

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

EXAMINATION REPORT
OF
TOWN OF PATRIOT
SWITZERLAND COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Linda Fisk	01-01-08 to 12-31-11
President of the Town Council	Cindy Kerr James Caudill	01-01-08 to 06-02-08 06-03-08 to 12-31-10



STATE OF INDIANA
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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 PATRIOT, SWITZERLAND COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Patriot (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 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

December 22, 2010

TOWN OF PATRIOT
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	\$ 4,843	\$ 48,232	\$ 52,638	\$ 437
Motor Vehicle Highway	20,513	5,433	-	25,946
Local Road and Street	418	994	162	1,250
Memorial Park	1,065	2,000	-	3,065
Town Hall	595	855	-	1,450
Riverboat	896,441	476,231	391,000	981,672
Rainy Day	677	-	-	677
July 4 Donation	1,000	-	-	1,000
Cumulative Capital Improvement	8,128	656	1,716	7,068
Proprietary Funds:				
Water Utility - Operating	218,994	1,973,209	2,133,964	58,239
Water Utility - Debt Service Reserve	413,528	90,560	1,111	502,977
Water Utility - Escrow	161,502	2,775	143,323	20,954
Water Utility - Bond and Interest	755,376	682,214	882,900	554,690
Water Utility - Depreciation	361,448	664,948	534,484	491,912
Wastewater Utility - Operating	10,271	38,589	44,443	4,417
Wastewater Utility - Bond and Interest	4,651	12,007	11,960	4,698
Wastewater Utility - Debt Service Reserve	12,687	15	-	12,702
Totals	<u>\$ 2,872,137</u>	<u>\$ 3,998,718</u>	<u>\$ 4,197,701</u>	<u>\$ 2,673,154</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 437	\$ 34,998	\$ 30,410	\$ 5,025
Motor Vehicle Highway	25,946	5,328	502	30,772
Local Road and Street	1,250	940	-	2,190
Memorial Park	3,065	150	525	2,690
Town Hall	1,450	385	-	1,835
Riverboat	981,672	371,994	395,646	958,020
Park Nonreverting Fund	-	23,679	8,742	14,937
Rainy Day	677	-	-	677
July 4 Donation	1,000	2,500	-	3,500
Cumulative Capital Improvement	7,068	619	-	7,687
Proprietary Funds:				
Water Utility - Operating	58,239	2,162,601	2,206,988	13,852
Water Utility - Debt Service Reserve	502,977	89,736	415	592,298
Water Utility - Escrow	20,954	9,109	30,063	-
Water Utility - Bond and Interest	554,690	731,216	391,987	893,919
Water Utility - Depreciation	491,912	24,077	369,024	146,965
Wastewater Utility - Operating	4,417	32,480	34,293	2,604
Wastewater Utility - Bond and Interest	4,698	12,005	11,791	4,912
Wastewater Utility - Debt Service Reserve	12,702	12	-	12,714
Totals	<u>\$ 2,673,154</u>	<u>\$ 3,501,829</u>	<u>\$ 3,480,386</u>	<u>\$ 2,694,597</u>

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

TOWN OF PATRIOT
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; wastewater collection and treatment; 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.

TOWN OF PATRIOT
NOTES TO FINANCIAL INFORMATION
(Continued)

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. Electric Service Construction Agreement

On June 5, 2006, the Southeastern Indiana REMC (REMC) entered into an agreement with the Water Utility (Utility). Under the terms of the agreement, the Utility initially paid \$175,000 of the REMC's \$265,000 cost to provide service to new Utility facilities. The REMC's remaining \$90,000 cost was to be repaid under the terms of the agreement.

The agreement provides for two repayment options. The first option is repayment through guaranteed monthly minimum bills. Each month the Utility pays a minimum bill of \$3,000 on service to the new facilities, the amount owed the REMC is reduced by \$3,000. After 30 months of \$3,000 payments, the repayment will be complete. The second repayment option is a lump sum payment of the remaining balance after application of previous monthly minimum bills paid by the Utility. As of December 31, 2009, the Utility had an outstanding balance of \$15,000 due the REMC. Repayments through December 31, 2009, were made through minimum bills paid.

