

B28474

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

EXAMINATION REPORT  
OF  
TOWN OF PARAGON  
MORGAN COUNTY, INDIANA  
January 1, 2004 to December 31, 2005



**FILED**  
10/24/2006



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Lisa Hogan	01-01-04 to 12-05-05
	Evelyn Zoller (Interim)	12-06-05 to 12-29-05
	Vickie Herrington	12-30-05 to 12-31-07
President of the Town Council	Ron Elliott, Sr.	01-01-04 to 05-02-04
	Dale Allen	05-03-04 to 12-31-04
	Michael Troxel	01-01-05 to 12-31-06



**STATE OF INDIANA**  
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF PARAGON, MORGAN COUNTY, INDIANA

We were engaged to examine the financial statements of the Town of Paragon (Town), for the period of January 1, 2004 to December 31, 2005. The Town's management is responsible for the financial statements.

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

No financial statements are reflected in this report because records were not in the proper condition or not available to examine. However, we did examine available records to the extent possible for compliance with the State statutes and with the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns published by the State Board of Accounts. The results of this examination are stated in the Examination Results and Comments.

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

STATE BOARD OF ACCOUNTS

August 30, 2006

TOWN OF PARAGON  
EXAMINATION RESULTS AND COMMENTS

PENALTIES, INTEREST AND OTHER CHARGES - TOWN AND UTILITIES

Penalties and interest totaling \$1,058 were assessed by the Internal Revenue Service on July 31, 2006, for improper payment of federal withholding tax in the first quarter of 2004.

Penalties and interest totaling \$289 were assessed by the Department of Revenue for nonpayment of sales tax between May and November 2005 and for a late payment of payroll withholding tax in June 2005.

The Peoples State Bank assessed the Town a total of \$325 in NSF fees and \$20 in overdraft charges in 2005.

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)

BOARD MINUTES - TOWN AND UTILITIES

During the examination period, there were two instances noted where the Board Minutes did not include a discussion or a vote.

Lisa Hogan, Clerk-Treasurer, signed up for Health Insurance on December 6, 2004. The position of Clerk-Treasurer had never been covered under the Town's Health Insurance Plan, and the issue of adding the Clerk-Treasurer was never mentioned in the Board Minutes. The total that the Town paid on her share of health insurance was \$16,245.

Ordinance 2004-1 raised the Water Utility rates for the Town. This Ordinance was signed on August 2, 2004, but the approval was not stated in the Board Minutes.

Indiana Code 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) Record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

TOWN OF PARAGON  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

CONDITION OF RECORDS - TOWN AND UTILITIES

Financial records presented for the examination were incomplete and not reflective of the activity of the Town and Utility Funds in 2004 and 2005. The records presented did not provide sufficient information to examine or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPORTING DOCUMENTATION - TOWN AND UTILITIES

One hotel and four Visa claims were observed in 2005 which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK ACCOUNT RECONCILIATIONS - TOWN AND UTILITIES

Depository reconciliations of the fund balances to the bank account balances were incorrect.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

PRESCRIBED FORMS - TOWN AND UTILITIES

The following prescribed or approved forms were not updated in 2004 and 2005: Investment Register (General Form 350) and the Capital Asset Ledger (City and Town Form 211). The Consumer's Ledger (Utility Form 322) was not updated between August and November 2005.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF PARAGON  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

UTILITY RECEIPTS TAX - WATER UTILITY

The Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue during the examination period.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSITS - WATER UTILITY

Weekly deposits were made during two months of 2004 and six months of 2005.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

SALARY OVERPAYMENTS - TOWN AND UTILITIES

In 2004, Evelyn Zoller and Lisa Hogan, former Clerk-Treasurers each received \$208.60 more in salary than the approved salary ordinance stated. We requested that they both reimburse the Town the entire amount. (See Summary, page 9)

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)

FUND SOURCES AND USES - TOWN AND UTILITIES

There were five instances where the Clerk-Treasurer either receipted or disbursed money from the wrong fund in 2004 and 2005.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF PARAGON  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

SALES TAX - WATER UTILITY

In one instance, the Utility did not charge sales tax to a nontax exempt business in 2004 and 2005.

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)

TOWN OF PARAGON  
EXIT CONFERENCE

The contents of this report were discussed on August 30, 2006, with Vickie Herrington, Clerk-Treasurer; and Michael Troxel, President of the Town Board.

Lisa Hogan, former Clerk-Treasurer, was unavailable for an exit conference after several attempts to contact her.

TOWN OF PARAGON  
MORGAN COUNTY  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Evelyn Zoller, former Clerk-Treasurer:			
Salary Overpayments, page 6	\$ 208.60	\$	\$
Paid by Evelyn Zoller, August 25, 2006			
Receipt 1549		208.60	-
 Lisa Hogan, former Clerk-Treasurer:			
Salary Overpayments, page 6	<u>208.60</u>	<u>-</u>	<u>208.60</u>
 Totals	<u>\$ 417.20</u>	<u>\$ 208.60</u>	<u>\$ 208.60</u>

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AFFIDAVIT

STATE OF INDIANA )

Sullivan COUNTY )

I, Michael E. Williams, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Paragon, Morgan County, Indiana, for the period from January 1, 2004, to December 31, 2005, is true and correct to the best of my knowledge and belief.

Michael E. Williams  
Field Examiner

Subscribed and sworn to before me this 19<sup>th</sup> day of October, 2006

Shelly Ann Paris  
Clerk of the Circuit Court