

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

EXAMINATION REPORT  
OF  
TOWN OF PATOKA  
GIBSON COUNTY, INDIANA  
January 1, 2006 to December 31, 2007



**FILED**  
06/20/2008



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Stephanie Berry	01-01-04 to 12-31-11
President of the Town Council	Jim Austill	01-01-06 to 12-31-06
	Jeffrey R. Black	01-01-07 to 03-31-08
	Jim Austill	04-01-08 to 12-31-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF PATOKA, GIBSON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Patoka (Town), for the period of January 1, 2006 to December 31, 2007. 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 years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

May 15, 2008

TOWN OF PATOKA  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
<b>Governmental Funds:</b>				
General	\$ 12,934	\$ 35,746	\$ 36,284	\$ 12,396
Motor Vehicle Highway	29,006	33,486	23,908	38,584
Local Road and Street	379	4,321	2,629	2,071
Park Donations	2,774	317	1,235	1,856
Law Enforcement Continuing Education	1,110	713	656	1,167
Police Department Donations	1,236	488	697	1,027
Operation Pullover Grant	-	1,160	1,160	-
Fire Department Donations	25	-	23	2
Gas Award	100	-	100	-
Electric Liquidation	153,750	4,830	2,592	155,988
Rainy Day	2,159	-	2,158	1
Sewer Grant	-	11,250	11,250	-
Riverboat	4,723	4,713	357	9,079
Cumulative Capital Improvement	4,043	2,676	2,311	4,408
CEDIT	2,947	4,437	6,900	484
<b>Proprietary Funds:</b>				
Water Utility - Operating	16,347	246,412	247,375	15,384
Water Utility - Bond and Interest	91,149	87,000	90,761	87,388
Water Utility - Depreciation	20,000	5,500	-	25,500
Water Utility - Customer Deposit	5,100	1,700	1,100	5,700
<b>Fiduciary Fund:</b>				
Payroll	1,352	66,920	67,088	1,184
<b>Totals</b>	<b>\$ 349,134</b>	<b>\$ 511,669</b>	<b>\$ 498,584</b>	<b>\$ 362,219</b>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
<b>Governmental Funds:</b>				
General	\$ 12,396	\$ 44,394	\$ 32,819	\$ 23,971
Motor Vehicle Highway	38,584	33,244	21,846	49,982
Local Road and Street	2,071	4,325	4,574	1,822
Park Donations	1,856	267	200	1,923
Law Enforcement Continuing Education	1,167	509	701	975
Police Department Donations	1,027	360	633	754
Fire Department Donations	2	160	88	74
Electric Liquidation	155,988	6,509	4,867	157,630
Rainy Day	1	-	-	1
Riverboat	9,079	4,723	-	13,802
Cumulative Capital Improvement	4,408	2,630	5,000	2,038
CEDIT	484	5,267	-	5,751
<b>Proprietary Funds:</b>				
Water Utility - Operating	15,384	228,929	224,916	19,397
Water Utility - Bond and Interest	87,388	92,000	90,765	88,623
Water Utility - Depreciation	25,500	5,000	2,530	27,970
Water Utility - Customer Deposit	5,700	2,100	1,000	6,800
<b>Fiduciary Fund:</b>				
Payroll	1,184	70,629	70,827	986
<b>Totals</b>	<b>\$ 362,219</b>	<b>\$ 501,046</b>	<b>\$ 460,766</b>	<b>\$ 402,499</b>

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

TOWN OF PATOKA  
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, culture and recreation, water, 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. Subsequent Event

The Town of Patoka has a lawsuit filed against it by a citizen for not paving a road. The outcome is uncertain and the liability, if any, may not be covered by insurance.

TOWN OF PATOKA  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2007

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type Activities:		
Water Utility		
Revenue bonds:		
2000 Water Revenue Bonds	\$ 653,000	\$ 46,469
2001 Water Revenue Bonds	408,855	29,760
Water Well Loan	<u>62,638</u>	<u>13,476</u>
Total business-type activities debt	<u>\$ 1,124,493</u>	<u>\$ 89,705</u>

TOWN OF PATOKA  
EXAMINATION RESULTS AND COMMENTS

INVESTMENT MATURITY LIMITATIONS (Applies to Water Utility)

The Town of Patoka purchased one certificate of deposit which has a stated maturity in excess of two years.

Indiana Code 5-13-9-5.6 states: "Investments made under IC 5-13-9 must have a stated final maturity of not more than two years after the date of purchase or entry into a repurchase agreement."

OPTICAL IMAGES OF WARRANTS (Applies to Town and Water Utility)

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

Indiana Code 5-15-6-3 concerning optical imaging of checks states in part:

"(a) . . . 'original records' . . . includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Further, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

TOWN OF PATOKA  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

HYDRANT RENTAL RECEIVABLE (Applies to Town and Water Utility)

As stated in several prior reports, the Town of Patoka owes the Water Utility hydrant rental of \$10,775 and \$18,496 for the years 1993 and 1994, respectively, pursuant to Rate Ordinance 1991-1 and Rate Ordinance 1994-1. The Town has started making payments on this liability to the Water Utility and the balance as of December 31, 2007, is \$29,271.

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)

ORDINANCES AND RESOLUTIONS (Applies to the Water Utility)

Customers who have larger than 5/8 inch meters were overbilled for water services according to the billing ordinance during the examination period.

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)

TOWN OF PATOKA  
EXIT CONFERENCE

The contents of this report were discussed on May 15, 2008, with Stephanie Berry, Clerk-Treasurer; and Joe Cargel, Town Council member. The officials concurred with our findings.