEPING

Monthly financial reports and bank reconcilements for December 2007 to June 2008 were not completed for the Town funds until July 9, 2008.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

INTERNAL CONTROLS

The following deficiencies over the receipting, disbursing, recording, and accounting for the financial activities were noted:

- (1) Cash collections received by the Town on November 17, 2007, in the amount of \$140 could not be accounted for. Records indicate that receipts were written at the time of the collections but were subsequently voided. Upon inquiry, officials stated that a deposit was made for the collections but was never credited to the Town's bank account. Officials contacted the bank about the missing deposit and were told that the bank did not have any records showing the deposit was ever made. Since the deposit for the collections could not be located the receipts were voided.
- (2) Some corrections and adjustments were made in the records of the Water Utility without retaining recommended audit trails.

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)

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF ELIZABETH
EXAMINATION RESULTS AND COMMENTS
(Continued)

INTEREST ON INVESTMENTS

Interest earned on some investments was automatically added to the principal and not recorded in the records.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FIRE PROTECTION FEE

The Water Utility adopted Ordinance 2001-01 withdrawing from the jurisdiction of the Indiana Utility Regulatory Commission (IURC). The current rate structure in effect was approved by the IURC on November 29, 1995. A new rate ordinance has not been adopted subsequent to the Utility's withdrawal from the IURC. The current rate structure requires that all users of the water system shall pay an annual fee for fire protection. During the examination period, the users of the water system were not charged for this fee.

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)

ERRORS ON CLAIMS

The review of claims noted that most claims or invoices were not accompanied by evidence to support the receipt of goods or services.

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

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

(c) The fiscal officer of a governmental entity 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 governmental entity'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 governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

TOWN OF ELIZABETH
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONTRACTS

Records presented for examination indicate that payments were made to the following vendors without a formal written contract:

1. Barbara Smitley, CPA, for monthly accounting services for the Water Utility during the years 2006 and 2007.
2. Capitol Waste Services Inc., for residential collection of solid waste. The Town's contract with Capitol Waste Services Inc., expired in June of 2006.

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)

DONATIONS

During the calendar years 2006 and 2007, and for the period January 1, 2008 to June 30, 2008, the Town made the following donations:

Donation made to:	2006	2007	January 1, 2008 to June 30, 2008
South Harrison Community Development Corporation	\$ 100	\$ 100	\$ -
Family Health Center of Harrison County	1,000	-	-
Elizabeth Volunteer Fire Department	-	-	5,000
Totals	<u>\$ 1,100</u>	<u>\$ 100</u>	<u>\$ 5,000</u>

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES AND INTEREST

Penalties and interest totaling \$100 and \$110 were paid to the Indiana Department of Revenue on April 1, 2007, for failure to timely remit payroll withholdings for the periods ending December 31, 2004 and December 31, 2006, respectively.

During 2007, the Indiana Department of Revenue performed an audit of the Water Utility's monthly sales tax returns and utility receipts tax returns for the periods ending December 31, 2004 through 2006. Additionally an audit was performed on the Utility's gross income tax return for 1999. The results of their findings are as follows:

Sales Tax

During 2005 and 2006, the Utility had calculated and incorrectly reduced their monthly sales tax payments by taking a collection allowance. Public Utilities are not entitled to the collection allowance. As a result, the Utility had underpaid sales tax in the amount of \$319.98

TOWN OF ELIZABETH
EXAMINATION RESULTS AND COMMENTS
(Continued)

and \$307.94 for 2005 and 2006, respectively. Additionally, the Utility was assessed penalty and interest of \$51.81 and \$37.29, for the liability periods ending December 31, 2005 and 2006, respectively.

The Utility paid the outstanding sales tax due of \$627.92 and the penalty and interest assessed of \$89.10 on May 10, 2007.

