

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

TOWN OF EDWARDSPORT

KNOX COUNTY, INDIANA

January 1, 2008 to December 31, 2011



FILED
11/15/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Patricia Roark	01-01-08 to 12-31-15
President of the Town Council	James Newkirk	01-01-08 to 12-31-08
	Robert Schutter	01-01-09 to 06-13-10
	James Newkirk	06-14-10 to 12-31-10
	Keith Martin	01-01-11 to 12-31-11
	Jennifer Holscher	01-01-12 to 12-31-12
Superintendent of Water Utility	Earl Horst	01-01-08 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 EDWARDSPOUR, KNOX COUNTY, INDIANA

We have examined the accompanying financial statements of the Town of Edwardsport (Town), for the years ended December 31, 2008, 2009, 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. 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, 2008, 2009, 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 for the years ended December 31, 2009, 2010, and 2011, 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. A Combining Schedule of Receipts, Disbursements, and Cash and Investments Balances – Regulatory Basis was not presented for the year ended December 31, 2008.

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

September 18, 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 EDWARDSPORT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2008

Fund	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
General	\$ 53,403	\$ 47,962	\$ 89,086	\$ 12,279
Motor Vehicle Highway	5,685	9,828	10,743	4,770
Local Road and Street	2,396	2,101	-	4,497
Fire Department	25,297	263,526	265,616	23,207
Rainy Day	933	2,599	-	3,532
Water Operating	15,374	104,220	116,566	3,028
Depreciation	6,000	1,600	-	7,600
Cumulative Capital Improvement	5,230	2,193	-	7,423
Water Town Loan	22,000	-	22,000	-
Water Utility - Customer Deposit	5,430	600	520	5,510
Totals	<u>\$ 141,748</u>	<u>\$ 434,629</u>	<u>\$ 504,531</u>	<u>\$ 71,846</u>

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

TOWN OF EDWARDSPORT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2009

Fund	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
General	\$ 12,279	\$ 168,885	\$ 158,458	\$ 22,706
Motor Vehicle Highway	4,770	9,760	13,037	1,493
Local Road And Street	4,497	2,001	5,900	598
Fire Department	23,207	96,474	119,681	-
Rainy Day	3,532	1,410	3,000	1,942
Water Operating	3,028	139,303	109,843	32,488
Depreciation	7,600	6,000	7,600	6,000
Cumulative Capital Improvement	7,423	1,862	6,000	3,285
Water Utility-Customer Deposit	5,510	575	150	5,935
Totals	<u>\$ 71,846</u>	<u>\$ 426,270</u>	<u>\$ 423,669</u>	<u>\$ 74,447</u>

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

TOWN OF EDWARDSPORT
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	\$ 22,706	\$ 218,593	\$ 212,184	\$ 29,115
Motor Vehicle Highway	1,493	9,530	8,393	2,630
Local Road And Street	598	2,060	-	2,658
Rainy Day	1,942	714	-	2,656
Levy Excess	-	60	-	60
Water Operating	32,488	132,926	115,711	49,703
Depreciation	6,000	-	-	6,000
Cumulative Capital Improvement	3,285	1,063	-	4,348
Water Utility-Customer Deposit	5,935	933	568	6,300
Totals	<u>\$ 74,447</u>	<u>\$ 365,879</u>	<u>\$ 336,856</u>	<u>\$ 103,470</u>

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

TOWN OF EDWARDSPORT
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	\$ 29,115	\$ 58,538	\$ 64,696	\$ 22,957
Motor Vehicle Highway	2,630	9,630	11,148	1,112
Local Road And Street	2,658	1,992	246	4,404
Rainy Day	2,656	4	-	2,660
Levy Excess	60	-	-	60
Cumulative Capital Improvement	4,348	1,043	-	5,391
Operating	49,703	167,602	138,579	78,726
Depreciation	6,000	11	-	6,011
Water Utility-Customer Deposit	6,300	625	253	6,672
Totals	<u>\$ 103,470</u>	<u>\$ 239,445</u>	<u>\$ 214,922</u>	<u>\$ 127,993</u>

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

TOWN OF EDWARDSPORT
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, general administrative services, water, trash, 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 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, 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.

