

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

TOWN OF BETHANY

MORGAN COUNTY, INDIANA

January 1, 2010 to December 31, 2012



**FILED**  
10/01/2013



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Melody Schubert	01-01-10 to 12-31-13
President of the Town Council	Charles Worley	01-01-10 to 12-31-11
	Joe Farrand	01-01-12 to 06-05-12
	(Vacant)	06-06-12 to 08-26-12
	Shirley Radar	08-27-12 to 12-31-13



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF BETHANY, MORGAN COUNTY, INDIANA

We were engaged to examine the accompanying financial statements of the Town of Bethany (Town), for the period of January 1, 2010 to December 31, 2012. The financial statements are the responsibility of the Town's management.

The Town did not properly maintain accounting records. Accounting records presented for examination were incomplete and not reflective of the activity of the Town or Wastewater Utility for the years 2010, 2011, and 2012. Due to the incomplete records, the ledger was abstracted to arrive at numbers that were reflective of the activity of the Town and Wastewater Utility. During the abstract, there were additional postings errors found in which transactions were double posted or posted incorrectly. Audit adjustments were given to the Town to correct the posting errors found and adjustments were approved and are reflected within the financial statements presented; however, the adjusted ending cash balances could not be verified. The Town's records do not permit the application of other examination procedures to ascertain if the financial statements are fairly stated.

Since the Town did not properly maintain accounting records and we were not able to apply other examination procedures to satisfy ourselves as to whether the financial statements are fairly stated, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these financial statements.

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 Payables and Receivables, 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 and, accordingly, we express no opinion on them.

A handwritten signature in black ink, appearing to read "Bruce Hartman".

Bruce Hartman  
State Examiner

September 3, 2013

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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 BETHANY  
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	\$ 5,600	\$ 31,432	\$ 13,983	\$ 23,049
EDIT	(3,913)	3,930	5,271	(5,254)
Pub Safety	1,031	1,255	1,652	634
MVH	18,585	7,132	6,282	19,435
LRS	2,974	1,016	1,554	2,436
Rainy Day	1,209	1,821	-	3,030
CCI	289	279	-	568
Bethany Utilities	5,091	8,151	7,546	5,696
Waste Water Bond Fund	447	1	-	448
Totals	<u>\$ 31,313</u>	<u>\$ 55,017</u>	<u>\$ 36,288</u>	<u>\$ 50,042</u>

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

TOWN OF BETHANY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Years Ended December 31, 2011 And 2012

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 23,049	\$ 10,347	\$ 32,524	\$ 872	\$ 13,885	\$ 13,840	\$ 917
MVH	19,435	4,131	3,175	20,391	2,814	9,659	13,546
LRS	2,436	987	941	2,482	1,585	866	3,201
Rainy Day	3,030	864	894	3,000	71	1,439	1,632
CCI	568	431	-	999	215	-	1,214
EDIT	(5,254)	5,348	400	(306)	4,876	-	4,570
Public Safety	634	1,167	1,650	151	2,621	1,679	1,093
Bethany Utilities	6,144	11,663	10,800	7,007	10,163	7,970	9,200
Totals	<u>\$ 50,042</u>	<u>\$ 34,938</u>	<u>\$ 50,384</u>	<u>\$ 34,596</u>	<u>\$ 36,230</u>	<u>\$ 35,453</u>	<u>\$ 35,373</u>

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

TOWN OF BETHANY  
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 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 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, 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.

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

TOWN OF BETHANY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

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 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.

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.

TOWN OF BETHANY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**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.

**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.

TOWN OF BETHANY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**Note 6. Combined Funds**

Funds related to utilities were reported individually in the prior financial statements but were combined into one fund for the current financial statements.