Utility Receipts Tax

For the liability periods ending December 31, 2004 and 2005, the Utility had incorrectly calculated the amount of utility receipts tax due. The audit determined that the Utility failed to report all receipts subject to the utility receipts tax in 2004 and 2005. Additionally, it was determined that in 2004 the Utility had claimed a deduction under the Mobile Telecommunication Act when in fact the Utility had no such receipts. The Utility was found to have properly submitted quarterly remittance payments during the period reviewed. After allowing credit for the quarterly payments remitted, it was determined that the Utility still owed \$188.04 and \$501.28, in utility receipts tax for the periods ending December 31, 2004 and 2005, respectively. Additionally, the Utility was assessed penalty and interest of \$64.73 and \$79.08 for 2004 and 2005, respectively.

The Utility paid the outstanding utility receipts tax due of \$589.32 and the penalty and interest assessed of \$143.81 on August 10, 2007.

Gross Income Tax

The Utility failed to file their annual gross income tax return for the period ending December 31, 1999. The Utility was found to have properly submitted quarterly remittance payments during 1999. After allowing credit for the quarterly payments remitted, it was determined that the Utility still owed \$59.27 in gross income tax. Additionally, the Utility was assessed penalty and interest of \$29.90.

The Utility paid the outstanding gross income tax due of \$59.27 and the penalty and interest assessed of \$29.90 on June 1, 2007.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The former Clerk-Treasurer, Hugh Burns, has been requested to reimburse the Water Utility Operating Fund \$472.81 for the penalty and interest charges paid by the Utility. (See Summary, page 19)

TOWN OF ELIZABETH
EXAMINATION RESULTS AND COMMENTS
(Continued)

MILEAGE REIMBURSEMENT

In addition to being employed by the Town, the former Clerk-Treasurer, Hugh Burns, also held a position with an outside employer. His position with the outside employer often entailed extended out of town travel. A review of mileage reimbursement claims showed that Mr. Burns was reimbursed on several occasions for miles driven from his out of town work location with his other employer to Elizabeth and for mileage driven to return back to his out of town work location. The following instances were noted:

- (1) On February 7, 2007, Mr. Burns was reimbursed \$23.40 from the Town General Fund for mileage driven on December 3, 2005, from Louisville, KY to Elizabeth and return. The nature of the business on the claim stated it was to "open building."
- (2) On March 1, 2007, Mr. Burns was reimbursed \$187.20 from the Water Operating Fund for mileage driven on January 17th and 18th from Bowling Green, KY to Elizabeth and return. The nature of the business on the claim stated it was to "fix material for council meeting" and "W-2's and checks."

Mr. Burns resides just several blocks from the Town Hall. Normally, travel to and from an officer's or employee's home and the governmental office in which he works would not be a reimbursable expense. Since Mr. Burns was out of town performing work for his other employer and not for the Town or Utility, it is unreasonable and excessive for him to be reimbursed for mileage driven to Elizabeth so that he could perform duties related to his position as Clerk-Treasurer. Additionally, mileage reimbursed to Mr. Burns to travel back to his worksite with his other employer is unrelated to his duties as Clerk-Treasurer and would be considered a personal expense.

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The former Clerk-Treasurer, Hugh Burns, has been requested to reimburse the Town General Fund \$23.40 and the Water Operating fund \$187.20. (See Summary, page 19)

PRIVATE PROPERTY

During 2007, the Town paid \$3,700 to Striegel Asphalt Co., Inc. for a portion of the cost to pave a parking lot owned by the South Harrison Community Development Corporation.

Generally, public funds may not be used to make improvements to property not owned by the governmental unit, unless permitted by statute, federal or state requirements, or safety concerns. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF ELIZABETH
EXAMINATION RESULTS AND COMMENTS
(Continued)

PROMOTIONAL EXPENSES

During 2007, the Town paid \$58.30 for funeral flowers from the General Fund and charged it to the appropriated line item "Capital Outlays." Officials considered this a promotional expense. Town Ordinance 1996-11, allows the Town to pay certain expenses incurred for promoting the best interest of the Town. The ordinance requires the Town to budget and appropriate funds from the General Fund for this purpose. During 2007, the Town did not appropriate funds from the General Fund for "promotional expenses."

