

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, 2006 to December 31, 2007



FILED
12/05/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Gail Baize Patricia Roark	07-01-04 to 09-30-07 10-01-07 to 12-31-11
President of the Town Council	Robert Schutter Steve Fields James Newkirk	01-01-06 to 12-31-06 01-01-07 to 12-31-07 01-01-08 to 12-31-08
Superintendent of Water Utility	Earl Horst	01-01-06 to 07-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Town of Edwardsport (Town), for the period of January 1, 2006 to December 31, 2007. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Except as discussed in the following paragraph, 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.

The financial information presented for examination was incomplete for all Town and Utility funds. The financial information 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 financial information referred to above presents fairly, in all material respects, the cash transactions of the Town for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on the schedule.

STATE BOARD OF ACCOUNTS

October 23, 2008

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, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 46,945	\$ 43,526	\$ 37,861	\$ 52,610
Motor Vehicle Highway	9,020	13,357	40,068	(17,691)
Local Road and Street	7,702	2,251	-	9,953
Rainy Day	933	-	-	933
Cumulative Capital Improvement	8,111	1,297	-	9,408
Proprietary Funds:				
Water Utility - Operating	55,888	70,764	75,445	51,207
Water Utility - Water Tower	42,000	304,351	402,142	(55,791)
Water Utility - Depreciation	6,000	-	-	6,000
Water Utility - Customer Deposit	4,461	650	170	4,941
Totals	<u>\$ 181,060</u>	<u>\$ 436,196</u>	<u>\$ 555,686</u>	<u>\$ 61,570</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 52,610	\$ 62,628	\$ 61,835	\$ 53,403
Motor Vehicle Highway	(17,691)	36,364	12,988	5,685
Local Road and Street	9,953	2,266	9,823	2,396
Rainy Day	933	-	-	933
Fire Station Matching	-	56,000	30,703	25,297
Cumulative Capital Improvement	9,408	1,275	5,453	5,230
Proprietary Funds:				
Water Utility - Operating	51,207	79,556	115,389	15,374
Water Utility - Water Tower	(55,791)	55,791	-	-
Water Utility - Depreciation	6,000	-	-	6,000
Water Utility - Customer Deposit	4,941	679	190	5,430
Water Utility - Water Tower Loan	-	50,000	28,000	22,000
Totals	<u>\$ 61,570</u>	<u>\$ 344,559</u>	<u>\$ 264,381</u>	<u>\$ 141,748</u>

The accompanying notes are an integral part of the financial information.

TOWN OF EDWARDSPORT
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: highway, streets, and roadways, public improvements, water, and general administrative services.

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.

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. Subsequent Long-Term Debt

On February 7, 2008, the Town entered into a loan for the purchase of a new city hall in the amount of \$120,000.

TOWN OF EDWARDSPORT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The Unitttype has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Notes and loans payable	\$ <u>53,226</u>	\$ <u>9,648</u>
Business-type Activities:		
Water Utility		
Notes and loans payable	\$ <u>88,619</u>	\$ <u>18,803</u>

TOWN OF EDWARDSPORT
EXAMINATION RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

In some cases, amounts payable to vendors and other suppliers of goods and services are not being paid until one month after the invoice dates. This caused late fees to be assessed in the amount of \$201.19.

Penalties and interest totaling \$1,323.38 were paid to the Indiana Department of Revenue on December 21, 2007, for the period July 1, 2004 to August 31, 2007, for delinquent sales tax payments. Penalties and interest of \$129.93 were also paid to the Indiana Department of Revenue for the period July 1, 2004 to August 31, 2007, for delinquent payroll withholding tax payments. Payments were made to Indiana Department of Workforce Development for penalties and interest in the amount of \$789.15 for late filing of unemployment tax. Penalties and interest were paid to Internal Revenue Service in the amount of \$3,290.59 for the period July 1, 2004 to June 30, 2007.

Total amount of penalties, interest, and other charges paid for the time period July 1 2004 to September 31, 2007, was \$5,734.24.

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)

A similar comment was contained in the prior report. Gail Baize, former Clerk-Treasurer, from July 1, 2004 to September 30, 2007, was asked to repay all penalties, interest, and other charges paid by the Town and the Water Utility as stated in the summary charges. Gail Baize, former Clerk-Treasurer, stated at the exit conference that she would like to make payments. (See Summary, page 14)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of employees was not certified to the County Treasurer. A similar comment appeared in the prior report.

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."

TOWN OF EDWARDSPORT
EXAMINATION RESULTS AND COMMENTS
(Continued)

DISBURSEMENTS WITHOUT APPROPRIATIONS

Disbursements were made from the Town's General Fund, Motor Vehicle Highway Fund, Local Road and Street Fund, Cumulative Capital Improvement Fund, and Fire Department Capital Project Fund for operating expenses. Formal budgets and appropriations were not found to have been prepared and approved for these disbursements for the calendar year 2007.

Indiana Code 6-1.1-18-4 states in part:

". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

FINANCIAL REPORT OPINION MODIFICATIONS

The Ledger of Receipts, Disbursements, and Balances and the Simplified Cash Journal-Water Utility-Class C for the years 2006 and 2007 were not presented for examination. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Auditors' Report for the financial statements. A similar comment was contained in the prior report.

