

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

EXAMINATION REPORT
OF
TOWN OF HAZLETON
GIBSON COUNTY, INDIANA
January 1, 2009 to December 31, 2010



FILED
09/13/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Marcia D. Hall	01-01-08 to 12-31-11
President of the Town Council	Rebecca L. Sherman	01-01-09 to 10-03-09
	(Vacant)	10-04-09 to 10-11-09
	Clarence A. Cornwell	10-12-09 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF HAZLETON, GIBSON COUNTY, INDIANA

We have examined the financial statements of the Town of Hazleton (Town), for the period of January 1, 2009 to December 31, 2010. The Town's management is responsible for the financial statements. 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2009 and 2010, on the basis of accounting described in Note 1.

The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis for the year ended December 31, 2010, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the financial statements. It has not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on it. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis was not presented for the year ended 2009.

This report is intended solely for the information and use of the Town's management, Town Council, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 11, 2011

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FINANCIAL STATEMENTS

TOWN OF HAZLETON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
REGULATORY BASIS
For the Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
General	\$ 10,771	\$ 27,672	\$ 24,021	\$ 14,422
Motor Vehicle Highway	6,888	10,410	12,604	4,694
Local Road and Street	672	1,821	1,453	1,040
Rainy Day	590	191	-	781
Town Hall Building	55	-	-	55
Cumulative Capital Improvement	1,902	882	1,000	1,784
EDIT	5,263	4,961	2,623	7,601
FEMA Disaster Relief	303	6,707	5,593	1,417
Water Utility-Operating	20	55,079	45,624	9,475
Water Utility-Depreciation	32,509	-	20,710	11,799
Water Utility-Customer Deposit	2,920	320	120	3,120
Totals	<u>\$ 61,893</u>	<u>\$ 108,043</u>	<u>\$ 113,748</u>	<u>\$ 56,188</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF HAZLETON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 14,422	\$ 21,706	\$ 21,183	\$ 14,945
Motor Vehicle Highway	4,694	11,118	11,592	4,220
Local Road And Street	1,040	1,679	2,224	495
Rainy Day	781	242	-	1,023
Levy Excess	-	37	-	37
EDIT	7,601	2,902	-	10,503
FEMA Disaster Relief	1,417	-	1,000	417
Town Hall Building	55	-	-	55
Cumulative Capital Improvement	1,784	843	1,000	1,627
Water Utility-Operating	9,475	63,925	64,804	8,596
Water Utility-Depreciation	11,799	-	8,000	3,799
Water Utility-Customer Deposit	3,120	260	120	3,260
Totals	<u>\$ 56,188</u>	<u>\$ 102,712</u>	<u>\$ 109,923</u>	<u>\$ 48,977</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF HAZLETON
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statements presents the financial information for the Town (primary government), and does not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government).

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF HAZLETON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

TOWN OF HAZLETON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

TOWN OF HAZLETON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 4. *Deposits and Investments*

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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 5. *Risk Management*

The Town may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement and replacement items purchased.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Reports can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

TOWN OF HAZLETON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road And Street	Rainy Day	Levy Excess	EDIT	FEMA Disaster Relief
Cash and investments - beginning	\$ 14,422	\$ 4,694	\$ 1,040	\$ 781	\$ -	\$ 7,601	\$ 1,417
Receipts:							
Taxes	852	-	-	242	37	2,902	-
Intergovernmental	17,373	11,063	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	3,481	55	1,679	-	-	-	-
Total receipts	<u>21,706</u>	<u>11,118</u>	<u>1,679</u>	<u>242</u>	<u>37</u>	<u>2,902</u>	<u>-</u>
Disbursements:							
Personal services	9,713	870	-	-	-	-	-
Supplies	729	186	-	-	-	-	-
Other services and charges	10,741	10,536	2,224	-	-	-	1,000
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>21,183</u>	<u>11,592</u>	<u>2,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Excess (deficiency) of receipts over disbursements	<u>523</u>	<u>(474)</u>	<u>(545)</u>	<u>242</u>	<u>37</u>	<u>2,902</u>	<u>(1,000)</u>
Cash and investments - ending	<u>\$ 14,945</u>	<u>\$ 4,220</u>	<u>\$ 495</u>	<u>\$ 1,023</u>	<u>\$ 37</u>	<u>\$ 10,503</u>	<u>\$ 417</u>

TOWN OF HAZLETON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Town Hall Building	Cumulative Capital Improvement	Water Utility-Operating	Water Utility-Depreciation	Water Utility-Customer Deposit	Totals
Cash and investments - beginning	\$ 55	\$ 1,784	\$ 9,475	\$ 11,799	\$ 3,120	\$ 56,188
Receipts:						
Taxes	-	-	-	-	-	4,033
Intergovernmental	-	843	-	-	-	29,279
Utility fees	-	-	55,702	-	-	55,702
Penalties	-	-	1,539	-	-	1,539
Other receipts	-	-	6,684	-	260	12,159
Total receipts	-	843	63,925	-	260	102,712
Disbursements:						
Personal services	-	-	-	-	-	10,583
Supplies	-	-	-	-	-	915
Other services and charges	-	-	-	-	-	24,501
Capital outlay	-	-	1,060	-	-	1,060
Utility operating expenses	-	-	53,136	8,000	120	61,256
Other disbursements	-	1,000	10,608	-	-	11,608
Total disbursements	-	1,000	64,804	8,000	120	109,923
Excess (deficiency) of receipts over disbursements	-	(157)	(879)	(8,000)	140	(7,211)
Cash and investments - ending	\$ 55	\$ 1,627	\$ 8,596	\$ 3,799	\$ 3,260	\$ 48,977

TOWN OF HAZLETON
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT – (Applies to Town and Water Utility)

An annual report for 2009 was not presented for examination and the annual report for 2010 was filed late.

Indiana Code 5-3-1-3(a) states in part:

"Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

CAPITAL ASSET RECORDS – (Applies to Town and Water Utility)

As stated in the prior report, the Town does not maintain current capital asset records.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CERTIFIED REPORT NOT FILED – (Applies to Town and Water Utility)

The Town did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the years 2009 and 2010.

Indiana Code 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

TOWN OF HAZLETON
EXAMINATION RESULTS AND COMMENTS
(Continued)

ORDINANCES AND RESOLUTIONS – (Applies to Water Utility)

The Town has an ordinance concerning delinquent water bills and disconnection. However, the Town did not always disconnect delinquent customers in a timely manner, in accordance with the ordinance.

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)

ACCOUNTABLE ITEMS – (Applies to Water Utility)

We noted a loss of almost 58 percent in 2010 in the amount of water pumped by the Water Utility as compared to water consumption billed for that year.

Tickets, goods for sale, billings, and other collections are considered accountable items for which a corresponding deposit must be made in the bank accounts of the governmental unit.

The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payors. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICIAL BOND – (Applies to Town)

The official bond for the Clerk-Treasurer for the year 2009 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. . . ."

TOWN OF HAZLETON
EXIT CONFERENCE

The contents of this report were discussed on August 11, 2011, with Marcia D. Hall, Clerk-Treasurer, and Mike Ellis, Member of the Town Council. The officials concurred with our findings.