The March 2004 Cities and Towns Bulletins states: "City and town councils are authorized to budget and appropriate funds from the general fund of the city or town, to pay the expenses of or to reimburse city officials or town officials as the case may be, for expenses incurred in promoting the best interest of the city or town. Such expenses may include, but not necessarily be limited to, rental of meeting places, meals, decorations, memorabilia, awards, expenses incurred in promoting industrial, commercial, and residential development, expenses incurred in developing relations with other units of government and any other expenses of a civic or governmental nature deemed by the mayor or the town council to be in the interest of the city or town." Each city and town should establish, by ordinance, the parameters for such appropriations and expenditures. Such ordinance should list the specific types of promotional expenses which can be paid from moneys appropriated for such purposes.

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)

Disbursements should be paid from properly appropriated line items. (Accounting and Uniform Guidelines Manual for Cities and Towns, Chapter 7)

CEMETERY PERPETUAL CARE FUND

The Town has an ordinance that requires 50% of the proceeds received from the sale of cemetery graves to be transferred to a Cemetery Perpetual Care Fund. The Town did not maintain a Cemetery Perpetual Care Fund during the examination period. All proceeds received from the sale of cemetery graves were retained in the Town's Cemetery Fund.

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)

SALARY ORDINANCE FOR ELECTED OFFICIALS

The salaries for the Town Council members and for the Clerk-Treasurer were not included on any salary ordinance presented for examination.

Compensation of all town officers and employees shall be fixed by an ordinance of the town council. We recommend a salary ordinance for officials and employees for the next succeeding year should be enacted by the town council annually on or before July 1 of each year and made a part of the minutes of the town council. This action is recommended in order for town officials to have such information available prior to making out the annual budget for the next year's costs of operation. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF ELIZABETH
EXAMINATION RESULTS AND COMMENTS
(Continued)

PRORATION OF SALARIES

All payroll expenditures are made from the Water Utility throughout the year. At the end of the each year, transfers are generally made to reimburse the Water Utility for salaries that are the responsibility of the Town. Salary ordinances for 2006 and 2007 stated that \$10,000 of the salaries paid to the Town Council, Clerk-Treasurer and for mowing the cemetery were to be attributed to the Town. The Town reimbursed the Water Utility \$10,000 for salaries in both 2006 and 2007. A review of the payroll records showed that the actual salaries attributed to the Town and paid by the Utility were \$20,396 and \$18,479 for 2006 and 2007, respectively.

The officials should institute controls so that salaries are properly allocated between the Water Utility and Town operations. The Water Utility should only be charged for salaries associated with the Utility. All salaries that are not attributed to the Utility should be reimbursed by the Town.

Payments or transfers which are not authorized by statute, ordinance, resolution, or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ADDITIONAL COMPENSATION FOR CLERK-TREASURER

As reported in prior Report B28556, the former Clerk-Treasurer, Hugh Burns, was requested to repay \$1,800 in salary overpayments. The salary overpayments were a result of the salary for the Clerk-Treasurer being improperly increased during the years 2004 and 2005. Mr. Burns reimbursed the Town General Fund on October 22, 2006, for the overpayments.

At the next monthly meeting of the Town Council, held on November 18, 2006, Mr. Burns submitted a conflict of interest statement on his behalf to allow him to receive \$1,800 for repair of a pressure reducing station on Happy Hollow Road. The conflict of interest statement noted that the statement was submitted as a "single transaction" disclosure for work done in August and September, 2006. The conflict of interest statement was approved by the Town Council and the "effective date" on the statement was listed as November 18, 2006. Minutes of the meeting did not contain information on how the payment amount was determined, and according to the information provided on the conflict of interest statement, the work had already been performed. Conflict of interest statements are required to be submitted to the governmental entity prior to final action on the contract or purchase. Additionally, conflict of interest statements are to be filed within 15 days with the State Board of Accounts and the Clerk of the Circuit Court in the county in which the government takes final action. The conflict of interest statement was not filed with the Clerk of the Circuit Court or the State Board of Accounts until February 17, 2007 and June 18, 2008, respectively.

