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

EXAMINATION REPORT
OF
TOWN OF ARGOS
MARSHALL COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
10/27/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Pamela J. Bishop Candi Weller Patricia S. Jones	01-01-08 to 06-25-08 06-26-08 to 07-13-08 07-14-08 to 12-31-11
President of the Town Council	George A. Null	01-01-08 to 12-31-10
Superintendent of Utilities	John Archambeault	01-01-08 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF ARGOS, MARSHALL COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Argos (Town), for the period of January 1, 2008 to December 31, 2009. 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, 2008 and 2009, 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 10, 2010

TOWN OF ARGOS
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, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 285,801	\$ 861,188	\$ 726,946	\$ 420,043
Motor Vehicle Highway	212,598	141,186	118,740	235,044
Local Road and Street	36,864	7,632	-	44,496
Park and Recreation	89,438	75,551	77,815	87,174
Law Enforcement Continuing Education	8,427	57,632	31,100	34,959
Ambulance	72,677	78,172	76,962	73,887
Ambulance Donation	16,309	14,901	17,363	13,847
Cemetery	106,257	16,290	33,813	88,734
Housing Grant No. 1	4,099	4,162	25	8,236
Housing Grant No. 2	3,453	-	-	3,453
Rainy Day	111,967	49,472	29,829	131,610
Park Concessions	1,259	150	147	1,262
Park Donation	-	650	-	650
Park Grant	-	61,250	-	61,250
Library	545	4,800	5,345	-
B & R Building	249	3,825	3,767	307
Insurance Claims	1,998	2,455	2,404	2,049
Fire Billings	6,759	49,756	45,861	10,654
Cumulative Capital Improvement	142,758	8,353	-	151,111
Cumulative Capital Development	115,653	28,342	-	143,995
Storm Sewer Construction	209,235	15,956	21,222	203,969
Proprietary Funds:				
Water Utility - Operating	46,678	412,846	413,362	46,162
Water Utility - Bond and Interest	32,594	51,200	48,383	35,411
Water Utility - Depreciation	61,065	-	532	60,533
Water Utility - Customer Deposit	11,659	3,655	3,611	11,703
Water Utility - Debt Service Reserve	39,761	3,400	-	43,161
Wastewater Utility - Operating	60,120	375,393	395,476	40,037
Wastewater Utility - Bond and Interest	60,280	93,600	106,019	47,861
Wastewater Utility - Depreciation	100,001	-	-	100,001
Wastewater Utility - Debt Service Reserve	102,428	777	-	103,205
Electric Utility - Operating	624,331	2,212,678	2,090,833	746,176
Electric Utility - Depreciation	925,385	242,413	200,000	967,798
Electric Utility - Customer Deposit	24,705	8,360	8,190	24,875
Electric Utility - Cash Reserve	673,683	101,230	1,011	773,902
Fiduciary Funds:				
Cemetery Perpetual Care	52,523	8,698	7,684	53,537
Impressed Funds	175	-	-	175
Payroll	(1,557)	231,737	228,078	2,102
Totals	<u>\$ 4,240,177</u>	<u>\$ 5,227,710</u>	<u>\$ 4,694,518</u>	<u>\$ 4,773,369</u>

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

TOWN OF ARGOS
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, 2008 And 2009
(Continued)

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 420,043	\$ 916,965	\$ 974,896	\$ 362,112
Motor Vehicle Highway	235,044	171,730	213,582	193,192
Local Road and Street	44,496	7,121	-	51,617
Park and Recreation	87,174	129,994	72,807	144,361
Law Enforcement Continuing Education	34,959	4,221	12,148	27,032
Police Fund	-	1,704	-	1,704
Ambulance	73,887	113,491	70,859	116,519
Ambulance Donation	13,847	-	1,142	12,705
Cemetery	88,734	28,928	11,673	105,989
Cemetery Foundations	-	4,200	1,000	3,200
Housing Grant No. 1	8,236	-	-	8,236
Housing Grant No. 2	3,453	-	-	3,453
Rainy Day	131,610	-	-	131,610
Park Concessions	1,262	1,252	831	1,683
Park Donation	650	2,900	-	3,550
TIF	-	2	-	2
Park Grant	61,250	-	152,696	(91,446)
Library	-	-	2,570	(2,570)
B & R Building	307	4,875	5,244	(62)
Insurance Claims	2,049	3,487	-	5,536
Fire Billings	10,654	3,258	5,000	8,912
Cumulative Capital Improvement	151,111	7,230	-	158,341
Cumulative Capital Development	143,995	28,251	79,103	93,143
Storm Sewer Construction	203,969	21,474	27,062	198,381
Proprietary Funds:				
Water Utility - Operating	46,162	430,510	319,427	157,245
Water Utility - Bond and Interest	35,411	49,500	47,860	37,051
Water Utility - Depreciation	60,533	-	63,250	(2,717)
Water Utility - Customer Deposit	11,703	4,422	3,605	12,520
Water Utility - Debt Service Reserve	43,161	5,100	-	48,261
Wastewater Utility - Operating	40,037	369,964	302,298	107,703
Wastewater Utility - Bond and Interest	47,861	93,600	92,403	49,058
Wastewater Utility - Depreciation	100,001	55,000	81,283	73,718
Wastewater Utility - Debt Service Reserve	103,205	571	-	103,776
Electric Utility - Operating	746,176	2,359,878	1,958,520	1,147,534
Electric Utility - Depreciation	967,798	12,562	26,552	953,808
Electric Utility - Customer Deposit	24,875	9,033	8,055	25,853
Electric Utility - Cash Reserve	773,902	291,917	200,000	865,819
Fiduciary Funds:				
Cemetery Perpetual Care	53,537	11,274	19,683	45,128
Impressed Funds	175	-	-	175
Payroll	2,102	227,522	230,983	(1,359)
Totals	<u>\$ 4,773,369</u>	<u>\$ 5,371,936</u>	<u>\$ 4,984,532</u>	<u>\$ 5,160,773</u>

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

TOWN OF ARGOS
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, highways and streets, health and social services, culture and recreation, public improvements, general administrative services, electric, water, wastewater, and urban redevelopment.

