

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

EXAMINATION REPORT
OF
TOWN OF PARAGON
MORGAN COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
05/18/2011

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	5-6
Supplementary Information:	
Schedule of Long-Term Debt	7
Examination Results and Comments:	
Condition of Records	8
Errors on Claims	8
Optical Images of Warrants	9
Appropriations.....	9
Utility Receipts Tax.....	10
Sales Tax.....	10
Penalties, Interest, and Other Charges	10
Loans Between Town Funds	11
Capital Asset Records	12
Prescribed Forms	12
Old Outstanding Checks (Warrants).....	12-13
Utility Late Fees	13
Delinquent Wastewater Accounts.....	13-14
Federal and State Agencies - Compliance Requirements	14
List of Employees Not Filed With County Treasurer	14
Internal Controls	15
Customer Deposit Register	15
Bad Debts and Uncollectible Accounts	15
Board Minutes.....	16
Exit Conference.....	17

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Vickie L. Herrington	01-01-08 to 12-31-11
President of the Town Council	Dale Lauderman	01-01-08 to 12-31-08
	Ray Cooper	01-01-09 to 12-31-10
	Dale Allen	01-01-11 to 12-31-11



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 PARAGON, MORGAN COUNTY, INDIANA

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

February 24, 2011

TOWN OF PARAGON
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	\$ 107,682	\$ 218,683	\$ 228,866	\$ 97,499
Motor Vehicle Highway	36,151	67,842	58,095	45,898
Local Road and Street	13,134	18,908	14,833	17,209
Law Enforcement Continuing Education	565	382	149	798
Storm water Construction Grant	(645)	501,649	500,822	182
LOIT - Public Safety	-	14,074	8,823	5,251
Rainy Day	-	15,655	8,306	7,349
Donation	-	1,000	280	720
Cumulative Capital Improvement	1,247	2,156	2,200	1,203
Economic Development Income Tax	12,615	51,390	63,143	862
Proprietary Funds:				
Water Utility - Operating	5,989	93,484	97,383	2,090
Water Utility - Depreciation	7,949	7,949	7,949	7,949
Water Utility - Customer Deposit	4,760	3,791	2,096	6,455
Wastewater Utility - Operating	24,413	131,313	154,809	917
Wastewater Utility - Bond and Interest	70,000	121,695	60,971	130,724
Wastewater Utility - Depreciation	46,137	6	45,000	1,143
Storm Water Utility - Operating	23,417	37,336	42,049	18,704
Fiduciary Fund:				
Payroll	2,461	126,883	127,763	1,581
Totals	<u>\$ 355,875</u>	<u>\$ 1,414,196</u>	<u>\$ 1,423,537</u>	<u>\$ 346,534</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 97,499	\$ 168,875	\$ 188,470	\$ 77,904
Motor Vehicle Highway	45,898	46,997	59,017	33,878
Local Road and Street	17,209	6,098	21,460	1,847
Law Enforcement Continuing Education	798	705	563	940
Storm Water Construction Grant	182	5	187	-
LOIT - Public Safety	5,251	16,064	12,053	9,262
Rainy Day	7,349	10,203	15,649	1,903
Donation	720	-	673	47
Cumulative Capital Improvement	1,203	2,033	2,200	1,036
Economic Development Income Tax	862	28,927	17,736	12,053
Proprietary Funds:				
Water Utility - Operating	2,090	70,283	56,178	16,195
Water Utility - Depreciation	7,949	-	7,500	449
Water Utility - Customer Deposit	6,455	900	1,850	5,505
Wastewater Utility - Operating	917	118,097	97,112	21,902
Wastewater Utility - Bond and Interest	130,724	13,155	61,855	82,024
Wastewater Utility - Depreciation	1,143	1	-	1,144
Storm Water Utility - Operating	18,704	45,219	42,935	20,988
Fiduciary Fund:				
Payroll	1,581	124,233	123,775	2,039
Totals	<u>\$ 346,534</u>	<u>\$ 651,795</u>	<u>\$ 709,213</u>	<u>\$ 289,116</u>

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

TOWN OF PARAGON
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 (police), highways and streets, culture and recreation, public improvements, general administrative services, water, wastewater, storm water, 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.

