

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

EXAMINATION REPORT

OF

TOWN OF ST. JOHN

LAKE COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED
10/29/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sherry P. Sury	01-01-04 to 12-31-07
President of the Town Council	Michael S. Fryzel	01-01-04 to 12-31-07
Director of Public Works	Robert Pharazyn	01-01-04 to 12-31-07
Town Manager	Steve Kil	01-01-04 to 12-31-07
President of the Water Utility/ Waterworks District	Robert Myers	01-01-06 to 12-31-07
President of the Wastewater Utility/Sanitary District	Robert Myers	01-01-06 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDIANAPOLIS, INDIANA 46204-2769

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF ST. JOHN, LAKE COUNTY, INDIANA

We have examined the financial information presented herein of the Town of St. John (Town), for the period of January 1, 2006 to December 31, 2006. The Town's management is responsible for the financial information presented herein. 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 financial information presented herein 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 financial information referred to above presents fairly, in all material respects, the financial information of the Town for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

August 23, 2007

TOWN OF ST. JOHN
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 1,904,449	\$ 5,318,758	\$ 4,511,326	\$ 2,711,881
Motor Vehicle Highway	197,343	855,237	1,017,541	35,039
Local Road and Street	18,086	124,692	110,121	32,657
Park and Recreation	129,828	240,924	249,664	121,088
Law Enforcement Continuing Education	3,848	5,710	4,952	4,606
Economic Development Commission	5,540	5,400	4,543	6,397
Electronic Map Generation	60	150	155	55
Police PIDP	1,649	760	1,247	1,162
State Grants	-	9,200	9,200	-
Sanitary District Operating	259,854	312,664	233,164	339,354
Waterworks District Operating	216,716	255,855	224,567	248,004
Quad Town	6,702	-	-	6,702
Solid Waste Operating	3,528	69,510	46,742	26,296
Asset Forfeiture Account	3,867	-	-	3,867
Police Department Special Revenue	43,677	88,450	72,832	59,295
Police Gift	6,066	4,751	6,525	4,292
CATV Franchise	34,168	87,179	107,625	13,722
Christmas Events	-	4,737	4,462	275
Festival Event	-	66,733	66,733	-
Farmers Market Event	-	4,770	2,945	1,825
Fall Festival Event	-	26,995	26,995	-
Federal Grant	-	16,634	16,634	-
Police Family Violence Grant	2,000	-	-	2,000
Park Arts Program Grant	1,040	-	1,040	-
Park V3 Donation	30,000	30,000	43,243	16,757
Park Bond and Interest	82,579	137,134	169,996	49,717
Lease Rental	-	384,607	328,000	56,607
Sanitary District Bond and Interest	119,522	148,060	218,917	48,665
Barrett A Principal and Interest	47,484	12,581	33,947	26,118
Barrett B Principal and Interest	22,424	5,652	16,311	11,765
Redevelopment Construction	84,999	-	-	84,999
Ambulance Capital Replacement	64,808	33,133	2,215	95,726
Cumulative Fire Fund	102,655	137,493	9,790	230,358
Cumulative Sewer	318,651	1,050,571	662,829	706,393
Riverboat Revenue	49,568	78,902	11,008	117,462
Local Major Moves Construction	-	199,318	-	199,318
St. John '05 Town Project	345,296	1,622,923	1,868,306	99,913
Park and Recreational	314,154	321,391	469,255	166,290
St. John South TIF	26,399	28,911	37,202	18,108
St. John North TIF	10,957	16,118	-	27,075
Cumulative Capital Improvement	182,191	29,945	113,003	99,133
Cumulative Capital Development	376,337	283,500	334,241	325,596
Proprietary Funds:				
Water Utility - Operating	191,025	1,872,298	1,846,314	217,009
Water Utility - Bond and Interest	144,597	474,692	433,277	186,012
Water Utility - Debt Service Reserve	328,782	20,143	-	348,925
Water Utility - Customer Deposit	126,455	24,875	5,345	145,985
Water Utility - System Development	713,000	430,000	285,720	857,280
Water Utility - Improvement	442,822	104,332	521,155	25,999
Water Utility - Construction	1,439,087	120,979	1,560,066	-
Lotton Water System Development	-	20,006	-	20,006
Wastewater Utility - Operating	217,692	1,793,418	1,854,544	156,566
Wastewater Utility - Bond and Interest	163,526	219,576	220,806	162,296
Wastewater Utility - System Development	710,000	443,000	290,810	862,190
Wastewater Utility - Construction	1,316,071	43,684	497,851	861,904
Wastewater Utility - Improvement	222,733	150,000	248,909	123,824
Wastewater Utility - Debt Service Reserve	58,932	47,136	-	106,068
Wastewater Utility - WWTP Expansion	2,262,697	485,863	2,758	2,745,802
Lotton Interceptor Sewer	-	24,839	-	24,839
Fiduciary Funds:				
Police Pension Metro	116,290	19,538	17,384	118,444
Police Pension '77	10,536	42,953	43,382	10,107
Group Insurance	-	464,609	464,609	-
Rosewood/Wellington Recapture	-	6,170	3,421	2,749
PERF	16,351	199,000	197,706	17,645
Escrow Building	569,000	326,000	359,000	536,000
Park Security Deposits	-	3,000	3,000	-
Escrow Clearing/Reimbursement	5,040	24,538	24,538	5,040
Traffic Tickets	1,768	63,950	62,562	3,156
Traffic School Court Cost	5,472	80,784	85,896	360
Street Light Escrow	14,634	3,073	17,707	-
Operation Safe Speed	-	189,000	187,214	1,786
Payroll	-	3,740,357	3,740,357	-
Totals	\$ 14,092,955	\$ 23,457,161	\$ 24,011,607	\$ 13,538,509

