

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF STRAUGHN

HENRY COUNTY, INDIANA

January 1, 2011 to December 31, 2012



FILED
10/01/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Debbie Smith	01-01-08 to 12-31-15
President of the Town Council	Stacy Smith	01-01-11 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF STRAUGHN, HENRY COUNTY, INDIANA

We have examined the accompanying financial statement of the Town of Straughn (Town), for the period of January 1, 2011 to December 31, 2012. The financial statement is the responsibility of the Town's management. Our responsibility is to express an opinion on the financial statement 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 statement 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 statement 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 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.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the period of January 1, 2011 to December 31, 2012.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the period of January 1, 2011 to December 31, 2012, 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 statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Receivables, 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 the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

Bruce Hartman
State Examiner

August 5, 2013

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FINANCIAL STATEMENT

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 STRAUGHN
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS

For The Years Ended December 31, 2011 And 2012

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 11,303	\$ 29,326	\$ 32,601	\$ 8,028	\$ 36,380	\$ 32,823	\$ 11,585
Motor Vehicle Highway	19,718	6,963	10,033	16,648	6,179	6,197	16,630
Local Road And Street	16,084	4,451	588	19,947	4,306	-	24,253
Rainy Day	7,704	-	-	7,704	-	2,627	5,077
Levy Excess	52	-	52	-	-	-	-
Cumulative Capital Development	2,448	927	191	3,184	1,094	498	3,780
Park Nonreverting Capital	668	115	74	709	63	358	414
Storm Sewer Nonreverting (Cap. Exp.)	11,022	-	5,500	5,522	-	950	4,572
Cumulative Capital Improvement	5,200	755	1,000	4,955	589	457	5,087
Remove the Danger	-	-	-	-	25,500	24,525	975
Housing Grant Refund	4,258	-	-	4,258	-	1,225	3,033
Riverboat Wagering Tax Revenue Share	5,634	1,646	2,980	4,300	1,315	-	5,615
Cash Reserve	252	-	-	252	-	-	252
Payroll	440	24,926	25,086	280	21,560	21,840	-
Electric Utility - Operating	4,404	159,673	158,534	5,543	154,103	158,425	1,221
Electric Utility - Customer Deposit	6,635	1,455	1,005	7,085	1,879	1,665	7,299
Trash Utility - Operating	5,104	10,350	10,725	4,729	10,143	14,078	794
Totals	<u>\$ 100,926</u>	<u>\$ 240,587</u>	<u>\$ 248,369</u>	<u>\$ 93,144</u>	<u>\$ 263,111</u>	<u>\$ 265,668</u>	<u>\$ 90,587</u>

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

TOWN OF STRAUGHN
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 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 statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits which include 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: 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 state,

TOWN OF STRAUGHN
NOTES TO FINANCIAL STATEMENT
(Continued)

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 statement. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies, which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

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

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

TOWN OF STRAUGHN
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

TOWN OF STRAUGHN
NOTES TO FINANCIAL STATEMENT
(Continued)

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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 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 statement contained in this report and the financial information presented in the Annual Reports of the Town which is 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 STRAUGHN
 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 Development	Park Nonreverting Capital	Storm Sewer Nonreverting (Cap. Exp.)	Cumulative Capital Improvement
Cash and investments - beginning	\$ 11,303	\$ 19,718	\$ 16,084	\$ 7,704	\$ 52	\$ 2,448	\$ 668	\$ 11,022	\$ 5,200
Receipts:									
Taxes	16,313	-	-	-	-	838	-	-	-
Intergovernmental	7,084	6,963	4,451	-	-	89	-	-	755
Charges for services	4,880	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	1,049	-	-	-	-	-	115	-	-
Total receipts	<u>29,326</u>	<u>6,963</u>	<u>4,451</u>	<u>-</u>	<u>-</u>	<u>927</u>	<u>115</u>	<u>-</u>	<u>755</u>
Disbursements:									
Personal services	4,873	1,463	-	-	-	-	-	-	-
Supplies	2,581	750	532	-	-	-	74	-	1,000
Other services and charges	18,020	7,820	56	-	-	191	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	7,127	-	-	-	52	-	-	5,500	-
Total disbursements	<u>32,601</u>	<u>10,033</u>	<u>588</u>	<u>-</u>	<u>52</u>	<u>191</u>	<u>74</u>	<u>5,500</u>	<u>1,000</u>
Excess (deficiency) of receipts over disbursements	<u>(3,275)</u>	<u>(3,070)</u>	<u>3,863</u>	<u>-</u>	<u>(52)</u>	<u>736</u>	<u>41</u>	<u>(5,500)</u>	<u>(245)</u>
Cash and investments - ending	<u>\$ 8,028</u>	<u>\$ 16,648</u>	<u>\$ 19,947</u>	<u>\$ 7,704</u>	<u>\$ -</u>	<u>\$ 3,184</u>	<u>\$ 709</u>	<u>\$ 5,522</u>	<u>\$ 4,955</u>

