

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF EDWARDSPORT

KNOX COUNTY, INDIANA

January 1, 2012 to December 31, 2013



FILED
01/18/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Patricia Roark	01-01-12 to 09-30-12
	Courtney Durham	10-01-12 to 01-31-15
	Patricia Roark	02-01-15 to 09-30-15
	Connie Dinkins	10-01-15 to 12-31-19
President of the Town Council	Jennifer Holscher	01-01-12 to 02-07-16
	Darrel Julian, Jr.	02-08-16 to 12-31-16
	Daniel Dinkins	01-01-17 to 12-31-17
Superintendent of Water Utility	Earl Horst	01-01-12 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We were engaged to examine the accompanying financial statement of the Town of Edwardsport (Town), for the period of January 1, 2012 to December 31, 2013. The Town's management is responsible for the fair presentation of the financial statement in accordance with the prescribed basis of accounting described in Note 1. Our responsibility is to express an opinion on the financial statement based on conducting the examination in accordance with attestation standards established by the American Institute of Certified Public Accountants.

As discussed in Note 1 to the financial statement, the Town prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana 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 effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

The Town did not provide the following accounting records: Ledger of Receipts, Disbursements, and Balances (City and Town Form 208), Simplified Cash Journal - Water Utility - Class C (Utility Form 319), bank account reconciliations, Consumer's Ledgers (Utility Form 321), utility billing and collection reports, and Town Council minutes documenting the actions of the Town Council. We were unable to obtain sufficient competent evidential matter over receipts, disbursements, and ending cash and investment balances. The Town's records do not permit the application of other examination procedures to ascertain if the financial statement is fairly stated.

Because of the limitation on the scope of our examination 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 the financial statement referred to above presents the financial position and results of operations of the Town for the period of January 1, 2012 to December 31, 2013, based on the prescribed basis of accounting described in Note 1, in all material respects.

The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to examination procedures and, accordingly, we express no opinion on them.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

December 4, 2017

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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TOWN OF EDWARDSPORT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2012 and 2013

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12	Receipts	Disbursements	Cash and Investments 12-31-13
General	\$ 22,957	\$ 66,964	\$ 66,291	\$ 23,630	\$ 75,348	\$ 75,235	\$ 23,743
Motor Vehicle Highway	1,112	8,504	5,444	4,172	8,782	4,452	8,502
Local Road And Street	4,404	1,956	-	6,360	1,899	-	8,259
Rainy Day	2,660	-	-	2,660	-	-	2,660
Levy Excess	60	-	-	60	-	-	60
Cumulative Capital Improvement	5,391	804	-	6,195	813	-	7,008
Water Utility-Operating	78,726	103,556	56,506	125,776	89,682	86,875	128,583
Water Utility-Depreciation	6,011	-	-	6,011	-	-	6,011
Water Utility-Customer Deposit	6,672	900	332	7,240	75	125	7,190
Totals	<u>\$ 127,993</u>	<u>\$ 182,684</u>	<u>\$ 128,573</u>	<u>\$ 182,104</u>	<u>\$ 176,599</u>	<u>\$ 166,687</u>	<u>\$ 192,016</u>

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

TOWN OF EDWARDSPORT
NOTES TO FINANCIAL STATEMENT

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 statement presents the financial information for the Town.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 statement. The aggregate receipts include the following sources:

Taxes. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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. Amounts received from businesses, occupations, or non-businesses 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 the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF EDWARDSPORT
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines 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.

Fines and forfeits. Amounts received from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees. Amounts received from charges for current services.

Other receipts. Amounts received from various sources, including, but 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 statement. The aggregate disbursements include the following uses:

Personal services. Amounts disbursed 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.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service - principal and interest. Amounts disbursed for 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. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

TOWN OF EDWARDSPORT
NOTES TO FINANCIAL STATEMENT
(Continued)

Utility operating expenses. Amounts disbursed for operating the utilities.

Other disbursements. Amounts disbursed for various other purposes including, but 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, make transfers 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 amounts 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 amounts 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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 STATEMENT
(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, the following: 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.