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

TOWN OF EDWARDSPORT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

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

TOWN OF EDWARDSPORT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 EDWARDSPORT
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 any replacement items purchased.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 2008, 2009, and 2010 Annual Reports 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 EDWARDSPORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009

	<u>General</u>	<u>Motor Vehicle Highway</u>	<u>Local Road And Street</u>	<u>Fire Department</u>	<u>Rainy Day</u>	<u>Water Operating</u>	<u>Depreciation</u>	<u>Cumulative Capital Improvement</u>	<u>Water Utility-Customer Deposit</u>	<u>Totals</u>
Cash and investments - beginning	\$ 12,279	\$ 4,770	\$ 4,497	\$ 23,207	\$ 3,532	\$ 3,028	\$ 7,600	\$ 7,423	\$ 5,510	\$ 71,846
Receipts:										
Taxes	33,833	-	-	-	-	6,712	-	-	-	40,545
Intergovernmental	102,447	9,640	2,001	96,474	1,410	-	-	1,862	-	213,834
Charges for services	-	-	-	-	-	108,750	-	-	-	108,750
Fines and forfeits	-	-	-	-	-	9,879	-	-	-	9,879
Other receipts	32,605	120	-	-	-	13,962	6,000	-	575	53,262
Total receipts	168,885	9,760	2,001	96,474	1,410	139,303	6,000	1,862	575	426,270
Disbursements:										
Personal services	11,705	2,142	-	-	-	19,221	-	-	-	33,068
Supplies	3,561	5,658	-	-	-	17,509	-	-	-	26,728
Other services and charges	6,804	2,264	-	-	-	18,683	4,000	-	-	31,751
Debt service - principal and interest	21,786	-	-	-	-	18,803	-	-	-	40,589
Capital outlay	-	-	-	-	-	-	-	6,000	-	6,000
Other disbursements	114,602	2,973	5,900	119,681	3,000	35,627	3,600	-	150	285,533
Total disbursements	158,458	13,037	5,900	119,681	3,000	109,843	7,600	6,000	150	423,669
Excess (deficiency) of receipts over disbursements	10,427	(3,277)	(3,899)	(23,207)	(1,590)	29,460	(1,600)	(4,138)	425	2,601
Cash and investments - ending	\$ 22,706	\$ 1,493	\$ 598	\$ -	\$ 1,942	\$ 32,488	\$ 6,000	\$ 3,285	\$ 5,935	\$ 74,447

TOWN OF EDWARDSPORT
 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	Water Operating	Depreciation	Cumulative Capital Improvement	Water Utility-Customer Deposit	Totals
Cash and investments - beginning	\$ 22,706	\$ 1,493	\$ 598	\$ 1,942	\$ -	\$ 32,488	\$ 6,000	\$ 3,285	\$ 5,935	\$ 74,447
Receipts:										
Taxes	31,633	-	-	-	60	6,747	-	-	-	38,440
Intergovernmental	164,720	9,530	2,060	714	-	-	-	1,063	-	178,087
Charges for services	-	-	-	-	-	120,187	-	-	-	120,187
Fines and forfeits	-	-	-	-	-	1,234	-	-	-	1,234
Other receipts	22,240	-	-	-	-	4,758	-	-	933	27,931
Total receipts	<u>218,593</u>	<u>9,530</u>	<u>2,060</u>	<u>714</u>	<u>60</u>	<u>132,926</u>	<u>-</u>	<u>1,063</u>	<u>933</u>	<u>365,879</u>
Disbursements:										
Personal services	7,675	2,576	-	-	-	19,314	-	-	-	29,565
Supplies	9,049	3,170	-	-	-	24,546	-	-	-	36,765
Other services and charges	18,192	1,862	-	-	-	50,300	-	-	-	70,354
Debt service - principal and interest	21,123	-	-	-	-	18,803	-	-	-	39,926
Capital outlay	-	785	-	-	-	-	-	-	-	785
Other disbursements	156,145	-	-	-	-	2,748	-	-	568	159,461
Total disbursements	<u>212,184</u>	<u>8,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,711</u>	<u>-</u>	<u>-</u>	<u>568</u>	<u>336,856</u>
Excess of receipts over disbursements	<u>6,409</u>	<u>1,137</u>	<u>2,060</u>	<u>714</u>	<u>60</u>	<u>17,215</u>	<u>-</u>	<u>1,063</u>	<u>365</u>	<u>29,023</u>
Cash and investments - ending	<u>\$ 29,115</u>	<u>\$ 2,630</u>	<u>\$ 2,658</u>	<u>\$ 2,656</u>	<u>\$ 60</u>	<u>\$ 49,703</u>	<u>\$ 6,000</u>	<u>\$ 4,348</u>	<u>\$ 6,300</u>	<u>\$ 103,470</u>