TOWN OF PARAGON
NOTES TO FINANCIAL INFORMATION
(Continued)

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. 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 PARAGON
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 lease:		
2008 Police Car	\$ 11,414	\$ 6,221
Loan payable - 2010 Police Car	<u>21,157</u>	<u>4,791</u>
Total governmental activities debt	<u>\$ 32,571</u>	<u>\$ 11,012</u>
Business-type activities:		
Wastewater Utility:		
State Revolving Fund Loan:		
Wastewater Improvements	\$ 683,434	\$ 62,414
Total Wastewater Utility	<u>683,434</u>	<u>62,414</u>
Storm Water Utility:		
Rural Development Loans:		
Construction of Storm Water Lines - Series A	295,500	15,600
Construction of Storm Water Lines - Series B	<u>184,500</u>	<u>9,900</u>
Total Storm Water Utility	<u>480,000</u>	<u>25,500</u>
Total business-type activities debt	<u>\$ 1,163,434</u>	<u>\$ 87,914</u>

TOWN OF PARAGON
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The Annual Financial Reports (CTAR-1) for 2008 and 2009 did not agree with and were not reflective of the financial records for numerous funds for their respective years.

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)

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)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the examination period:

- (1) Claims were not adequately itemized.
- (2) All claims did not have board approval.
- (3) All claims were not certified by the Clerk-Treasurer.

IC 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

TOWN OF PARAGON
EXAMINATION RESULTS AND COMMENTS
(Continued)

OPTICAL IMAGES OF WARRANTS

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 for the Water Utility and the Storm Water Utility.

IC 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, IC 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)."

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	\$ 208,500
Local Road and Street	2008	14,833
Motor Vehicle Highway	2008	58,095
General	2009	183,847
Local Road and Street	2009	21,460
Motor Vehicle Highway	2009	59,017

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."

TOWN OF PARAGON
EXAMINATION RESULTS AND COMMENTS
(Continued)

UTILITY RECEIPTS TAX

As also reported in the prior audit period, the Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue during the examination period.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SALES TAX

The Utility did not collect from customers or remit to the Indiana Department of Revenue, sales tax for utility services for several months during the examination period.

Collections by a city or town from the retail sale of tangible property, utility service, or commodities in the performance of private or proprietary activities are subject to sales tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

All questions concerning the law or procedure for paying and collecting sales tax should be directed to the Indiana Department of Revenue, Sales Tax Division. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES

Finance charges and late fees totaling \$44.39 were paid to VISA during the examination period.

Penalties and interest totaling \$117.04 were paid to the Indiana Department of Revenue on February 25, 2008, for withholding taxes for the periods of November 2007 and December 2007.

Penalties and interest totaling \$138.04 were paid to the Indiana Department of Revenue on various dates for sales taxes for various months.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

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

TOWN OF PARAGON
EXAMINATION RESULTS AND COMMENTS
(Continued)

LOANS BETWEEN TOWN FUNDS

The amount of temporary loans made but not repaid by December 31 of the year made:

Fund Receiving Loan	Fund Making Loan	Date Loan Made	Amount Unpaid
General	Water Depreciation	October 3, 2006	\$ 5,000
Water Operating	Wastewater Bond and Interest	August 9, 2007	5,000
Wastewater Bond and Interest	Storm Water	February 28, 2008	10,000
Wastewater Bond and Interest	Economic Dev. Income Tax	February 28, 2008	11,695
Wastewater Bond and Interest	Wastewater Depreciation	March 28, 2008	45,000
Wastewater Bond and Interest	Water Depreciation	January 15, 2009	7,500
Wastewater Operating	Storm Water	February 26, 2009	5,000
General	Motor Vehicle Highway	April 30, 2009	1,000
General	Motor Vehicle Highway	June 5, 2009	8,000
Storm Water	Cumulative Capital Improvement	September 22, 2009	2,200
Storm Water	Rainy Day	September 22, 2009	11,412

These loans are still unpaid as of November 10, 2010.