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.

TOWN OF ARGOS
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

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 this 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 members' 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. 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

Funding Policy and Annual Pension Cost

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

TOWN OF ARGOS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2009

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 260,000
Buildings	656,907
Improvements other than buildings	307,681
Machinery and equipment	<u>1,634,695</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 2,859,283</u>
<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 5,090
Buildings	724,506
Improvements other than buildings	2,425,718
Machinery and equipment	<u>335,254</u>
Total Water Utility capital assets	<u>3,490,568</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	44,685
Buildings	1,677,313
Improvements other than buildings	573,344
Machinery and equipment	<u>351,072</u>
Total Wastewater Utility capital assets	<u>2,646,414</u>
Electric Utility:	
Capital assets, not being depreciated:	
Land	34,605
Buildings	604,303
Improvements other than buildings	1,943,750
Machinery and equipment	<u>704,721</u>
Total Electric Utility capital assets	<u>3,287,379</u>
Total business-type activities capital assets	<u>\$ 9,424,361</u>

TOWN OF ARGOS
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2009

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Vactor Truck	\$ 57,727	\$ 15,864
Fire Truck	<u>105,073</u>	<u>29,103</u>
Total governmental activities debt	<u>\$ 162,800</u>	<u>\$ 44,967</u>
Business-type activities:		
Water Utility:		
Capital leases:		
Vactor Truck	\$ 11,545	\$ 3,173
Loans:		
Rural Development	765,000	49,338
Electric Utility	<u>556,500</u>	<u>556,500</u>
Total Water Utility	<u>1,333,045</u>	<u>609,011</u>
Wastewater Utility:		
Capital leases:		
Vactor Truck	34,636	9,519
Revenue bonds:		
SRF Loan of 2001	<u>735,000</u>	<u>94,315</u>
Total Wastewater Utility	<u>769,636</u>	<u>103,834</u>
Electric Utility:		
Capital leases:		
Vactor Truck	<u>11,545</u>	<u>3,173</u>
Total business-type activities debt	<u>\$ 2,114,226</u>	<u>\$ 716,018</u>

TOWN OF ARGOS
EXAMINATION RESULTS AND COMMENTS

LOAN FROM ELECTRIC UTILITY

A loan of \$795,000 was made on an effective date of October 31, 2005, from the Electric Utility to the Water Utility and is not on schedule to be repaid within five years. Ordinance 2005-1 states: ". . . total money borrowed (\$795,000) shall be for a period of five (5) years from the date of said borrowing with payments to begin in January of 2007." The Town started making payments in 2007 and has made payments of \$79,500 in 2007, 2008, and 2009, leaving a balance as of December 31, 2009, of \$556,500. This loan should be repaid by October 31, 2010, but is on schedule to be repaid October 31, 2015.

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)

IC 8-1.5-3-11(f) states: "A cash reserve fund, if authorized by ordinance, may be used to make loans to another utility owned by the same municipality, for periods not to exceed five (5) years, at any interest rate. The repayment of the loan and interest shall be returned to the cash reserve fund."

OVERDRAWN CASH BALANCES

The cash balance of the Park Grant Fund, Library Fund, and Water Utility - Depreciation Fund were overdrawn at December 31, 2009.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF ARGOS
EXIT CONFERENCE

The contents of this report were discussed on August 10, 2010, with Patricia S. Jones, Clerk-Treasurer, and David Walker, Vice President Town Council. The official response has been made a part of this report and may be found on page 12.



Town of Argos
201 W Walnut St
Argos IN 46501

The Town of Argos received the Examination Results and Comments Report by the State Board of Accounts on August 10, 2010 for the fiscal years of 2008 and 2009 and we acknowledge the following:

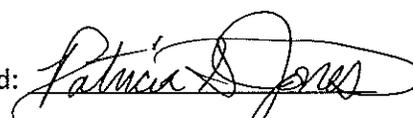
1. Ordinance 2005-1 is a loan in the amount of \$795,000 from the Electric Utility to the Water Utility to be repaid in five years. Because the current schedule of payments will not meet the required deadline a new ordinance will be drafted in October 2010 that rectifies this issue. The new ordinance will be subject to council approval.
2. The Park Grant Fund had a negative balance at the end of 2009 due to a grant reimbursement that was anticipated to be received in December but was not received until January 2010. The Park Grant Fund will be at a zero balance at the end of 2010.

The Library Fund had a negative balance at the end of 2009. This fund stopped receiving revenue when the Argos Library relocated to a new building however; the utility bills continued to be paid out of this fund as an oversight. To resolve this matter a transfer of funds will be made to zero the balance. Also, subject to Town Council approval, this fund will be eliminated by ordinance in 2010.

The Water Utility Depreciation Fund had a negative balance at the end of 2009. This was due to expenditures paid out during the year along with monies not being transferred from the Water Utility Operating Fund to compensate for those expenditures. To resolve this issue, money from the Water Utility Operating Fund will be transferred to the Water Utility Depreciation Fund in 2010 and monitored quarterly thereafter.

None of the above mentioned funds had a negative balance due to any financial problems. These overdrawn cash balances were an oversight and are easily corrected.

Signed: 
Title: Argos Town Council President
Date: 08-18-2010

Signed: 
Title: Argos Clerk-Treasurer
Date: 08-18-2010