TOWN OF EDWARDSPORT
 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	Rainy Day	Levy Excess	Cumulative Capital Improvement	Operating	Depreciation	Water Utility-Customer Deposit	Totals
Cash and investments - beginning	\$ 29,115	\$ 2,630	\$ 2,658	\$ 2,656	\$ 60	\$ 4,348	\$ 49,703	\$ 6,000	\$ 6,300	\$ 103,470
Receipts:										
Taxes	26,404	-	-	-	-	-	8,528	-	-	34,932
Licenses and permits	2,479	-	-	-	-	-	-	-	-	2,479
Intergovernmental	9,488	9,630	1,989	-	-	1,043	-	-	-	22,150
Charges for services	17,176	-	-	-	-	-	-	-	-	17,176
Utility fees	-	-	-	-	-	-	147,283	-	625	147,908
Penalties	-	-	-	-	-	-	1,695	-	-	1,695
Other receipts	2,991	-	3	4	-	-	10,096	11	-	13,105
Total receipts	<u>58,538</u>	<u>9,630</u>	<u>1,992</u>	<u>4</u>	<u>-</u>	<u>1,043</u>	<u>167,602</u>	<u>11</u>	<u>625</u>	<u>239,445</u>
Disbursements:										
Personal services	7,820	3,856	-	-	-	-	-	-	-	11,676
Supplies	1,263	6,024	-	-	-	-	-	-	-	7,287
Other services and charges	24,226	1,268	246	-	-	-	-	-	-	25,740
Debt service - principal and interest	20,038	-	-	-	-	-	21,894	-	-	41,932
Capital outlay	3,850	-	-	-	-	-	533	-	-	4,383
Utility operating expenses	-	-	-	-	-	-	115,702	-	-	115,702
Other disbursements	7,499	-	-	-	-	-	450	-	253	8,202
Total disbursements	<u>64,696</u>	<u>11,148</u>	<u>246</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,579</u>	<u>-</u>	<u>253</u>	<u>214,922</u>
Excess (deficiency) of receipts over disbursements	<u>(6,158)</u>	<u>(1,518)</u>	<u>1,746</u>	<u>4</u>	<u>-</u>	<u>1,043</u>	<u>29,023</u>	<u>11</u>	<u>372</u>	<u>24,523</u>
Cash and investments - ending	<u>\$ 22,957</u>	<u>\$ 1,112</u>	<u>\$ 4,404</u>	<u>\$ 2,660</u>	<u>\$ 60</u>	<u>\$ 5,391</u>	<u>\$ 78,726</u>	<u>\$ 6,011</u>	<u>\$ 6,672</u>	<u>\$ 127,993</u>

TOWN OF EDWARDSPORT
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Notes and loans payable	Fire Station	\$ 23,149	\$ 8,820
Notes and loans payable	Town Hall	<u>97,095</u>	<u>11,334</u>
Total governmental activities		<u>120,244</u>	<u>20,154</u>
Edwardsport Water Utility:			
Notes and loans payable	Maintenance on water tower	<u>22,563</u>	<u>8,596</u>
Totals		<u>\$ 142,807</u>	<u>\$ 28,750</u>

TOWN OF EDWARDSPORT
 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.

	Ending Balance
Governmental activities:	
Land	\$ 100
Buildings	160,453
Machinery, equipment and vehicles	45,439
Books and other	4,000
Total governmental activities	209,992
Edwardsport Water Utility:	
Land	400
Infrastructure	548,351
Buildings	621
Machinery, equipment and vehicles	16,881
Total Edwardsport Water Utility	566,253
Total capital assets	\$ 776,245

TOWN OF EDWARDSPORT
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

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

Fund	Years	Excess Amount Expended
General	2008	\$ 2,420
General	2009	16,661
Motor Vehicle Highway	2009	2,059
Motor Vehicle Highway	2011	3,695
Cumulative Capital Improvement	2009	3,000

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."

A similar comment appeared in the prior report.

PRESCRIBED FORMS

The following prescribed or approved form was not always in use during the examination period:

Utility Form 310, Consumer's Guarantee Deposit Receipt

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)

A similar comment appeared in the prior report.

ERRORS ON CLAIMS

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

1. Claims were not adequately itemized.
2. Some claims did not have board approval or certification of the Clerk-Treasurer.
3. Claims or invoices did not have evidence to support receipt of goods or services.