Note 7. Major Customer

Belterra Casino Resort & Spa provides approximately 18% of Water Utility revenues.

TOWN OF PATRIOT
 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
Business-type activities:		
Water Utility:		
Capital leases:		
Meter system	\$ 1,124,531	\$ 108,154
Revenue bonds:		
1973 Waterworks Revenue Bonds	46,000	30,300
1987 Series A Waterworks Revenue Bonds	486,000	43,945
1987 Series B Waterworks Revenue Bonds	222,000	82,610
1996 Waterworks Revenue Bonds	2,022,000	130,990
1999 Waterworks Revenue Bonds	271,000	36,664
2006 Waterworks Revenue Bonds	5,296,365	242,000
Loan payable	<u>323,880</u>	<u>63,549</u>
Total Water Utility	<u>9,791,776</u>	<u>738,212</u>
Wastewater Utility:		
Revenue bonds:		
1991 Series A Sewer Works Revenue Bonds	80,200	6,010
1991 Series B Sewer Works Revenue Bonds	<u>71,000</u>	<u>5,550</u>
Total Wastewater Utility	<u>151,200</u>	<u>11,560</u>
Total business-type activities debt	<u>\$ 9,942,976</u>	<u>\$ 749,772</u>

TOWN OF PATRIOT
EXAMINATION RESULTS AND COMMENTS

SALES TAX (Applies to Clerk-Treasurer)

An Examination Result and Comment was made in prior Report B32665 regarding the Town paying sales tax on electric service during the year 2007. Linda Fisk, Clerk-Treasurer, filed exemption certificates with the electric service provider; however, sales tax continued to be billed and the Clerk-Treasurer continued paying the sales tax through June of the year 2010. In July of the year 2010, the electric service provider ceased billing sales tax to the Town and Utilities.

The Town and Utilities paid the following sales tax on electric service during the years 2008, 2009 and 2010:

	2008	2009	2010	Totals
Town	\$ 5	\$ 625	\$ 415	\$ 1,046
Water	3,948	7,213	4,204	15,365
Sewer	-	687	408	1,095
 Totals	 \$ 3,953	 \$ 8,525	 \$ 5,028	 \$ 17,506

On June 30, 2010, Linda Fisk filed claims with the Indiana Department of Revenue requesting a refund for sales tax paid.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PUBLIC FUNDS USED FOR IMPROVEMENTS ON PRIVATE PROPERTY (Applies to the Town Council)

On September 1, 2009, the Town Council authorized paying \$10,000 from the Riverboat Fund to assist in rehabilitating a building owned by a private business. No information was presented for examination that the payment was in relation to safety concerns.

Generally, public funds may not be used to make improvements to property not owned by the governmental unit, unless permitted by statute, federal or state requirements, or safety concerns. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Similar comments were reported in prior Reports B28264 and B32665.

DONATIONS (Applies to Town Council)

The Town donated \$15,000 to the United Fund in the year 2008.

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF PATRIOT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Similar comments were reported in prior Reports B28264 and B32665.

APPROPRIATIONS (Applies to Clerk-Treasurer)

The records presented for examination showed that General Fund expenditures for the year 2009 were in excess of approved appropriations by \$7,762.

IC 36-5-4-2 states: "Unless a statute provides otherwise, town monies may be disbursed only after an appropriation made by ordinance of the town legislative body and recorded in a book kept for that purpose by the legislative body. Each appropriation must be made from the fund against which the expenses arose."

PARK AND RECREATION BOARD (Applies to Town Council)

The Town Council passed Ordinance Number 2-3-09 on February 3, 2009, which established the Patriot/Posey Parks Board (Board). The ordinance stated that the Town Council would appoint a seven member Board with four members to be Town residents and three members to be residents of Posey Township (residing outside the Town's corporate boundaries). The ordinance also stated that all Board members served at the "pleasure of the Town Council" and the Board was to "implement and execute duties as defined by the Town Council." The Board is responsible for overseeing park facilities and programs in the Town and at a boat ramp located in Posey Township outside the Town's corporate boundaries.

No information was presented for examination to document that the Board was established as a joint board.