The accompanying notes are an integral part of the financial information.

TOWN OF ST. JOHN
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, health and social services, culture and recreation, 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.

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.

TOWN OF ST. JOHN
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF.

b. 1925 Police Officers' Pension Plan

Plan Description

The Town contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

TOWN OF ST. JOHN
NOTES TO FINANCIAL INFORMATION
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The Town contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Note 7. Circuit Breaker Agreement

In 2004, the state provided to Lake County, for the benefit of various taxing units, a circuit breaker loan. The loan was to cover tax bill amounts in excess of 2% of the property's assessed valuation, subject to the property having a homestead exemption on file. On January 11, 2005, the County entered into an agreement with the Town of St. John and other taxing units receiving gaming tax distributions from Lake County for repayment of the loan. The Town will have its gaming distribution reduced by \$3,837 quarterly for five years, beginning in April 2005, to repay its share of the loan.

TOWN OF ST. JOHN
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 8. Tax Levies and Rates

Property tax rates and levies for 2004 taxes payable in 2005 were not established by February 15, 2005, as required by state statute, due to the delay in the completion of the reassessment of Lake County. The 2005 property tax rates and levies were not established until October 2005; thus, the property taxes were not billed or collected timely. The final settlement of the 2004 taxes payable in 2005 was distributed to the various governmental entities in March 2006.

Property tax rates and levies for 2005 taxes payable in 2006 were not established by February 15, 2005, as required by state statute, due to the delay in the completion of the reassessment of Lake County. The tax bills were mailed to Lake County residents in August 2006. They were due in two installments on August 29, 2006 and November 14, 2006. The final settlement of the 2005 taxes payable in 2006 was distributed to the various governmental entities on January 4, 2007.

Note 9. Subsequent Events

Property tax rates and levies for 2006 taxes payable in 2007 were not established by February 15, 2007, as required by state statute, due to the delay in the completion of the reassessment of Lake County. Currently, tax bills have not been mailed for the spring installment, normally due May 10.

On July 16, 2007, the Wastewater Treatment Plant Expansion Fund loaned the St. John 05 Town Project Fund \$1,500,000 for a period of time up to and including December 31, 2007.

TOWN OF ST. JOHN
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

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.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 2,714,870
Infrastructure	128,664,693
Buildings	1,210,263
Improvements other than buildings	1,398,258
Machinery and equipment	<u>4,160,391</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 138,148,475</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 834,129
Infrastructure	9,928,127
Buildings	811,447
Improvements other than buildings	1,000,562
Machinery and equipment	<u>892,260</u>
Total Water Utility capital assets	<u>13,466,525</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	63,827
Infrastructure	16,312,975
Buildings	203,588
Improvements other than buildings	62,844
Machinery and equipment	<u>835,031</u>
Total Wastewater Utility capital assets	<u>17,478,265</u>
Total business-type activities capital assets	<u>\$ 30,944,790</u>

TOWN OF ST. JOHN
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Building Corporation	\$ 18,274,000	\$ 741,000
Squad Car Lease	55,017	29,781
Bonds payable:		
General obligation bonds:		
Sanitary District Bond	675,000	110,000
Park Bond	780,000	45,000
Revenue bonds:		
Ravenswood TIF Bond	379,800	92,000
St. John Marketplace TIF Bond	<u>2,520,000</u>	<u>-</u>
Total governmental activities long-term debt	<u>\$ 22,683,817</u>	<u>\$ 1,017,781</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
1999 Revenue Bonds	\$ 650,000	\$ 170,000
2001 Revenue Bonds	1,245,000	85,000
2005A Water Utility Ban	750,000	750,000
2005B Water Utility Ban	<u>1,750,000</u>	<u>1,750,000</u>
Total Water Utility	<u>4,395,000</u>	<u>2,755,000</u>
Wastewater Utility		
Revenue bonds:		
2004 Revenue Bonds	<u>2,895,000</u>	<u>105,000</u>
Total business-type activities long-term debt:	<u>\$ 7,290,000</u>	<u>\$ 2,860,000</u>

TOWN OF ST. JOHN
EXAMINATION RESULTS AND COMMENTS

PUBLIC WORKS PROJECT

The Town entered into a contract for the Municipal Complex Phase I project. The contract was for \$2,180,125, but the Town actually paid \$2,421,194 which is \$241,066 or 11% over the contract amount. Change orders were not presented for examination.