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:

TOWN OF EDWARDSPORT
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (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."

A similar comment appeared in the prior report.

COMPENSATION AND BENEFITS

A salary ordinance or resolution was not presented for examination for the years 2008 and 2009.

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)

A similar comment appeared in the prior report.

UTILITY LATE FEES

Instances were noted where penalties on utility late fees were charged more than once.

It is our audit position that the 10% penalty [on unpaid wastewater bills] specified in IC 36-9-23-31 should be assessed one time and one time only. Subsequent billings should not include additional assessments on this penalty. Similarly, unless specifically directed by statute, ordinance, or other legal directives, penalties on late fees for municipal utilities organized under IC 8-1.5 should be charged only one time. Future late charges should not include additional charges added to the penalties on late fees. (Cities and Towns Bulletin and Uniform Compliance Guidelines, March 2009)

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.

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)

A similar comment appeared in prior reports.

TOWN OF EDWARDSPORT
EXAMINATION RESULTS AND COMMENTS
(Continued)

INDEBTEDNESS

The Town entered into a loan with Old National Bank in 2007. Total loan proceeds were \$56,000 which was 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 percent of the Town's total tax levy for the year in which issued.

The total balance of principal on debt as of December 31, 2011, was \$142,807 on all loans outstanding. This amount is greater than 5 percent of the Town's total tax levy approved by the Department of Local Government Finance for 2011.

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)

A similar comment appeared in the prior report.

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$353 were paid to the Indiana Department of Revenue for the period of January 1, 2008 to December 31, 2011, for delinquent sales tax payments. Penalties and interest totaling \$23 were also paid to the Indiana Department of Revenue for the period of January 1, 2008 to December 31, 2011, for delinquent payroll withholding tax payments. Penalties and interest totaling \$3 were paid to Indiana Department of Workforce Development for the period of January 1, 2008 to December 31, 2011, for late filing of unemployment taxes. The total amount of penalties and interest paid for the time period of January 1, 2008 to December 31, 2011, was \$379.

TOWN OF EDWARDSPORT
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

PENALTIES, INTEREST, AND OTHER CHARGES - FORMER CLERK-TREASURER

Penalties and interest totaling \$179.90 were paid to the Internal Revenue Service on January 14, 2008, for delinquent payroll withholding tax payments made for the period of January 1, 2005 to March 31, 2005. Penalties and interest totaling \$25.00 were paid to Indiana Department of Workforce Development on January 30, 2008, for late filing of unemployment taxes for the period of April 1, 2005 to September 30, 2005. Penalties and interest totaling \$13.64 were paid to Indiana Department of Revenue on March 17, 2008, for delinquent sales tax payments for the period of December 1, 2007 to December 31, 2007.

Total amount of penalties and interest paid in the current period for the time period of January 1, 2004 to December 31, 2007, which was the term of former Clerk-Treasurer Gail Baize, was \$218.54.

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 appeared in the prior report.

Gail Baize, former Clerk-Treasurer, from July 1, 2004 to September 30, 2007, was asked to repay all penalties and interest paid in the current examination period by the Town and Utility for charges incurred during the prior period as stated in the Summary of Charges. (See Summary of Charges, page 26)

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 on October 1, 2007.

TOWN OF EDWARDSPORT
EXIT CONFERENCE

The contents of this report were discussed on September 17, 2012, by telephone, with Gail Baize, former Clerk-Treasurer. The contents of this report were discussed on September 18, 2012, with Patricia Roark, Clerk-Treasurer, and Jennifer Holscher, President of the Town Council.

TOWN OF EDWARDSPORT
SUMMARY OF CHARGES

	<u>Current Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Gail Baize, former Clerk-Treasurer: Penalties, Interest, and Other Charges - Former Clerk-Treasurer, page 24	<u>\$ 218.54</u>	<u>\$ -</u>	<u>\$ 218.54</u>

This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.

AFFIDAVIT

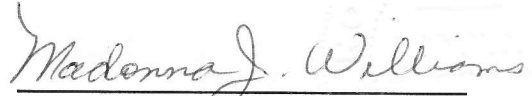
STATE OF INDIANA)
Knox)
) COUNTY)

I, Jonathan H. Bennington, 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, 2008 to December 31, 2011, is true and correct to the best of my knowledge and belief.



Field Examiner

Subscribed and sworn to before me this 11th day of October, 2012.



Notary Public

My Commission Expires: 6/19/2017

County of Residence: KNOX