

B38047

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

EXAMINATION REPORT
OF
TOWN OF ST. PAUL
DECATUR COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
12/10/2010

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5
Supplementary Information:	
Schedule of Capital Assets.....	6
Schedule of Long-Term Debt	7
Examination Results and Comments:	
Bank Account Reconciliations	8
Overdrawn Fund Balances	8
Official Bond	8
Delinquent Accounts Receivable and Customer Collection Policy	9
Prescribed Forms	9
Annual Reports.....	9-10
Appropriations.....	10
List of Employees Not Filed With County Treasurer	10
Fund Sources and Uses	11
Exit Conference.....	12

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Melissa Coulter	01-01-08 to 12-31-11
President of the Town Council	Jenny Shuppert Laura Dudley	01-01-08 to 12-31-09 01-01-10 to 12-31-10
Superintendent of Utilities	Jerome Buening	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 ST. PAUL, DECATUR COUNTY, INDIANA

We have examined the financial information presented herein of the Town of St. Paul (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

September 7, 2010

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, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 187,785	\$ 45,166	\$ 202,832	\$ 30,119
Motor Vehicle Highway	173,324	23,318	32,893	163,749
Local Road and Street	27,575	4,669	2,166	30,078
Law Enforcement Continuing Education	1,862	1,062	923	2,001
Gym	(1,509)	12,675	3,884	7,282
Fire Department New Equipment	1,466	15,232	-	16,698
Town Marshall Patrol Car	(41)	14,123	12,825	1,257
Cumulative Capital Improvement	41,817	7,029	7,670	41,176
EDIT	48,967	797	-	49,764
Rainy Day	-	910	113	797
Fire Department Building	-	4,000	-	4,000
Racino	-	32,884	20,000	12,884
Water and Wastewater Truck	-	12,000	-	12,000
Civic Center	-	340	-	340
Levy Excess	1,467	-	-	1,467
Proprietary Funds:				
Water Utility - Operating	26,515	185,811	136,810	75,516
Water Utility - Bond and Interest	73,539	57,600	56,592	74,547
Water Utility - Depreciation	22,266	-	-	22,266
Water Utility - Customer Deposit	16,499	1,950	1,188	17,261
Water Utility - Meter Replacement	4,800	2,400	-	7,200
Water Utility - Reserve	60,000	11,000	13,797	57,203
Wastewater Utility - Operating	158,498	132,127	129,566	161,059
Wastewater Utility - Bond and Interest	9,395	-	-	9,395
Wastewater Utility - Construction	282,696	24,000	-	306,696
Totals	\$ 1,136,921	\$ 589,093	\$ 621,259	\$ 1,104,755
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 30,119.00	\$ 160,033.00	\$ 191,541.00	\$ (1,389.00)
Motor Vehicle Highway	163,749	35,869	62,556	137,062
Local Road and Street	30,078	4,476	1,606	32,948
Law Enforcement Continuing Education	2,001	215	326	1,890
Gym	7,282	9,530	9,695	7,117
Fire Department New Equipment	16,698	405	5,000	12,103
Town Marshall Patrol Car	1,257	4,453	3,769	1,941
Cumulative Capital Improvement	41,176	3,134	7,968	36,342
EDIT	49,764	3,286	20,000	33,050
Rainy Day	797	12	-	809
Fire Department Building	4,000	-	-	4,000
Racino	12,884	75,337	49,669	38,552
Water and Wastewater Truck	12,000	-	-	12,000
Civic Center	340	-	-	340
Levy Excess	1,467	-	-	1,467
Proprietary Funds:				
Water Utility - Operating	75,516	122,378	147,755	50,139
Water Utility - Bond and Interest	74,547	57,600	101,760	30,387
Water Utility - Depreciation	22,266	-	-	22,266
Water Utility - Customer Deposit	17,261	1,755	1,120	17,896
Water Utility - Meter Replacement	7,200	2,400	-	9,600
Water Utility - Reserve	57,203	-	-	57,203
Wastewater Utility - Operating	161,059	114,377	195,442	79,994
Wastewater Utility - Bond and Interest	9,395	-	-	9,395
Wastewater Utility - Construction	306,696	34,006	184,667	156,035
Totals	\$ 1,104,755	\$ 629,266	\$ 982,874	\$ 751,147

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

TOWN OF ST. PAUL
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, culture and recreation, capital improvement, 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.

