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

EXAMINATION REPORT
OF
TOWN OF ELIZABETH
HARRISON COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
07/22/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Adrian Hall	01-01-08 to 12-31-11
President of the Town Council	Christopher Fetz Alan Worrall	01-01-08 to 03-31-09 04-01-09 to 12-31-10
Superintendent of Water Utility	Terry L. Miller	01-01-08 to 12-31-10



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, 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 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

June 10, 2010

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, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 6,096	\$ 10,433	\$ 26,385	\$ (9,856)
Motor Vehicle Highway	22,026	3,864	2,710	23,180
Local Road and Street	16,440	1,563	813	17,190
Cemetery	19,947	6,450	10,244	16,153
Riverboat	168,995	37,163	3,099	203,059
Cumulative Capital Improvement	5,296	512	-	5,808
EDIT	7,744	1,041	-	8,785
Proprietary Funds:				
Water Utility - Operating	592,243	1,105,090	647,371	1,049,962
Water Utility - Bond and Interest	314,071	69,263	400,556	(17,222)
Water Utility - Debt Service Reserve	107,000	34,000	-	141,000
Water Utility - Customer Deposit	45,075	9,034	4,459	49,650
Water Utility - Improvement	67,795	709	11	68,493
Totals	<u>\$ 1,372,728</u>	<u>\$ 1,279,122</u>	<u>\$ 1,095,648</u>	<u>\$ 1,556,202</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ (9,856)	\$ 25,213	\$ 19,875	\$ (4,518)
Motor Vehicle Highway	23,180	3,872	2,688	24,364
Local Road and Street	17,190	1,481	3,715	14,956
Cemetery	16,153	7,630	604	23,179
Riverboat	203,059	60,187	10,635	252,611
Cumulative Capital Improvement	5,808	-	-	5,808
EDIT	8,785	1,991	-	10,776
Proprietary Funds:				
Water Utility - Operating	1,049,962	814,430	756,091	1,108,301
Water Utility - Bond and Interest	(17,222)	141,060	141,038	(17,200)
Water Utility - Debt Service Reserve	141,000	-	-	141,000
Water Utility - Customer Deposit	49,650	10,695	5,995	54,350
Water Utility - Improvement	68,493	92	67	68,518
Totals	<u>\$ 1,556,202</u>	<u>\$ 1,066,651</u>	<u>\$ 940,708</u>	<u>\$ 1,682,145</u>

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 to the Town. The Town in effect decreased its aggregate debt service payments by \$65,295 over the next fourteen 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, 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>
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, 2009

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:		
2008 Waterworks refunding revenue bonds	<u>\$ 1,285,000</u>	<u>\$ 138,403</u>

TOWN OF ELIZABETH
EXAMINATION RESULTS AND COMMENTS

COLLECTIONS NOT DEPOSITED

During the examination period, several instances were identified where cash receipts for room rental fees and the sale of cemetery graves in the amount of \$520 were not receipted to the records and could not be traced to a bank deposit.

IC 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

Adrian Hall, Clerk Treasurer, has been requested to reimburse the Town \$520 for the collections not deposited. (See Summary, page 16)

MILEAGE REIMBURSEMENT

On September 5, 2009, a mileage claim was submitted by the Clerk-Treasurer for reimbursement. The mileage claim was blank; however, a warrant in the amount of \$134.52 was issued for the claim. Although this claim appears to be for legitimate business travel, another claim for the same amount was submitted by the Clerk-Treasurer and reimbursed by the Town on September 10, 2009, for a trip to Daleville, Indiana. The Clerk-Treasurer stated that the second trip was to pick up personal items accidentally left behind on the previous trip.

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)

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)

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)

Adrian Hall, Clerk-Treasurer, has been requested to reimburse the Town \$134.52 for the second mileage reimbursement. (See Summary, page 16)

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping of the Town financial records were noted during the period of examination:

Annual Financial Report

The annual financial reports for the years 2008 and 2009 were not presented for examination.

TOWN OF ELIZABETH
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 5-11-1-4 states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

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)

Bank Reconciliations

Depository reconciliations of the fund balances to the bank account balances were incorrect and not being performed in a timely manner for Town accounts during the examination period.

IC 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."

At all times, the manual and/or 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)

Timely Recordkeeping

Monthly financial reports and bank reconciliations for the year 2009 were not completed for the Town funds until March 26, 2010. In addition, instances were noted in which Auditor of State distributions were not receipted into the records of the Town of Elizabeth. Instances were also noted in which Auditor of State distributions and local tax distributions were not posted to the proper funds.

The Town paid a software vendor \$1,370.99 on April 6, 2010, for onsite training on March 26, 2010, which consisted of posting receipts, running monthly reports, and performing monthly reconciliations.

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)

OVERDRAWN CASH BALANCES

The cash balance of the General Fund was overdrawn by \$9,856 at December 31, 2008, and \$4,518 at December 31, 2009. The cash balance of the Water Utility Bond and Interest Fund was overdrawn by \$17,222 at December 31, 2008, and \$17,200 at December 31, 2009.

TOWN OF ELIZABETH
EXAMINATION RESULTS AND COMMENTS
(Continued)

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PRORATION OF SALARIES

All payroll expenditures are made from the Water Utility throughout the year. At the end of each year, transfers are generally made to reimburse the Water Utility for salaries that are the responsibility of the Town. During 2008, the Water Utility was partially reimbursed for payroll expenditures that were the Town's responsibility. During 2009, no reimbursements were made by the Town to the Water Utility for payroll expenditures.