Documentation of quotes received is not being maintained for examination. For example, the Town paid Rassel & Associates, Incorporated \$28,575 for flooring materials for the Phase I project, but quotes were not presented for examination.

If, in the course of construction, reconstruction or repair of a public work project, it becomes necessary to change or alter the original specifications, a change order may be issued to add, delete, or change an item or items in the original contract. All change orders must be directly related to the original public work project.

Addendum. The change order becomes an addendum to the contract and must be approved and signed by the board and the contractor.

Architect or Engineer. If a licensed architect or engineer is assigned to the public work project the change order must be prepared by that person.

Increase in Scope of Project. The total of all change orders issued that increase the scope of the project may not exceed twenty percent (20%) of the amount of the original contract. A change order issued as a result of circumstances that could not have been reasonably foreseen does not increase the scope of the project.

Cost of Materials. If additional units of materials included in the original contract are needed, the cost of these units in the change order must be the same as those shown in the original contract. A change order may not be issued before commencement of the actual construction, reconstruction, or repairs except in the case of an emergency. In that case, the board must make a declaration, and the board's minutes must show the nature of the emergency. [IC 36-1-12-18] (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Town Ordinance 1434, Section One, C states in part:

"In the event the public purchase is for a sum of at least \$25,000.00, but does not exceed \$75,000.00, the Town Council may invite three (3) quotes from persons or entities known to deal in the lines or classes of items to be purchased. The Town Council, or its designee, shall mail an invitation to quote at least seven (7) days before the time fixed for receiving quotes. After the quotes are received, negotiations may be conducted between the Town Council and the bidders. Quotes are received and the negotiations may be conducted between the Town Council and the bidders. Quotes shall be opened so as to avoid disclosure of contents to competing bidders during the negotiation process. If the Town Council receives and/or negotiates a satisfactory quote, then it shall determine the supplier of the item (the successful bidder). The Town Council may reject all quotes. Alternatively, for public purchases in this category, the Town Council may utilize the Request for Proposals process found at IC 5-22-9."

CUSTOMER DEPOSIT REGISTER

During 2006, the St. John Water Utility converted its detailed customer deposit register to an automated record. The automated record did not include a control ledger nor was it reconciled with the customer deposit amount recorded on the general ledger.

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

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)

PERSONAL USE OF TOWN OWNED VEHICLES

A vehicle was furnished by the Town for the use of the Public Works Director. The Public Works Director used his take home car for personal driving as well as for Town business. He did not maintain a log of personal miles driven. No additional income was shown on his W-2 form.

Town Ordinance 1419 states in part:

"Vehicles Not Used for Personal Purposes Other Than Commuting

Personal use for commuting can be valued at \$1.50 each one-way commute if the vehicle is owned or leased by the Town for business use . . . The employee or official must provide substantiation information relating to the number of commuting trips"

"Other Personal Usage of Town Provided Vehicles

The personal use of a Town-provided vehicle is a taxable fringe benefit. Employees and officials who are assigned Town-provided vehicles . . . shall keep a daily mileage log and shall record the vehicle's mileage at the beginning and at the end of every shift. In addition, the employee or official shall record all other job-related mileage in the mileage log. The mileage logs shall be submitted to the Town Clerk-Treasurer on a monthly basis."

Whenever an item or other asset owned by the political subdivision is entrusted to an officer or employee, to be used at times outside the normal work time for business purposes, such as a cellular phone, or vehicle, a log should be maintained which clearly shows the business use. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

PRESCRIBED FORMS – BUILDING AND PLANNING

The Building and Planning Department issued receipts for contractor's registrations. These receipts were not prescribed or approved forms.

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 ST. JOHN
EXAMINATION RESULTS AND COMMENTS
(Continued)

RECEIPT ISSUANCE – PARK AND RECREATION

The Park Superintendent collected money for Park activities. A registration form was completed for each activity indicating the amount of the fees collected. Fifteen percent of registrations tested did not indicate whether the collections were cash or check. The registration form was not prenumbered. The registration form and the fees collected were remitted to the Clerk-Treasurer. No receipt was issued by the Park Superintendent at the time the money was received.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each receipt shall note type of receipt (cash, check, money order, EFT, bank/credit card, other). (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

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)

PRESCRIBED FORMS – EMERGENCY MEDICAL SERVICE

The Emergency Medical Service issued receipts and billing invoices that were not prescribed or approved forms.

