

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

EXAMINATION REPORT

OF

TOWN OF ST. PAUL

DECATUR COUNTY, INDIANA

January 1, 2004 to December 31, 2005



FILED
12/06/2006

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report	3
Schedules of Receipts, Disbursements, and Cash and Investment Balances.....	4
Notes to Schedules	5
Examination Results and Comments:	
Annual Report.....	6
Official Bond	6
List of Employees Not Filed with County Treasurer.....	6
Prescribed Forms	6
Approval of Claims.....	6-7
Advance Payments.....	7
Cash Disbursements	7
Capital Asset Records	7
Penalties, Interest, and Other Charges	7-8
Certified Report Not Filed	8
Condition of Records	8
Appropriations.....	8-9
Hydrant Rental.....	9
Petty Cash Fund	9
Exit Conference.....	10
Summary	11

OFFICIALS

Office

Official

Term

Clerk-Treasurer

Lynn W. Jones

01-01-04 to 12-31-07

President of the
Town Council

Chris Vierling
Rella Caplinger
Chris Vierling

01-01-04 to 12-31-04
01-01-05 to 12-31-05
01-01-06 to 12-31-06



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF ST. PAUL, DECATUR COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of St. Paul (Town), for the period of January 1, 2004 to December 31, 2005. The Town's management is responsible for the schedules. Our responsibility is to express an opinion 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 schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedules referred to above present fairly, in all material respects, the cash transactions of the Town 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

October 18, 2006

TOWN OF ST. PAUL
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2004 And 2005

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ 126,760	\$ 172,256	\$ 133,704	\$ 165,312
Motor Vehicle Highway	166,842	36,165	54,229	148,778
Local Road and Street	49,133	4,994	4,701	49,426
Law Enforcement Continuing Education	3,746	672	2,254	2,164
Gym	1,426	4,196	4,047	1,575
Fire Department New Equipment	22,986	117,363	133,175	7,174
Town Marshal Patrol Car	5,417	4,750	1,713	8,454
Cumulative Capital Improvement	37,206	3,814	5,300	35,720
EDIT	57,034	6,106	8,193	54,947
Proprietary Funds:				
Water Utility - Operating	97,022	343,182	350,766	89,438
Water Utility - Bond and Interest	25,699	57,600	54,824	28,475
Water Utility - Depreciation	22,266	-	-	22,266
Water Utility - Customer Deposit	11,464	2,795	705	13,554
Water Utility - Reserve	12,000	12,000	-	24,000
Wastewater Utility - Operating	98,456	107,207	90,110	115,553
Wastewater Utility - Bond and Interest	9,395	-	-	9,395
Wastewater Utility - Construction	229,161	24,000	10,985	242,176
Totals	<u>\$ 976,013</u>	<u>\$ 897,100</u>	<u>\$ 854,706</u>	<u>\$ 1,018,407</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 165,312	\$ 138,689	\$ 127,957	\$ 176,044
Motor Vehicle Highway	148,778	30,960	45,065	134,673
Local Road and Street	49,426	4,958	4,758	49,626
Law Enforcement Continuing Education	2,164	2,203	3,808	559
Gym	1,575	8,223	8,278	1,520
Fire Department New Equipment	7,174	-	-	7,174
Town Marshal Patrol Car	8,454	4,762	3,680	9,536
Cumulative Capital Improvement	35,720	3,159	-	38,879
EDIT	54,947	4,024	4,398	54,573
Proprietary Funds:				
Water Utility - Operating	89,438	116,176	134,926	70,688
Water Utility - Bond and Interest	28,475	57,600	57,203	28,872
Water Utility - Depreciation	22,266	-	-	22,266
Water Utility - Customer Deposit	13,554	1,820	590	14,784
Water Utility - Reserve	24,000	12,000	-	36,000
Wastewater Utility - Operating	115,553	109,612	114,424	110,741
Wastewater Utility - Bond and Interest	9,395	-	-	9,395
Wastewater Utility - Construction	242,176	24,000	31,480	234,696
Totals	<u>\$ 1,018,407</u>	<u>\$ 518,186</u>	<u>\$ 536,567</u>	<u>\$ 1,000,026</u>

The accompanying notes are an integral part of the schedules.

TOWN OF ST. PAUL
NOTES TO SCHEDULES

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, road and street maintenance, culture and recreation, water and wastewater utilities, 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. Long-Term Debt

The Town has entered into various debts such as bonds for a water utility project, a loan for a patrol car, and a capital lease for a fire truck. The outstanding principal at December 31, 2005, was \$695,909, \$20,538 and \$100,000, respectively.

TOWN OF ST. PAUL
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

Annual reports for 2004 and 2005 were not presented for examination.

