

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF ST. JOHN

LAKE COUNTY, INDIANA

January 1, 2010 to December 31, 2010



FILED
11/17/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sherry Sury	01-01-08 to 12-31-11
President of the Town Council	Mark Barenie Michael S. Forbes	01-01-10 to 12-31-10 01-01-11 to 12-31-11
President of the Waterworks District Board of Commissioners	Robert Myers	01-01-10 to 12-31-11
President of the Sanitary District Board of Commissioners	Robert Myers	01-01-10 to 12-31-11
President of the Park Board	Shari Kolodziej Beth Hernandez	01-01-10 to 12-31-10 01-01-11 to 12-31-11
Town Manager	Stephen Kil	01-01-10 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF ST. JOHN, LAKE COUNTY, INDIANA

We have examined the financial statement of the Town of St. John (Town), for the period of January 1, 2010 to December 31, 2010. The Town's management is responsible for the financial statement. 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 statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the year ended December 31, 2010, on the basis of accounting described in Note 1.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, 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 financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

The Town's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, Town Council, Waterworks District Board of Commissioners, Sanitary District Board of Commissioners, Park Board, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 24, 2011

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FINANCIAL STATEMENT

The financial statements and accompanying notes were approved by management of the Town.
The financial statements and notes are presented as intended by the Town.

TOWN OF ST. JOHN
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 171,043	\$ 5,755,465	\$ 5,561,567	\$ 364,941
Cash Change	300	-	-	300
MVH	65,300	460,719	486,089	39,930
Local Road & Street	34,196	158,789	104,149	88,836
Park V3 Donation	9,096	-	4,720	4,376
EDC	18,279	4,725	1,359	21,645
Inspection Station Grant	19	-	19	-
LECE	20,661	15,386	6,143	29,904
Electronic Map Generation	290	95	-	385
Riverboat	105,817	135,267	88,320	152,764
Park Operating	96,357	290,611	335,696	51,272
Fire Gift	69	220	-	289
Police Gift	4,543	6,484	8,198	2,829
Park/Gift Donation	-	25,638	24,218	1,420
PD Family Violence Grant	2,000	-	-	2,000
OSS/FCRE Program	58	-	-	58
Seat Belt Partnership	68,492	502,025	478,870	91,647
Federal Grants	3,408	1,351	4,238	521
Hazmat Response	3,700	-	-	3,700
Catv Franchise	62,282	132,122	67,101	127,303
St John TIF	561,913	1,028,390	482,724	1,107,579
Excess Welfare Distribution	88,978	16,448	26,622	78,804
Police PIDP	9,716	-	-	9,716
Quad Town	6,702	-	-	6,702
Asset Forfeiture Account	5,617	-	-	5,617
Christmas Events	3,408	10,157	12,728	837
HH/Fall Festival	49,003	46,313	32,442	62,874
Farmers Market	10,734	12,751	11,607	11,878
Police Special	83,668	122,221	123,330	82,559
Solid Waste Operating	23,170	46,341	22,591	46,920
Trash Collection	96,834	970,598	969,633	97,799
Street Repair Bond Proceeds	-	1,589,497	1,008,745	580,752
Dare Gifts & Donations	-	150	-	150
Excess Levy / Tax	-	14,052	-	14,052
FSA Withholdings	-	11,365	3,444	7,921
Lease Rental	86,718	922,730	985,234	24,214
Park Bond & Interest	29,804	79,322	87,790	21,336
CCD	80,457	119,947	47,716	152,688
Redevelopment	71,229	-	947	70,282
Cumulative Fire Equipment	246,286	99,979	52,077	294,188
Cumulative Sewer	925,589	655,964	849,964	731,589

The notes to the financial statement is an integral part of this statement.

TOWN OF ST. JOHN
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010
(Continued)