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 Auditors' 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)

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Motor Vehicle Highway	2006	<u>\$ 25,207.99</u>

Indiana Code 6-1.1-18-4 states in part:

". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

TOWN OF EDWARDSPORT
EXAMINATION RESULTS AND COMMENTS
(Continued)

ANNUAL REPORT

The annual reports for 2006 and 2007 were presented for examination but were not complete. Proof of publication could not be located for the 2006 annual report. A similar comment appeared in the prior report.

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 . . ."

INDEBTEDNESS

The Town entered into a loan with Old National Bank in 2007. Total loan proceeds were \$56,000 which were used to match grant funds for a new fire station. In 2008, the Town entered into a loan with Old National Bank. Total loan proceeds were \$120,000 which were used to purchase a new town hall. These loans exceeded 5% of the Town's total tax levy for the year in which issued.

Indiana Code 36-5-2-11 states in part:

"(d) The legislative body may, by ordinance, make loans of money for not more than five (5) years and issue notes for the purpose of refunding those loans. The loans may be made only for the purpose of procuring money to be used in the exercise of the powers of the town, and the total amount of outstanding loans under this subsection may not exceed five percent (5%) of the town's total tax levy in the current year (excluding amounts levied to pay debt service and lease rentals). Loans under this subsection shall be made as follows:

- (1) The ordinance authorizing the loans must pledge to their payment a sufficient amount of tax revenues over the ensuing five (5) years to provide for refunding the loans.
- (2) The loans must be evidenced by notes of the town in terms designating the nature of the consideration, the time and place payable, and the revenues out of which they will be payable.
- (3) The interest accruing on the notes to the date of maturity may be added to and included in their face value or be made payable periodically, as provided in the ordinance.

Notes issued under this subsection are not bonded indebtedness for purposes of Indiana Code 6-1.1-18.5."

A governmental unit may not incur indebtedness unless specifically allowed by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF EDWARDSPORT
EXAMINATION RESULTS AND COMMENTS
(Continued)

PRESCRIBED FORMS

The following prescribed or approved forms were not always in use during the examination period:

General Form 99, Payroll Schedule and Voucher
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

A similar comment appeared in the prior report.

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)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the Clerk-Treasurer's monthly financial statements. A similar comment appeared in the prior report.

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)

ERRORS ON CLAIMS

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

1. Claims were not presented for examination for all disbursements tested.
2. Claims were not adequately itemized.
3. Claims were not all certified before payment by the fiscal officer.
4. Claims or invoices did not have evidence to support receipt of goods or services.

A similar comment appeared in the prior report.

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.

TOWN OF EDWARDSPORT
EXAMINATION RESULTS AND COMMENTS
(Continued)

(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."

OFFICIAL BOND

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

Gail Baize, former Clerk-Treasurer

A similar comment appeared in the prior report.

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. . . ."

FORMER CLERK-TREASURER OFFICIAL BOND

Gail Baize, former Clerk-Treasurer, was bonded through Western Surety Company in the amount of \$15,000. The term of the bond was July 1, 2005 to July 1, 2006, and firmly bound unto the State of Indiana. Continuations were purchased for the terms of July 1, 2006 to July 1, 2007, and July 1, 2007 to cancellation October 2007.

COMPENSATION AND BENEFITS

A salary ordinance or resolution was not presented for examination for the years 2006 or 2007.

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)

TOWN OF EDWARDSPORT
EXAMINATION RESULTS AND COMMENTS
(Continued)

OVERDRAWN CASH BALANCES

The cash balances of the Motor Vehicle Highway Fund and Water Tower Fund were overdrawn at December 31, 2006.

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)

SALES TAX

The Utility did not remit to the Indiana Department of Revenue, sales tax for utility services.

Collections by a city or town from the retail sale of tangible property, utility service, or commodities in the performance of private or proprietary activities are subject to sales tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

All questions concerning the law or procedure for paying and collecting sales tax should be directed to the Indiana Department of Revenue, Sales Tax Division. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CERTIFIED REPORT NOT FILED

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 2006 or 2007.

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 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."

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)

TOWN OF EDWARDSPORT
EXIT CONFERENCE

The contents of this report were discussed on October 23, 2008, with Patricia Roark, Clerk-Treasurer; and Robert Schutter, Town Board member.

The contents of this report were discussed on October 23, 2008, with Gail Baize, former Clerk-Treasurer.

TOWN OF EDWARDSPORT
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Gail Baize, former Clerk-Treasurer:			
Penalties, Interest, and Other Charges, page 7	<u>\$ 5,734.24</u>	<u>\$ -</u>	<u>\$ 5,734.24</u>

AFFIDAVIT

STATE OF INDIANA)
Greene COUNTY)

I, Mary Annette Ladson, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Edwardsport, Knox County, Indiana, for the period from January 1, 2006 to December 31, 2007, is true and correct to the best of my knowledge and belief.

Mary Annette Ladson
Field Examiner

Subscribed and sworn to before me this 19th day of November, 2008.

Adelir M. Miller (ADELIR M. MILLER)
Notary Public

My Commission Expires: 04.09.2016

County of Residence: Greene