

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

TOWN OF EAST GERMANTOWN

WAYNE COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
01/02/2013

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Accountant's Report.....	3
Financial Statements:	
Statements of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	6-7
Notes to Financial Statements	8-11
Supplementary Information:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	14-17
Schedule of Leases and Debt	18
Schedule of Capital Assets.....	19
Examination Result and Comment:	
Condition of Records	20
Exit Conference.....	21

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sandy Tusing Jelyne Ashcraft	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Town Council	Brian Fisher	01-01-10 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF EAST GERMANTOWN, WAYNE COUNTY, INDIANA

We have examined the accompanying financial statements of the Town of East Germantown (Town), for the years ended December 31, 2010 and 2011. The financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on the financial statements 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.

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, 2010 and 2011, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the Town's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town's management, Town Council, and others within the entity 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

November 7, 2012

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FINANCIAL STATEMENTS

The financial statements and accompanying notes were approved by management of the Town. The financial statements and notes are presented as intended by the Town.

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

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 4,806	\$ 38,491	\$ 26,973	\$ 16,324
Motor Vehicle Highway	13,643	6,548	10,234	9,957
Local Road And Street	14,451	2,208	9,307	7,352
Riverboat	9,171	1,521	-	10,692
Rainy Day	154	927	-	1,081
Levy Excess	135	35	-	170
Cumulative Capital Development	2,577	-	2,000	577
Christmas Donation	25	-	-	25
County Economic Development Income Tax	85,112	5,204	22,729	67,587
Cumulative Capital Improvement	21,652	711	15,000	7,363
Payroll	1,101	14,387	13,900	1,588
Wastewater Utility Operating	91,045	83,066	83,188	90,923
Totals	<u>\$ 243,872</u>	<u>\$ 153,098</u>	<u>\$ 183,331</u>	<u>\$ 213,639</u>

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

TOWN OF EAST GERMANTOWN
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 16,324	\$ 18,979	\$ 27,314	\$ 7,989
Motor Vehicle Highway	9,957	6,612	6,720	9,849
Local Road And Street	7,352	2,128	3,349	6,131
Riverboat	10,692	1,521	-	12,213
Rainy Day	1,081	-	-	1,081
Levy Excess	170	-	-	170
Cumulative Capital Development	577	-	-	577
Christmas Donation	25	-	-	25
County Economic Development Income Tax	67,587	4,056	6,204	65,439
Cumulative Capital Improvement	7,363	698	-	8,061
Payroll	1,588	14,964	14,977	1,575
Wastewater Utility Operating	90,923	93,370	69,964	114,329
Totals	<u>\$ 213,639</u>	<u>\$ 142,328</u>	<u>\$ 128,528</u>	<u>\$ 227,439</u>

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

TOWN OF EAST GERMANTOWN
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, culture and recreation, public improvements, planning and zoning, general administrative services, wastewater utility, and trash collection.

The accompanying financial statements present the financial information for the Town.

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 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, 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: building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

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

TOWN OF EAST GERMANTOWN
NOTES TO FINANCIAL STATEMENTS
(Continued)

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: 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, 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.

Penalties which include fees received for late payments.

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 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.

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

TOWN OF EAST GERMANTOWN
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 EAST GERMANTOWN
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.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 2010 Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the Town's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Town which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was approved by management of the Town. It is presented as intended by the Town.

TOWN OF EAST GERMANTOWN
 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	Riverboat	Rainy Day	Levy Excess	Cumulative Capital Development
Cash and investments - beginning	\$ 4,806	\$ 13,643	\$ 14,451	\$ 9,171	\$ 154	\$ 135	\$ 2,577
Receipts:							
Taxes	10,073	-	-	-	-	-	-
Intergovernmental	4,939	6,548	2,208	1,521	927	-	-
Charges for services	110	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	23,369	-	-	-	-	35	-
Total receipts	<u>38,491</u>	<u>6,548</u>	<u>2,208</u>	<u>1,521</u>	<u>927</u>	<u>35</u>	<u>-</u>
Disbursements:							
Personal services	9,936	-	-	-	-	-	-
Supplies	317	-	1,324	-	-	-	-
Other services and charges	16,720	10,234	7,983	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	2,000
Total disbursements	<u>26,973</u>	<u>10,234</u>	<u>9,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
Excess (deficiency) of receipts over disbursements	<u>11,518</u>	<u>(3,686)</u>	<u>(7,099)</u>	<u>1,521</u>	<u>927</u>	<u>35</u>	<u>(2,000)</u>
Cash and investments - ending	<u>\$ 16,324</u>	<u>\$ 9,957</u>	<u>\$ 7,352</u>	<u>\$ 10,692</u>	<u>\$ 1,081</u>	<u>\$ 170</u>	<u>\$ 577</u>

