

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

EXAMINATION REPORT  
OF  
TOWN OF EDWARDSPORT  
KNOX COUNTY, INDIANA  
January 1, 2004 to December 31, 2005



**FILED**  
12/27/2006



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Accountant's Report .....	3
Schedules of Receipts, Disbursements, and Cash and Investment Balances.....	4
Notes to Schedules .....	5
Examination Results and Comments:	
Prescribed Forms .....	6
Penalties, Interest and Other Charges .....	6
Official Bond .....	6
Annual Report.....	6
Computer Output .....	7
Capital Asset Records .....	7
List of Employees Not Filed with County Treasurer.....	7
Errors on Claims .....	7-8
Customer Deposit Register.....	8
Financial Report Opinion Modifications .....	8
Subsequent Events – Condition of Records .....	8-9
Exit Conference.....	10

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Judith Gilmore Gail Baize	01-01-00 to 06-30-04 07-01-04 to 12-31-07
President of the Town Council	Robert Schutter	01-01-04 to 12-31-06
Superintendent of Water Utility	Earl Horst	01-01-04 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF EDWARDSPOUR, KNOX COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Edwardsport (Town), for the period of January 1, 2004 to December 31, 2005. The Town's management is responsible for the schedules. Our responsibility is to express an opinion based on our examination.

Financial records presented for examination were incomplete for all Town and Utility funds. The records presented did not provide sufficient information to examine receipts, disbursements, and ending balances, or the accuracy or correctness of the transactions.

Because of the restrictions on our examination as discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether schedules referred to above present fairly, in all material respects, the cash transactions of the Town for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

October 25, 2006

TOWN OF EDWARDSPORT  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES  
As Of And For The Years Ended December 31, 2004 And 2005

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ 16,541	\$ 53,825	\$ 45,856	\$ 24,510
Motor Vehicle Highway	13,865	11,360	3,291	21,934
Local Road and Street	3,045	2,365	-	5,410
Rainy Day	-	933	-	933
Cumulative Capital Improvement	7,169	1,597	1,777	6,989
Proprietary Funds:				
Water Utility - Operating	39,230	56,267	62,548	32,949
Water Utility - Depreciation	4,600	1,400	-	6,000
Water Utility - Customer Deposit	2,810	850	299	3,361
Totals	<u>\$ 87,260</u>	<u>\$ 128,597</u>	<u>\$ 113,771</u>	<u>\$ 102,086</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 24,510	\$ 40,131	\$ 17,696	\$ 46,945
Motor Vehicle Highway	21,934	11,103	24,017	9,020
Local Road and Street	5,410	2,292	-	7,702
Rainy Day	933	-	-	933
Cumulative Capital Improvement	6,989	1,122	-	8,111
Proprietary Funds:				
Water Utility - Operating	32,949	67,959	45,020	55,888
Water Utility - Depreciation	6,000	-	-	6,000
Water Utility - Customer Deposit	3,361	1,150	50	4,461
Water Utility - Water Tower	-	255,649	213,649	42,000
Totals	<u>\$ 102,086</u>	<u>\$ 379,406</u>	<u>\$ 300,432</u>	<u>\$ 181,060</u>

The accompanying notes are an integral part of the schedules.

TOWN OF EDWARDSPORT  
NOTES TO SCHEDULES

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: general administrative services, highways and streets, public improvements 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.

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. Long-Term Debt

The Town has entered into a loan for water tower construction. The outstanding principal at December 31, 2005, was \$55,149.

TOWN OF EDWARDSPORT  
EXAMINATION RESULTS AND COMMENTS

PRESCRIBED FORMS

The following prescribed or approved forms were not always in use:

General Form 99, Payroll Schedule and Voucher  
General Form 99B, Employee's Earnings Record  
City and Town Form 208, Ledger of Receipts, Disbursements, and Balances  
City and Town Form 209, Ledger of Appropriation, Encumbrances, Disbursements and Balances  
City and Town Form 211, Capital Assets Ledger  
Utility Form 319, Simplified Cash Journal - Water Utility - Class C

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)

PENALTIES, INTEREST AND OTHER CHARGES

Penalties and interest totaling \$518.35 were paid to the Internal Revenue Service on September 11, 2006, for the period ending December 31, 2004.

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)

OFFICIAL BOND

The following official bonds were not filed in the office of the County Recorder:

Gail Baize, Clerk-Treasurer

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. . . ."

ANNUAL REPORT

Annual reports for 2004 and 2005 were not presented for audit.

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 . . ."

TOWN OF EDWARDSPORT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

COMPUTER OUTPUT

Access to records and information generated by the computer system was limited. In September of 2005 the computer system that does the utility billing crashed. There had been no consumer's ledger printed, and it is now not available. From September of 2005 to March of 2006, all utility bills were computed by hand, and no records were maintained.

Public records, financial statement information and supporting information generated through a computer system should be printed out on paper, printed to disk or maintained on-line at the end of each reporting year and retained for audit. Information must be maintained in a manner that will allow access for audit and public inquiry on equipment of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-15-6-3(d) states:

"No financial records or records relating thereto shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the State Board of Accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced as described in subsection (e)."

CAPITAL ASSET RECORDS

The Town and the Water Utility do not maintain records of capital assets.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. 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)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

Some officials or employees of the town had money due from the city/town, but a list of such employees was not certified to the County Treasurer.

Indiana Code 6-1.1-22-14(a) states, in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

Claims or invoices did not have evidence to support receipt of goods or services.

TOWN OF EDWARDSPORT  
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."

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the monthly financial statements.

At all times, the manual and 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)

FINANCIAL REPORT OPINION MODIFICATIONS

The Ledger of Receipts, Disbursements and Balances and the Simplified Cash Journal-Water Utility-Class C for the years 2004 and 2005 were not presented for audit. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Auditors' Report for the financial statements.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditor's Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUBSEQUENT EVENTS - CONDITION OF RECORDS

Financial records for 2006 are incomplete. The following prescribed or approved forms are not in use for 2006:

City and Town Form 206, Clerk-Treasurer's City Controller's and City Treasurer's Monthly Financial Depository Statement and Cash Reconciliation

TOWN OF EDWARDSPORT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

City and Town Form 208, Ledger of Receipts, Disbursements, and Balances  
City and Town Form 209, Ledger of Appropriations, Encumbrances, Disbursements and Balances  
Utility Form 319, Simplified Cash Journal-Water Utility-Class C

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)

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 EDWARDSPORT  
EXIT CONFERENCE

The contents of this report were discussed on October 25, 2006, with Gail Baize, Clerk-Treasurer; and Robert Schutter, President of the Town Council. The officials concurred with our findings.