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 ST. JOHN
EXIT CONFERENCE

The contents of this report were discussed on August 23, 2007, with Sherry P. Sury, Clerk-Treasurer; Steve Kil, Town Manager; Michael S. Fryzel, President of the Town Council; Mark Barenic, Town Council Member; Eunice Michalski, Chief Deputy Clerk; Beverly Gawrys, Accounting Assistant; Judith Gorney, Utility Billing Clerk; and David Austgen, Town Attorney. The official response has been made a part of this report and may be found on pages 15 through 17.

**Office of the
Clerk-Treasurer**

St. John Municipal Building
10955 West 93rd Avenue
St. John, Indiana 46373-8822



**Sherry P. Sury, IAMC
Clerk-Treasurer**

(219) 365-4800 Voice
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E-Mail ssury.ct@stjohnin.com

September 4, 2007

VIA FACSIMILE 219-465-3592
& FIRST CLASS MAIL

Mr. Bruce A. Hartman, CPA, State Examiner
INDIANA STATE BOARD OF ACCOUNTS
302 Washington Street, Room E418
Indianapolis, IN 46204-2765

Ms. Mary Jo Small, Field Supervisor
For Lake, LaPorte and Porter Counties
C/o: Porter County Administration Center
Attn: INDIANA STATE BOARD OF ACCOUNTS
155 Indiana Avenue
Valparaiso, IN 46383

RE: Town of St. John Clerk-Treasurer's Response to the State Board of
Accounts Exam Results and Comments (Exam Period: January 1,
2006 – December 31, 2006)

C/o: Mary Jo Small, Field Supervisor, Valparaiso, IN

Dear Mr. Hartman and Ms. Small:

For your review and approval, the following summation addresses the issues mentioned in our exit conference.

PUBLIC WORKS PROJECT

These comments relate to the Building Corporation, which is a separate entity from the Town.

CUSTOMER DEPOSIT REGISTER

The conversion of data previously maintained in spreadsheet form and entered into the utility billing software system for this reconciliation is nearly completed. For this successful reconciliation back to the fund reports maintained in the SBA approved software, the deposits recorded on the spreadsheet, not automatically transferred during the software conversion are manually added. Utility deposits, refunded but remaining in the software program not deleted during the conversion are verified and manually deleted. Upon completion, the compiled list

September 4, 2007

containing the customer accounts that are considered abandoned, will be transferred to the appropriate fund and the deposit balance in the utility billing program will be in agreement with the general ledger maintained.

PERSONAL USE OF TOWN OWNED VEHICLES

Taxable fringe benefits for vehicle allowance were reported for the designated employees for 2006 with the Director of Public Works beginning to maintain his mileage log at the outset of 2007.

PRESCRIBED FORMS – BUILDING & PLANNING

Receipts designed and submitted by A.E. Boyce Co., Inc. numbered in sequence, bound in book form and previously approved by the SBA have been received. A receipt book has been provided to the Building & Planning Department on August 30, 2007, to enable the department to accept fees for all prescribed permits and issue temporary receipts. A master log will be maintained for the issuance of all receipt numbered books per department. The fees along with a copy of the temporary receipt for each transaction will be forwarded to the clerk's office for deposit and the copy of the temporary receipt will be attached to the receipt generated by the approved SBA software system.

RECEIPT ISSUANCE – PARK & RECREATION

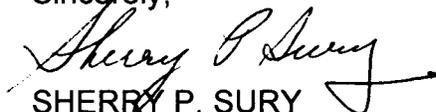
Receipts designed and submitted by A.E. Boyce Co., Inc, numbered in sequence, bound in book form and previously approved by the SBA have been received. A receipt book has been provided to the Park Department on August 31, 2007, to utilize in conjunction with the previously approved SBA temporary receipt/ registration form when fees are collected off site. A master log will be maintained for the issuance of all receipt numbered books per department. The fees and temporary receipts will be forwarded to the clerk's office for deposit and the temporary receipt will be attached to the receipt generated by the approved SBA software system.

PRESCRIBED FORMS – EMERGENCY MEDICAL SERVICE

Prior approvals submitted for the use of the DataMed software program currently in use were inadvertently not received. Approval from SBA for the use of this software system was re-submitted and received on August 14, 2007.

In conclusion, I trust the above response meets the requirement as established within the ten-day timeframe of the August 23, 2007, exit conference. If you should have any questions, please do not hesitate to contact me.

Sincerely,



SHERRY P. SURY

Clerk-Treasurer

September 4, 2007

Copy: Michael Fryzel, Town Council President
Dave Austgen, Town Attorney
Steve Kil, Town Manager
Eunice Michalski, Deputy Clerk

SEP 11 2007