IC 36-1-8-4 concerning temporary loans states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs; (4) The amount transferred must be returned to the other fund at the end of the prescribed period . . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
 - (A) A statement that the fiscal body has determined that an emergency exists.
 - (B) A brief description of the grounds for the emergency.
 - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and department of local government finance."

TOWN OF PARAGON
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

The Town, including the Water, Wastewater and Storm Water Utilities, has not maintained capital asset records. Also, the Town does not have a capital asset policy which includes the dollar threshold for which capital assets are reported.

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

PRESCRIBED FORMS

The following prescribed or approved form was not always in use: Investment Register, General Form 350.

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)

OLD OUTSTANDING CHECKS (WARRANTS)

Our review of the bank reconcilements as of December 31, 2009, revealed warrants outstanding in excess of two years.

IC 5-11-10.5-2 states in part:

"All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

IC 5-11-10.5-3 states:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the: (1) board of finance of the political subdivision; or (2) fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

IC 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

TOWN OF PARAGON
EXAMINATION RESULTS AND COMMENTS
(Continued)

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

UTILITY LATE FEES

Instances were noted where the penalties on unpaid wastewater bills were not 10%.

IC 36-9-23-31 states:

"If fees assessed against real property under this chapter or any statute repealed by IC 19-2-5-30 (repealed September 1, 1981) are not paid within the time fixed by the municipal legislative body, they are delinquent. A penalty of ten percent (10%) of the amount of the fees attaches to the delinquent fees. The amount of the fee, the penalty, and a reasonable attorney's fee may be recovered by the board in a civil action in the name of the municipality."

It is our audit position that the 10% penalty [on unpaid wastewater bills] specified in IC 36-9-23-31 should be assessed one time and one time only. Subsequent billings should not include additional assessments on this penalty. Similarly, unless specifically directed by statute, ordinance, or other legal directives, penalties on late fees for municipal utilities organized under IC 8-1.5 should be charged only one time. Future late charges should not include additional charges added to the penalties on late fees. (Cities and Towns Bulletin and Uniform Compliance Guidelines, March 2009)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent Wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

IC 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) A description of the premises, as shown by the records of the county auditor; and
 - (C) The amount of the delinquent fees, together with the penalty; or
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent."

TOWN OF PARAGON
EXAMINATION RESULTS AND COMMENTS
(Continued)

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder. . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Form 941 for 2008 reports gross wages, Social Security wages and Medicare wages as \$127,400.38, \$123,276.78 and \$123,276.78, respectively. The W-3 Transmittal of Wage and Tax Statements shows \$129,871.50 for 2008.

Council members Robert Allen, Warden Lauderman and Ray Cooper each earned \$1,462.20 in gross wages according to the 2008 Earnings Record. The W-2 for each shows \$1,350.24 for 2008.

The Form 941 for 2009 reports gross wages of \$123,460.23. The W-3 Transmittal of Wage and Tax Statements shows \$119,906.40 for 2009.

The 2009 Earnings Record shows state taxes withheld of \$4,552.38. The W-3 Transmittal of Wage and Tax Statements shows \$4,543.38 for 2009.

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)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

Lists of employees for 2008 and 2009 were 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 names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

TOWN OF PARAGON
EXAMINATION RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS

Accounts Receivable records were not retained for the examination period. It was not possible to determine Accounts Receivable balances at a particular point in time during the examination period.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded in the simplified cash journal. The Clerk-Treasurer stated that she knows that this is out of balance and has been reviewing the situation. Since the records for the 2004 and 2005 period were not adequate to issue financial statements, she has to attempt to determine transactions for that period as time allows.

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)

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

There is no formal policy for collection of Utility accounts receivable.

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)

TOWN OF PARAGON
EXAMINATION RESULTS AND COMMENTS
(Continued)

BOARD MINUTES

Minutes of a February 2009 meeting of the governing body were not available for examination. Also, the minutes of all meetings of the governing body were not organized into bound folders.

IC 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5."

TOWN OF PARAGON
EXIT CONFERENCE

The contents of this report were discussed on February 24, 2011, with Vickie L. Herrington, Clerk-Treasurer, and Dale Allen, President of the Town Council. The officials concurred with our findings.