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)

SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Payments were made to several different vendors during the examination period for the mowing and weed eating of Rose Hill Cemetery. Contracts for each of the vendors were not made available for review.

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)

USE OF TOWN/UTILITY EQUIPMENT

Information provided during the examination indicates that Town/Utility equipment was used to remove snow from the parking lots of several local businesses after snow storms. This service was provided without approval by the Town Council.

Assets of the governmental unit may not be used in a manner unrelated to the functions and purposes of the governmental unit.

Whenever an item or other asset owned by the political subdivision is entrusted to an officer or employee, to be used at times outside the normal work time for business purposes, such as a cellular phone, or vehicle, a log should be maintained which clearly shows the business use. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF ELIZABETH
EXAMINATION RESULTS AND COMMENTS
(Continued)

RECORDS OF HOURS WORKED

The current Clerk-Treasurer is also employed by the Town as a full-time hourly Water Utility employee. This was a position that he held prior to being elected as Clerk-Treasurer and taking office on January 1, 2008. Normal Water Utility working hours are from 7:30am to 4:00pm with an unpaid lunch break from 11:30am to 12:00pm, except on Wednesdays when the office is only open a half day. Although time records indicate that Clerk-Treasurer duties were performed prior to 7:30am, during the lunch break, and after 4:00pm, additional information was presented during the examination which noted instances in which Clerk-Treasurer duties exceeded the thirty minute lunch break and no adjustment was made to the time records as a Water Utility employee. The Water Utility should only incur and pay expenses for hours worked which directly relate to Water Utility duties and the time records should directly correspond with those duties.

IC 5-11-9-4(b) states in part: ". . . records be maintained showing which hours were worked each day by officers and employees . . . employed . . . in more than one (1) position by the same public agency . . ."

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

ADVANCE PAYMENTS

Dates of transactions indicate that some payments were made to companies or individuals prior to the receipt of goods or services. Numerous instances were noted in which the Clerk-Treasurer, who also works as a Water Utility employee, had his payroll check clear the bank account of the Water Utility prior to the date of the check. Also, the Clerk-Treasurer received compensation for clerk-treasurer duties at the first of the month for which duties have not yet been performed.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties, interest and late fees were paid to various vendors during the examination period.

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)

TOWN OF ELIZABETH
EXAMINATION RESULTS AND COMMENTS
(Continued)

UTILITY RECEIPTS TAX

For the year 2008, the Water Utility made estimated quarterly payments of utility receipts taxes; however, the Water Utility did not file an annual tax return. During the year 2009, the Water Utility did not pay any utility receipts tax to the Indiana Department of Revenue.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

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)

DISTRIBUTION OF GROSS REVENUES TO THE VARIOUS FUNDS

Gross revenues were not being distributed to the various Water Utility funds in accordance with Revenue Bond Ordinance 2008W-1, which requires monthly transfers of the gross revenues of the Water Operating Fund to the Bond and Interest Fund so that sufficient amounts are available to pay bond principal and interest payments when they come due. As a result, the Bond and Interest Fund at December 31, 2009, was underfunded by \$17,200.

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 ELIZABETH
EXAMINATION RESULTS AND COMMENTS
(Continued)

UTILITY RATES

On May 17, 2008, the Town Council approved increasing customer deposits to \$100 and meter sets to \$600. On May 16, 2009, the Town Council approved charging \$0.50 per customer, if the customer did not turn in a meter reading and the bill had to be estimated. The rate ordinance was not amended to reflect these changes.

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)

OFFICIAL BOND

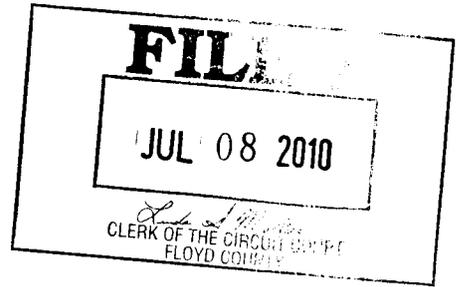
Adrian Hall, Clerk-Treasurer, has an official bond with Auto-Owners Insurance Company in the amount of \$15,000. The bond is for the term of January 1, 2008 to December 31, 2011.

TOWN OF ELIZABETH
EXIT CONFERENCE

The contents of this report were discussed on June 10, 2010, with Adrian Hall, Clerk-Treasurer; and Christopher Fetz, Member of the Town Council. The officials concurred with our findings.

TOWN OF ELIZABETH
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Adrian Hall, Clerk-Treasurer:			
Collections Not Deposited, Page 9	\$ 520.00	\$ -	\$ 520.00
Mileage Reimbursement, Page 9	<u>134.52</u>	<u>-</u>	<u>134.52</u>
Totals - Adrian Hall, Clerk-Treasurer	<u>\$ 654.52</u>	<u>\$ -</u>	<u>\$ 654.52</u>



AFFIDAVIT

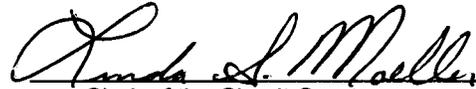
STATE OF INDIANA)
)
FLOYD COUNTY)

I, Jonathan Wineinger, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Elizabeth, Harrison County, Indiana, for the period from January 1, 2008, to December 31, 2009, is true and correct to the best of my knowledge and belief.



Field Examiner

Subscribed and sworn to before me this 8th day of July, 2010.



Clerk of the Circuit Court