On April 2, 2007, six months after the work was reported to have been performed, a vendor check was issued to Mr. Burns in the amount of \$1,800. The only documentation attached to the claim was a copy of the conflict of interest statement previously mentioned. There was no contract or other supporting documentation presented for review.

According to the last approved salary ordinance, adopted on June 18, 2005, the salary of the Clerk-Treasurer is to be \$9,600. The salary ordinance did not provide for any additional compensation for the Clerk-Treasurer. Payroll records presented for review show that in 2006, Mr. Burns did receive his approved salary of \$9,600. Without supporting documentation and a properly approved and filed conflict of interest statement, the validity of the payment made to Mr. Burns could not be determined. As a result, the total compensation received by Mr. Burns for 2006, was \$1,800 more than what was authorized by the approved salary ordinance.

TOWN OF ELIZABETH
EXAMINATION RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 36-5-3-2(c) states: "The compensation of an elected town officer may not be changed in the year for which it is fixed, nor may it be reduced below the amount fixed for the previous year."

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."

The former Clerk-Treasurer, Hugh Burns, has been requested to repay \$1,800 in salary overpayment to the Water Operating Fund. (See Summary, page 19)

TOWN OF ELIZABETH
EXAMINATION RESULTS AND COMMENTS
(Continued)

COMPENSATION AND BENEFITS

During 2006, the Water Utility purchased turkeys as Thanksgiving gifts for all employees. During 2007, the Water Utility purchased \$30 grocery gift cards as Thanksgiving gifts for all employees. The total cost of these gifts for the two years was \$221.72. The salary ordinances for the two years did not include provisions for this compensation. Additionally, the values of the gifts were not included as compensation on the employees' W-2's.

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)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

During 2007, the former Clerk-Treasurer, Hugh Burns, received \$1,800 in compensation that was not included on his Federal W-2, Wage and Tax Statement, or on a separate Federal Form 1099-MISC, Miscellaneous Income Statement.

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)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RETIREMENT PLAN

On January 25, 2001, the Town of Elizabeth established and maintained a Savings Incentive Match Plan (Simple) IRA to provide retirement benefits for employees of the Town and Water Utility. During the examination period, four Water Utility employees participated in the retirement plan.

Indiana Code 5-10.2-2-1 states in part: "(d) The benefits specified in this article and the benefits from the Social Security Act provide the retirement, disability, and survivor benefits for public employees and teachers. However, this article does not prohibit a political subdivision from establishing and providing before January 1, 1995, and continuing to provide after January 1, 1995, retirement, disability, and survivor benefits for the public employees of the political subdivision independent of this article if the political subdivision took action before January 1, 1995, and was not a participant in the public employees' retirement fund on January 1, 1995, under this article of IC 5-10.3."

TOWN OF ELIZABETH
EXIT CONFERENCE

The contents of this report were discussed on July 23, 2008, with Adrian Hall, Clerk-Treasurer; Christopher Fetz, President of the Town Council; and Hugh Burns, former Clerk-Treasurer. The officials concurred with our findings.

TOWN OF ELIZABETH
SUMMARY

	Charges	Credits	Balance Due
Hugh Burns, former Clerk-Treasurer:			
Penalties and Interest, pages 11 and 12	\$ 472.81	\$	\$
Paid by Hugh Burns, former Clerk-Treasurer, Receipt 6793, deposited on July 23, 2008		472.81	-
Mileage Reimbursement, page 13	210.60		
Paid by Hugh Burns, former Clerk-Treasurer, Receipt 6793, deposited on July 23, 2008		210.60	-
Additional Compensation for Clerk-Treasurer, pages 15 and 16	1,800.00		
Paid by Hugh Burns, former Clerk-Treasurer, Receipt 6793, deposited on July 23, 2008		1,800.00	-
Totals	\$ 2,483.41	\$ 2,483.41	\$ -