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 . . ."

OFFICIAL BOND

The official bond was not filed in the Office of the County Recorder for Lynn W. Jones, Clerk-Treasurer.

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. . . ."

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of employees was not certified to the County Treasurer.

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."

PRESCRIBED FORMS

The following prescribed or approved forms were not always in use:

General Ledger Form 101;
Water Utility Simplified Cash Journal Form 319; and
Simplified Cash Journal–Municipal Sewage Utility Form 323

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)

APPROVAL OF CLAIMS

In 2005, the Clerk-Treasurer made \$2,500 in petty cash withdrawals from the Town checking account, without a claim or approval by the Town Council (See Examination Result and Comment titled "Petty Cash Fund").

TOWN OF ST. PAUL
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-10-2(a) states: "Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

ADVANCE PAYMENTS

Dates of transactions indicate that some payments were made to companies or individuals prior to the receipt of goods or services. Also, employees' last pay of each year was paid in advance.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CASH DISBURSEMENTS

Disbursements were not always made by check. For example, the Town paid utility bills with an ATM/Debit card.

Disbursements, other than proper petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

The Town of St. Paul and its Water and Wastewater Utilities do not maintain any capital asset records. Records providing historical cost for the capital asset acquisitions and disposals were not available for examination.

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)

PENALTIES, INTEREST AND OTHER CHARGES

In some cases, amounts payable to vendors and other suppliers of goods and services are not being paid until six months after the invoice dates.

Penalties and interest assessed to the Town totaling \$302.06 were paid to the Indiana Department of Revenue by Clerk-Treasurer Lynn W. Jones from her personal funds. Subsequently, the Clerk-Treasurer reimbursed herself that amount of penalty and interest from the Petty Cash Fund (See Examination Result and Comment titled "Petty Cash Fund").

TOWN OF ST. PAUL
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)

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 2004 and 2005.

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."

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Town, Wastewater Utility, and Water Utility Funds. The records were not posted for the year 2005. Fund activity was abstracted from available bank records to accumulate receipts, disbursements, and ending balances.

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)

APPROPRIATIONS

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

TOWN OF ST. PAUL
EXAMINATION RESULTS AND COMMENTS
(Continued)

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Motor Vehicle Highway	2004	\$19,479
Motor Vehicle Highway	2005	10,421

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."

HYDRANT RENTAL

The Town of St. Paul owes the Water Utility hydrant rental of \$13,533.24 for the year 2005, pursuant to Rate Ordinance passed by the Town Council in 2003.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PETTY CASH FUND

The Clerk-Treasurer, the petty cash custodian, did not maintain supporting documentation for all petty cash fund disbursements. A petty cash fund of \$100 was established on January 10, 2004. The Clerk-Treasurer withdrew, by using an ATM card, an additional \$2,500 from the Town's General Fund between June 13, 2005, and November 10, 2005.

We requested that the Clerk-Treasurer provide an accounting of the \$2,600.00 of petty cash fund advances. We were subsequently provided with a petty cash disbursement summary that contained transactions from May 9, 2005, through September 8, 2006, of which \$321.49 of petty cash fund disbursements could be verified. Included in the disbursement summary were reimbursements to Lynn W. Jones, Clerk-Treasurer, for Indiana Department of Revenue penalties and interest that totaled \$302.86 (See Examination Result and Comment titled "Penalties, Interest and Other Charges"). Disbursements totaling \$170.21 were paid without any verifiable documentation.

At our request, the Clerk-Treasurer deposited the remaining \$1,805.44 of unused petty cash funds into the Town's general checking account on September 14, 2006.

We have requested that Lynn W. Jones, Clerk-Treasurer, repay to the Town of St. Paul the amounts of \$302.86 for penalties and interest and \$170.21 for undocumented petty cash disbursements (See Summary, page 11). On October 19, 2006, Lynn W. Jones deposited \$473.07 into the Town's general checking account.

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)

TOWN OF ST. PAUL
EXIT CONFERENCE

The contents of this report were discussed on October 16, 2006, with Lynn W. Jones, Clerk-Treasurer.
The contents of this report were discussed on October 18, 2006, with Christopher Vierling, President of the
Town Council.

TOWN OF ST. PAUL
SUMMARY

	Charges	Credits	Balance Due
Due From Lynn W. Jones, Clerk-Treasurer:			
Penalties and Interest Paid to the	\$ 302.86	\$	\$
Indiana Department of Revenue (See Page 7-8)			
Undocumented Petty Cash Disbursements (See Page 9)	170.21		
Paid by Lynn W. Jones, October 19, 2006		473.07	-
Totals	\$ 473.07	\$ 473.07	\$ -