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

	Housing Grant Refund	Riverboat Wagering Tax Revenue Share	Cash Reserve	Payroll	Electric Utility - Operating	Electric Utility - Customer Deposit	Trash Utility - Operating	Totals
Cash and investments - beginning	\$ 4,258	\$ 5,634	\$ 252	\$ 440	\$ 4,404	\$ 6,635	\$ 5,104	\$ 100,926
Receipts:								
Taxes	-	-	-	-	-	-	-	17,151
Intergovernmental	-	1,646	-	-	9,666	-	-	30,654
Charges for services	-	-	-	-	-	-	10,350	15,230
Utility fees	-	-	-	-	138,787	1,455	-	140,242
Penalties	-	-	-	-	683	-	-	683
Other receipts	-	-	-	24,926	10,537	-	-	36,627
Total receipts	-	1,646	-	24,926	159,673	1,455	10,350	240,587
Disbursements:								
Personal services	-	-	-	23,870	-	-	-	30,206
Supplies	-	-	-	-	-	-	-	4,937
Other services and charges	-	-	-	-	-	-	10,725	36,812
Utility operating expenses	-	-	-	-	140,355	-	-	140,355
Other disbursements	-	2,980	-	1,216	18,179	1,005	-	36,059
Total disbursements	-	2,980	-	25,086	158,534	1,005	10,725	248,369
Excess (deficiency) of receipts over disbursements	-	(1,334)	-	(160)	1,139	450	(375)	(7,782)
Cash and investments - ending	\$ 4,258	\$ 4,300	\$ 252	\$ 280	\$ 5,543	\$ 7,085	\$ 4,729	\$ 93,144

TOWN OF STRAUGHN
 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	Cumulative Capital Development	Park Nonreverting Capital	Storm Sewer Nonreverting (Cap. Exp.)	Cumulative Capital Improvement	Remove the Danger
Cash and investments - beginning	\$ 8,028	\$ 16,648	\$ 19,947	\$ 7,704	\$ 3,184	\$ 709	\$ 5,522	\$ 4,955	\$ -
Receipts:									
Taxes	20,836	-	-	-	994	-	-	-	-
Licenses and permits	819	-	-	-	-	-	-	-	-
Intergovernmental	9,689	6,179	4,306	-	100	-	589	-	
Charges for services	3,380	-	-	-	-	-	-	-	
Utility fees	-	-	-	-	-	-	-	-	
Penalties	-	-	-	-	-	-	-	-	
Other receipts	1,656	-	-	-	-	63	-	25,500	
Total receipts	<u>36,380</u>	<u>6,179</u>	<u>4,306</u>	<u>-</u>	<u>1,094</u>	<u>63</u>	<u>-</u>	<u>589</u>	<u>25,500</u>
Disbursements:									
Personal services	6,547	-	-	-	-	-	-	-	-
Supplies	4,518	-	-	-	-	358	-	-	
Other services and charges	16,165	5,666	-	2,627	498	-	950	24,525	
Utility operating expenses	-	-	-	-	-	-	-	-	
Other disbursements	5,593	531	-	-	-	-	-	-	
Total disbursements	<u>32,823</u>	<u>6,197</u>	<u>-</u>	<u>2,627</u>	<u>498</u>	<u>358</u>	<u>950</u>	<u>457</u>	<u>24,525</u>
Excess (deficiency) of receipts over disbursements	<u>3,557</u>	<u>(18)</u>	<u>4,306</u>	<u>(2,627)</u>	<u>596</u>	<u>(295)</u>	<u>(950)</u>	<u>132</u>	<u>975</u>
Cash and investments - ending	<u>\$ 11,585</u>	<u>\$ 16,630</u>	<u>\$ 24,253</u>	<u>\$ 5,077</u>	<u>\$ 3,780</u>	<u>\$ 414</u>	<u>\$ 4,572</u>	<u>\$ 5,087</u>	<u>\$ 975</u>

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

	Housing Grant Refund	Riverboat Wagering Tax Revenue Share	Cash Reserve	Payroll	Electric Utility - Operating	Electric Utility - Customer Deposit	Trash Utility - Operating	Totals
Cash and investments - beginning	\$ 4,258	\$ 4,300	\$ 252	\$ 280	\$ 5,543	\$ 7,085	\$ 4,729	\$ 93,144
Receipts:								
Taxes	-	-	-	-	-	-	-	21,830
Licenses and permits	-	-	-	-	-	-	-	819
Intergovernmental	-	1,315	-	-	10,097	-	-	32,275
Charges for services	-	-	-	-	-	-	10,143	13,523
Utility fees	-	-	-	-	138,605	1,879	-	140,484
Penalties	-	-	-	-	2,126	-	-	2,126
Other receipts	-	-	-	21,560	3,275	-	-	52,054
Total receipts	-	1,315	-	21,560	154,103	1,879	10,143	263,111
Disbursements:								
Personal services	-	-	-	19,356	-	-	-	25,903
Supplies	-	-	-	-	-	-	2,411	7,287
Other services and charges	1,225	-	-	-	-	-	11,667	63,780
Utility operating expenses	-	-	-	-	128,005	-	-	128,005
Other disbursements	-	-	-	2,484	30,420	1,665	-	40,693
Total disbursements	1,225	-	-	21,840	158,425	1,665	14,078	265,668
Excess (deficiency) of receipts over disbursements	(1,225)	1,315	-	(280)	(4,322)	214	(3,935)	(2,557)
Cash and investments - ending	\$ 3,033	\$ 5,615	\$ 252	\$ -	\$ 1,221	\$ 7,299	\$ 794	\$ 90,587

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TOWN OF STRAUGHN
SCHEDULE OF RECEIVABLES
December 31, 2012

<u>Government or Enterprise</u>	<u>Accounts Receivable</u>
Electric Utility	\$ 21,543
Trash Utility	<u>1,668</u>
Total	<u>\$ 23,211</u>

TOWN OF STRAUGHN
EXIT CONFERENCE

The contents of this report were discussed on August 5, 2013, with Debbie Smith, Clerk-Treasurer, and Stacy Smith, President of the Town Council. Our examination disclosed no material items that warrant comment at this time.