Note 6. *Subsequent Events*

During 2014, the Town was awarded a State Revolving Fund (SRF) Bond Anticipation Note (BAN) in the amount of \$2,050,000 and a traditional SRF loan in the amount of \$556,000. The Town established a Wastewater Utility that began operations in 2014.

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OTHER INFORMATION - UNEXAMINED

The Town's Annual Financial Reports information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Town's Annual Financial Reports 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 other 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, 2012

	General	Motor Vehicle Highway	Local Road And Street	Rainy Day	Levy Excess	Cumulative Capital Improvement	Water Utility- Operating	Water Utility- Depreciation	Water Utility-Customer Deposit	Totals
Cash and investments - beginning	\$ 22,957	\$ 1,112	\$ 4,404	\$ 2,660	\$ 60	\$ 5,391	\$ 78,726	\$ 6,011	\$ 6,672	\$ 127,993
Receipts:										
Other receipts	66,964	8,504	1,956	-	-	804	103,556	-	900	182,684
Total receipts	66,964	8,504	1,956	-	-	804	103,556	-	900	182,684
Disbursements:										
Other disbursements	66,291	5,444	-	-	-	-	56,506	-	332	128,573
Total disbursements	66,291	5,444	-	-	-	-	56,506	-	332	128,573
Excess of receipts over disbursements	673	3,060	1,956	-	-	804	47,050	-	568	54,111
Cash and investments - ending	\$ 23,630	\$ 4,172	\$ 6,360	\$ 2,660	\$ 60	\$ 6,195	\$ 125,776	\$ 6,011	\$ 7,240	\$ 182,104

TOWN OF EDWARDSPORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	General	Motor Vehicle Highway	Local Road And Street	Rainy Day	Levy Excess	Cumulative Capital Improvement	Water Utility- Operating	Water Utility- Depreciation	Water Utility-Customer Deposit	Totals
Cash and investments - beginning	\$ 23,630	\$ 4,172	\$ 6,360	\$ 2,660	\$ 60	\$ 6,195	\$ 125,776	\$ 6,011	\$ 7,240	\$ 182,104
Receipts:										
Taxes	34,675	-	-	-	-	-	-	-	-	34,675
Licenses and permits	1,454	-	-	-	-	-	-	-	-	1,454
Intergovernmental receipts	10,775	8,782	1,899	-	-	813	-	-	-	22,269
Charges for services	16,676	-	-	-	-	-	-	-	-	16,676
Fines and forfeits	836	-	-	-	-	-	-	-	-	836
Utility fees	-	-	-	-	-	-	89,682	-	-	89,682
Other receipts	10,932	-	-	-	-	-	-	-	75	11,007
Total receipts	75,348	8,782	1,899	-	-	813	89,682	-	75	176,599
Disbursements:										
Personal services	15,141	4,452	-	-	-	-	19,200	-	-	38,793
Other services and charges	39,112	-	-	-	-	-	28,868	-	-	67,980
Debt service - principal and interest	20,982	-	-	-	-	-	8,619	-	-	29,601
Capital outlay	-	-	-	-	-	-	11,737	-	-	11,737
Utility operating expenses	-	-	-	-	-	-	13,498	-	-	13,498
Other disbursements	-	-	-	-	-	-	4,953	-	125	5,078
Total disbursements	75,235	4,452	-	-	-	-	86,875	-	125	166,687
Excess (deficiency) of receipts over disbursements	113	4,330	1,899	-	-	813	2,807	-	(50)	9,912
Cash and investments - ending	\$ 23,743	\$ 8,502	\$ 8,259	\$ 2,660	\$ 60	\$ 7,008	\$ 128,583	\$ 6,011	\$ 7,190	\$ 192,016

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TOWN OF EDWARDSPORT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2013

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Governmental activities:			
Notes and loans payable	Fire Station	\$ 7,071	\$ 7,071
Notes and loans payable	Town Hall	<u>84,036</u>	<u>11,334</u>
Total governmental activities		<u>91,107</u>	<u>18,405</u>
Edwardsport Water Utility:			
Notes and loans payable	Maintenance on water tower	<u>7,691</u>	<u>7,691</u>
Totals		<u>\$ 98,798</u>	<u>\$ 26,096</u>

OTHER REPORTS

In addition to this report, other reports may have been issued for the Town. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.