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

	Christmas Donation	County Economic Development Income Tax	Cumulative Capital Improvement	Payroll	Wastewater Utility Operating	Totals
Cash and investments - beginning	\$ 25	\$ 85,112	\$ 21,652	\$ 1,101	\$ 91,045	\$ 243,872
Receipts:						
Taxes	-	-	-	-	-	10,073
Intergovernmental	-	4,687	711	-	-	21,541
Charges for services	-	-	-	-	-	110
Utility fees	-	-	-	-	82,498	82,498
Other receipts	-	517	-	14,387	568	38,876
Total receipts	-	5,204	711	14,387	83,066	153,098
Disbursements:						
Personal services	-	-	-	-	-	9,936
Supplies	-	-	-	-	-	1,641
Other services and charges	-	-	-	-	-	34,937
Debt service - principal and interest	-	-	-	-	35,958	35,958
Capital outlay	-	22,729	-	-	-	22,729
Utility operating expenses	-	-	-	-	42,051	42,051
Other disbursements	-	-	15,000	13,900	5,179	36,079
Total disbursements	-	22,729	15,000	13,900	83,188	183,331
Excess (deficiency) of receipts over disbursements	-	(17,525)	(14,289)	487	(122)	(30,233)
Cash and investments - ending	\$ 25	\$ 67,587	\$ 7,363	\$ 1,588	\$ 90,923	\$ 213,639

TOWN OF EAST GERMANTOWN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Local Road And Street	Riverboat	Rainy Day	Levy Excess	Cumulative Capital Development
Cash and investments - beginning	\$ 16,324	\$ 9,957	\$ 7,352	\$ 10,692	\$ 1,081	\$ 170	\$ 577
Receipts:							
Taxes	12,552	-	-	-	-	-	-
Licenses and permits	340	-	-	-	-	-	-
Intergovernmental	2,942	6,612	2,128	1,521	-	-	-
Charges for services	1,282	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,863	-	-	-	-	-	-
Total receipts	<u>18,979</u>	<u>6,612</u>	<u>2,128</u>	<u>1,521</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	11,089	-	-	-	-	-	-
Supplies	3,257	-	-	-	-	-	-
Other services and charges	12,968	6,720	3,349	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>27,314</u>	<u>6,720</u>	<u>3,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(8,335)</u>	<u>(108)</u>	<u>(1,221)</u>	<u>1,521</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 7,989</u>	<u>\$ 9,849</u>	<u>\$ 6,131</u>	<u>\$ 12,213</u>	<u>\$ 1,081</u>	<u>\$ 170</u>	<u>\$ 577</u>

TOWN OF EAST GERMANTOWN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Christmas Donation	County Economic Development Income Tax	Cumulative Capital Improvement	Payroll	Wastewater Utility Operating	Totals
Cash and investments - beginning	\$ 25	\$ 67,587	\$ 7,363	\$ 1,588	\$ 90,923	\$ 213,639
Receipts:						
Taxes	-	-	-	-	-	12,552
Licenses and permits	-	-	-	-	-	340
Intergovernmental	-	4,056	698	-	-	17,957
Charges for services	-	-	-	-	-	1,282
Utility fees	-	-	-	-	92,895	92,895
Other receipts	-	-	-	14,964	475	17,302
Total receipts	-	4,056	698	14,964	93,370	142,328
Disbursements:						
Personal services	-	-	-	-	3,875	14,964
Supplies	-	1,360	-	-	-	4,617
Other services and charges	-	-	-	-	-	23,037
Debt service - principal and interest	-	-	-	-	36,620	36,620
Capital outlay	-	4,844	-	-	-	4,844
Utility operating expenses	-	-	-	-	29,469	29,469
Other disbursements	-	-	-	14,977	-	14,977
Total disbursements	-	6,204	-	14,977	69,964	128,528
Excess (deficiency) of receipts over disbursements	-	(2,148)	698	(13)	23,406	13,800
Cash and investments - ending	\$ 25	\$ 65,439	\$ 8,061	\$ 1,575	\$ 114,329	\$ 227,439

TOWN OF EAST GERMANTOWN
 SCHEDULE OF LEASES AND DEBT
 December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater:			
Revenue bonds	Sewage Works Revenue Bonds Series A	\$ 287,000	\$ 16,845
Revenue bonds	Sewage Works Revenue Bonds Series B	<u>345,000</u>	<u>19,435</u>
Total Wastewater		<u>632,000</u>	<u>36,280</u>
Totals		<u>\$ 632,000</u>	<u>\$ 36,280</u>

TOWN OF EAST GERMANTOWN
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2011

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:	
Land	\$ <u>5,000</u>
Wastewater:	
Buildings	74,924
Improvements other than buildings	1,896,126
Machinery, equipment and vehicles	<u>228,728</u>
Total Wastewater	<u>2,199,778</u>
Total capital assets	<u>\$ 2,204,778</u>

TOWN OF EAST GERMANTOWN
EXAMINATION RESULT AND COMMENT

CONDITION OF RECORDS

We noted the following deficiencies relating to the recordkeeping during our examination:

1. Record balances were not reconciled to depository balances at the end of the two year period.

Indiana Code 5-13-6-1(e) states in part: "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."

2. There were several posting errors. These errors included checks and receipts not recorded in the proper amounts.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF EAST GERMANTOWN
EXIT CONFERENCE

The contents of this report were discussed on November 7, 2012, with Jelyne Ashcraft, Clerk-Treasurer, and Brian Fisher, President of the Town Council. The officials concurred with our finding.