IC 36-10-3-4(b) states in part in regards to the appointment to a Town Park and Recreation Board:

"A town board consists of four (4) members to be appointed by the town legislative body. The members shall be appointed on the basis of their interest in and knowledge of parks and recreation. Except as provided in section 4.1 of this chapter, not more than two (2) members may be affiliated with the same political party. Members of the board must be residents of the district. In addition, the creating ordinance may provide for one (1) or two (2) ex officio members, those being:

(1) a member:

- (A) of the governing body of the school corporation selected by that body; or
- (B) designated by the governing body of the school corporation;

(2) a member of the governing body of the library district selected by that body; or

(3) both subdivisions (1) and (2)."

TOWN OF PATRIOT
EXAMINATION RESULTS AND COMMENTS
(Continued)

PARKS BOARD TREASURER (Applies to Town Council)

The position of Parks Board Treasurer was established by Section 4 of Ordinance Number 2-3-09 dated February 3, 2009. The Parks Board Treasurer maintained financial records and a bank account separate from the funds maintained by the Town's Clerk-Treasurer.

Information was not presented for examination showing the statutory authority for the position of Parks Board Treasurer.

IC 36-5-6-6(a) states in part:

"The clerk-treasurer shall do the following:

- (1) Receive and care for all town money and pay the money out only on order of the town legislative body.
- (2) Keep accounts showing when and from what sources the clerk-treasurer has received town money and when and to whom the clerk-treasurer has paid out town money. . .
- (5) Manage the finances and accounts of the town and make investments of town money . . ."

The funds maintained by the Parks Board Treasurer were transferred to the custody of the Clerk-Treasurer on December 10, 2010.

CONDITION OF RECORDS (Applies to Utilities)

We noted balances and other amounts shown on various computerized reports that should have been derived from the same source data did not agree from one report to another. The following are examples of discrepancies between reports:

1. The beginning balance reported on the December 1, 2009, Customer Billing Register should agree with the ending balance from the previous month's Customer Billing Register. However, the balances on these two reports did not agree. The variance was \$49,546.
2. The payments reported for the previous month on the December 1, 2009, Customer Billing Register did not agree with the payments reported in the November Payment Application Report. The variance was \$2,162.
3. The November penalties reported on the December 1, 2009, Customer Billing Register did not agree with the penalties applied in the November Late Charge Report. The variance was \$33.
4. The November adjustments reported on the December 1, 2009, Customer Billing Register did not agree with the November adjustments in the Adjustment Report. The variance was \$480.

TOWN OF PATRIOT
EXAMINATION RESULTS AND COMMENTS
(Continued)

5. The accounts receivable totals on the December 1, 2009, Customer Aged Accounts Receivable Report and the Customer Billing Register, respectively, did not agree. The variance was \$375.

The computerized accounting system must incorporate features that assure all accounting information is reported accurately and completely. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMPENSATION (Applies to Town Council)

The following exceptions were noted in the review of employee compensation and benefits:

- (1) No salary ordinances were presented for examination showing annual compensation and bonuses. Salaries were set by percentage increases approved in annual budgets. Christmas bonuses were paid based on prior practice and were not formally approved each year.

All compensation and benefits paid to officials and employees must be included in the salary ordinance adopted by the legislative body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

- (2) Town Council pay was not processed through the Town's payroll system. The annual amounts paid to council members were reported on Internal Revenue Service Form 1099s and not Internal Revenue Service Form W-2s.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Similar comments were made in prior Report B32665.

CREDIT CARDS (Applies to Town Council)

Town and utilities employees are using credit cards to make purchases. The Town Council has not formally approved a credit card policy.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

TOWN OF PATRIOT
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (1) The governing Board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the Board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Similar comments were made in prior Reports B28264 and B32665.

CAPITAL ASSET RECORDS (Applies to Clerk-Treasurer, Water, and Wastewater Utilities)

The Town and Utilities do not have detailed capital asset records.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. 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)

A similar comment was made in prior Reports B28264 and B32665.

TOWN OF PATRIOT
EXIT CONFERENCE

The contents of this report were discussed on December 22, 2010, with Linda Fisk, Clerk-Treasurer, and James Caudill, President of the Town Council.