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. PAUL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For the Year Ended December 31, 2009

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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 925,008
Buildings	393,987
Transportation Equipment	468,877
Other Equipment	37,514
Infrastructure	<u>1,747,810</u>
Total governmental capital assets	<u>\$ 3,573,196</u>
Business-type activities:	
Water and Wastewater Utilities:	
Land	\$ 34,886
Buildings	705,479
Water Distribution System	562,974
Wastewater Collection System	686,411
Transportation Equipment	37,879
Other Equipment	<u>46,311</u>
Total business-type capital assets	<u>\$ 2,073,940</u>

TOWN OF ST. PAUL
 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:		
Fire Truck	\$ 54,741	\$ 15,391
Business-type activities:		
Water Utility:		
Revenue bonds:		
State Revolving Loan	\$ 571,206	\$ 57,202

TOWN OF ST. PAUL
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for examination. Apparently, reconciliations were performed, but lists of outstanding checks and deposits in transit were not retained for examination. This resulted in additional examination time to trace deposits and cleared checks.

IC 5-13-6-1(e) states:

"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."

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)

OVERDRAWN FUND BALANCES

The General Fund was overdrawn at December 31, 2009.

The fund 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)

OFFICIAL BOND

The Clerk-Treasurer's official bond does not comply with current requirements. Currently, the Clerk-Treasurer's bond covers the full term, and coverage is for \$15,000.

Effective July 1, 2009, IC 5-4-1-18(c) states in part:

". . . the fiscal bodies of the respective units shall fix the amount of the bond of . . . town clerk-treasurers . . . as follows:

- (1) The amount of annual coverage must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount of annual coverage may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount of annual coverage for the officer or employee."

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

DELINQUENT ACCOUNTS RECEIVABLE AND CUSTOMER COLLECTION POLICY

A few current utility customers have incurred large balances and continue to receive water and wastewater services. We noted one council member had accumulated an unpaid balance of \$499.32 at August 1, 2010, which represents more than six months of services. That account has subsequently been paid.

There is no written policy concerning collection procedures for delinquent accounts receivable including the disconnection of services. Because there is no written policy, there is no consistency with the manner in which the town deals with delinquent utility customers.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs. Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

IC 8-1.5-3-4(e) states in part:

"Before water service is discontinued . . . the board must give written notice to the water consumer or property owner of its intention to discontinue water service if the unpaid sewer or sewage disposal plant service charges are not paid before a date specified in the notice. The notice must be mailed not less than ten (10) days before water service is to be discontinued and addressed to the water consumer or the property owner at his last known address."

PRESCRIBED FORMS

The Simplified Cash Journals for Water and Wastewater Utilities, Forms 319 and 323, were not complete after July for the year 2008. The forms were not in use for the years 2009 or 2010. Records were maintained similar to a check register, with no detail of the source of receipts, or the purpose for any expenditure. Fund summaries for the different funds were maintained.

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)

ANNUAL REPORTS

Annual reports for 2008 and 2009 were not presented for examination.

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

IC 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 . . ."

Effective July 1, 2009, IC 5-11-1-4 states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

APPROPRIATIONS

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

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
General	2008	\$ 6,705.54
General	2009	37,577.00

IC 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."

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

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

IC 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 name and address of each person who has money due the person from the political subdivision to the treasurer of each county in which the political subdivision is located."

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

FUND SOURCES AND USES

Funds were disbursed from the Town General Fund for property and liability insurance for the Water and Wastewater Utilities.

The resources of a particular fund may be used only for the purposes for which the fund was created or as otherwise authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 2)

TOWN OF ST. PAUL
EXIT CONFERENCE

The contents of this report were discussed on September 7, 2010, with Laura Dudley, President of the Town Council; Melissa Coulter, Clerk-Treasurer; and Jerome Buening, Superintendent of Utilities. The officials concurred with our findings.