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## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Reports for years prior to 2011 can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

For additional financial information, the Town's Annual Report information for years 2011 and later 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 BETHANY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	General	EDIT	Pub Safety	MVH	LRS	Rainy Day	CCI	Bethany Utilities	Waste Water Bond Fund	Totals
Cash and investments - beginning	\$ 5,600	\$ (3,913)	\$ 1,031	\$ 18,585	\$ 2,974	\$ 1,209	\$ 289	\$ 5,091	\$ 447	\$ 31,313
Receipts:										
Other receipts	31,432	3,930	1,255	7,132	1,016	1,821	279	8,151	1	55,017
Total receipts	31,432	3,930	1,255	7,132	1,016	1,821	279	8,151	1	55,017
Disbursements:										
Personal services	6,510	-	-	-	-	-	-	-	-	6,510
Supplies	945	71	-	431	136	-	-	-	-	1,583
Other services and charges	6,528	5,200	1,652	5,851	1,418	-	-	-	-	20,649
Utility operating expenses	-	-	-	-	-	-	-	7,546	-	7,546
Other disbursements	-	-	-	-	-	-	-	-	-	-
Total disbursements	13,983	5,271	1,652	6,282	1,554	-	-	7,546	-	36,288
Excess (deficiency) of receipts over disbursements	17,449	(1,341)	(397)	850	(538)	1,821	279	605	1	18,729
Cash and investments - ending	\$ 23,049	\$ (5,254)	\$ 634	\$ 19,435	\$ 2,436	\$ 3,030	\$ 568	\$ 5,696	\$ 448	\$ 50,042

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

	General	MVH	LRS	Rainy Day	CCI	EDIT	Public Safety	Bethany Utilities	Totals
Cash and investments - beginning	\$ 23,049	\$ 19,435	\$ 2,436	\$ 3,030	\$ 568	\$ (5,254)	\$ 634	\$ 6,144	\$ 50,042
Receipts:									
Taxes	-	-	86	-	-	-	93	-	179
Intergovernmental	277	4,131	901	-	-	-	-	-	5,309
Charges for services	-	-	-	-	-	-	-	545	545
Other receipts	10,070	-	-	864	431	5,348	1,074	11,118	28,905
Total receipts	10,347	4,131	987	864	431	5,348	1,167	11,663	34,938
Disbursements:									
Personal services	886	386	941	-	-	-	1,650	-	3,863
Supplies	276	-	-	-	-	-	-	-	276
Other services and charges	706	140	-	894	-	-	-	532	2,272
Other disbursements	30,656	2,649	-	-	-	400	-	10,268	43,973
Total disbursements	32,524	3,175	941	894	-	400	1,650	10,800	50,384
Excess (deficiency) of receipts over disbursements	(22,177)	956	46	(30)	431	4,948	(483)	863	(15,446)
Cash and investments - ending	\$ 872	\$ 20,391	\$ 2,482	\$ 3,000	\$ 999	\$ (306)	\$ 151	\$ 7,007	\$ 34,596

TOWN OF BETHANY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012

	General	MVH	LRS	Rainy Day	CCI	EDIT	Public Safety	Bethany Utilities	Totals
Cash and investments - beginning	\$ 872	\$ 20,391	\$ 2,482	\$ 3,000	\$ 999	\$ (306)	\$ 151	\$ 7,007	\$ 34,596
Receipts:									
Intergovernmental	7,120	2,216	490	-	114	1,542	614	-	12,096
Charges for services	-	-	-	-	-	-	-	4,974	4,974
Other receipts	6,765	598	1,095	71	101	3,334	2,007	5,189	19,160
Total receipts	<u>13,885</u>	<u>2,814</u>	<u>1,585</u>	<u>71</u>	<u>215</u>	<u>4,876</u>	<u>2,621</u>	<u>10,163</u>	<u>36,230</u>
Disbursements:									
Personal services	3,045	-	-	-	-	-	1,679	-	4,724
Supplies	997	-	-	-	-	-	-	-	997
Other services and charges	1,584	-	-	-	-	-	-	7,970	9,554
Other disbursements	8,214	9,659	866	1,439	-	-	-	-	20,178
Total disbursements	<u>13,840</u>	<u>9,659</u>	<u>866</u>	<u>1,439</u>	<u>-</u>	<u>-</u>	<u>1,679</u>	<u>7,970</u>	<u>35,453</u>
Excess (deficiency) of receipts over disbursements	<u>45</u>	<u>(6,845)</u>	<u>719</u>	<u>(1,368)</u>	<u>215</u>	<u>4,876</u>	<u>942</u>	<u>2,193</u>	<u>777</u>
Cash and investments - ending	<u>\$ 917</u>	<u>\$ 13,546</u>	<u>\$ 3,201</u>	<u>\$ 1,632</u>	<u>\$ 1,214</u>	<u>\$ 4,570</u>	<u>\$ 1,093</u>	<u>\$ 9,200</u>	<u>\$ 35,373</u>

TOWN OF BETHANY  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Bethany Utility Fund	\$ 3,511	\$ 4,974
Governmental activities	6,437	7,120
Totals	\$ 9,948	\$ 12,094

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TOWN OF BETHANY  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2012

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.

	Ending Balance
Governmental activities:	
Land	\$ 356,311
Infrastructure	356,311
Buildings	356,311
Total governmental activities	1,068,933
Bethany Utility Fund:	
Land	4,974
Total capital assets	\$ 1,073,907

TOWN OF BETHANY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**COMPENSATION AND BENEFITS**

No salary ordinance was provided for 2010 or 2011. The Town paid six employees during the examination year. The compensation and benefits paid to these employees totaled \$7,200 in 2010 and \$6,300 in 2011.

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)

**BUDGET**

For the years 2010 and 2011, the Town of Bethany did not properly appropriate its budget and therefore was not approved by the Department of Local Government Finance.

For the year 2012, the Town of Bethany did not properly advertise its budget and therefore was not approved by the Department of Local Government Finance.

Indiana Code 6-1.1-17-3 (a) states in part:

"The proper officers of a political subdivision shall formulate its estimated budget and its proposed tax rate and tax levy on the form prescribed by the department of local government finance and approved by the state board of accounts. The political subdivision or appropriate fiscal body, if the political subdivision is subject to section 20 of this chapter, shall give notice by publication to taxpayers of: (1) the estimated budget; (2) the estimated maximum permissible levy; (3) the current and proposed tax levies of each fund; and (4) the amounts of excessive levy appeals to be requested. The political subdivision or appropriate fiscal body shall also state the time and place at which the political subdivision or appropriate fiscal body will hold a public hearing on these items. The political subdivision or appropriate fiscal body shall publish the notice twice in accordance with IC 5-3-1 with the first publication at least ten (10) days before the date fixed for the public hearing. The first publication must be before September 14, and the second publication must be before September 21 of the year. The political subdivision shall pay for the publishing of the notice."

**ERRORS ON CLAIMS**

A test of claims identified the following deficiencies with an error rate greater than 10 percent:

1. Of the claims tested 16 percent did not have adequate supporting documentation. This error resulted in \$11,827.04 of expenditures which did not have adequate supporting documentation.

TOWN OF BETHANY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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."

**CONDITION OF RECORDS**

Financial records presented for examination were incomplete and not reflective of the activity of the Town or Wastewater Utility for the years 2010, 2011, and 2012. Due to the mathematical errors noted, the field examiner tried to abstract the ledger to arrive at numbers that were reflective of the activity of the Town and Wastewater Utility. During the abstract, there were additional postings found to be double posted or posted incorrectly. Errors found by the field examiner were given to the clerk-treasurer and adjustments were approved and are reflected within this report, however the adjusted ending cash balance could not be verified.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**ANNUAL REPORT**

The Annual Report for 2010, 2011, and 2012, contained a number of errors and did not properly reflect the financial activity of the Town of Bethany.

Indiana Code 5-11-1-4(a) 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 in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

TOWN OF BETHANY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

***BANK ACCOUNT RECONCILIATIONS***

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliation did not balance as of December 31, 2010, 2011, or 2012. The reconciliation was off by \$624, \$4,415, and \$1,686 respectively.

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."

TOWN OF BETHANY  
EXIT CONFERENCE

The contents of this report were discussed on September 3, 2013, with Melody Schubert, Clerk-Treasurer. The official concurred with our findings.