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
CCI	2,462	37,605	16,781	23,286
SJ 05 Town Project	342	-	100	242
Park & Recreational	185,028	196,588	175,144	206,472
Ambulance Capital Replacement	151,153	56,614	143,110	64,657
Police Pension Metro	114,961	228,492	199,813	143,640
Payroll	-	3,963,693	3,963,693	-
Group Insurance	1,066	598,287	585,656	13,697
Park Security Deposits	-	3,200	3,300	(100)
Police Pension 1977	13,504	54,014	54,014	13,504
PERF	19,331	249,104	252,232	16,203
Barrett Law Water Improvement	3,462	8,744	5,593	6,613
Barrett Law Sewer Improvement	1,830	3,924	2,484	3,270
Rosewood/Wellington	275	8,139	6,752	1,662
Traffic Tickets	1,440	48,240	47,160	2,520
Building Escrow	264,000	129,000	127,000	266,000
Escrow Clearing Reimbursement	5,818	175,762	159,661	21,919
Sanitary District Operating	144,363	331,813	400,133	76,043
Sanitary District B & I	8,516	229,706	227,866	10,356
Sanitary District Excess Welfare	7,421	1,372	-	8,793
Wastewater Operating	383,516	2,015,263	1,857,521	541,258
Wastewater Bond & Interest	502	222,001	221,453	1,050
Wastewater Improvement	107,111	-	14,619	92,492
Wastewater Lotton	-	1,088	1,088	-
Wastewater DSR	254,038	-	-	254,038
Wastewater WWTP	262,167	328,952	1,379	589,740
Wastewater System Development	995,872	232,066	11,430	1,216,508
Wastewater 36 Transmission"	8,498	179,514	174,673	13,339
Water Operating	1,390,264	2,446,244	1,998,227	1,838,281
Water B & I	277,940	722,000	694,621	305,319
Water Improvement	500,117	-	168,598	331,519
Water Meter Deposit	183,663	14,275	6,578	191,360
Water Construction	266,967	-	147,274	119,693
Water System Development	688,036	232,500	156,253	764,283
Water DSR	437,314	66,480	-	503,794
Water District Operating	49,488	338,339	340,304	47,523
Water District Excess Welfare	3,845	711	-	4,556
Water Const Bond 2009	2,006,980	-	1,674,139	332,841
Totals	<u>\$ 11,787,026</u>	<u>\$ 26,358,852</u>	<u>\$ 25,726,930</u>	<u>\$ 12,418,948</u>

The notes to the financial statement is an integral part of this statement.

TOWN OF ST. JOHN
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, storm water, trash, and urban redevelopment.

The accompanying financial statement presents the financial information for the Town (primary government), and does not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government.)

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes, which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Special assessments which includes amounts levied against certain properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those properties.

TOWN OF ST. JOHN
NOTES TO FINANCIAL STATEMENT
(Continued)

License and permits which includes amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of license and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which includes receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts includes, but is not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which includes receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Net proceeds from borrowings which includes receipts from general obligation bonds, notes and loans.

Intergovernmental loan activity which includes amounts received from other funds as loans on a temporary basis.

Transfers in which includes funds authorized by statute, ordinance, resolution or court order to be transferred in from another fund.

Utility receipts which are comprised mostly of charges for current services.

Internal service receipts which are comprised mostly of fees received for services performed for other funds.

Fiduciary receipts which are comprised mostly of contributions to the pensions funds from state and local sources.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

TOWN OF ST. JOHN
NOTES TO FINANCIAL STATEMENT
(Continued)

Personal services which includes outflows for salaries, wages and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which includes articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which includes, but is not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance; and rental charges.

Debt service principle and interest which includes fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

Capital outlay which includes all outflows for land, infrastructure, buildings, improvements, machinery and equipment having an appreciable and calculable period of usefulness.

Interfund loan payments and loans made which includes amounts that are owed to a particular fund by another fund.

Transfers out which includes funds authorized by statute, ordinance, resolution or court order to be transferred to another fund.

F. Interfund Transfers

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

TOWN OF ST. JOHN
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 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 5. Risk Management

The Town may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement and replacement items purchased.

TOWN OF ST. JOHN
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 6. Pension Plan

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 percent 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.

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11.

TOWN OF ST. JOHN
NOTES TO FINANCIAL STATEMENT
(Continued)

C. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

PERF 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

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

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Report of the Town which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and/or approved by management of the Town. It is presented as intended by the Town.

TOWN OF ST. JOHN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Electronic Map Generation	Riverboat	Park Operating	Fire Gift	Police Gift	Park/Gift Donation	PD Family Violence Grant	OSS/FCRE Program
Cash and investments - beginning	\$ 290	\$ 105,817	\$ 96,357	\$ 69	\$ 4,543	\$ -	\$ 2,000	\$ 58
Receipts:								
Taxes	-	-	129,956	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	122,268	22,479	-	-	-	-	-
Charges for services	-	-	48,698	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	95	12,999	89,478	220	6,484	25,638	-	-
Total receipts	95	135,267	290,611	220	6,484	25,638	-	-
Disbursements:								
Personal services	-	-	68,638	-	-	-	-	-
Supplies	-	-	15,359	-	534	-	-	-
Other services and charges	-	-	150,499	-	7,664	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	88,320	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	101,200	-	-	24,218	-	-
Total disbursements	-	88,320	335,696	-	8,198	24,218	-	-
Excess (deficiency) of receipts over disbursements	95	46,947	(45,085)	220	(1,714)	1,420	-	-
Cash and investments - ending	\$ 385	\$ 152,764	\$ 51,272	\$ 289	\$ 2,829	\$ 1,420	\$ 2,000	\$ 58

TOWN OF ST. JOHN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Seat Belt Partnership	Federal Grants	Hazmat Response	Catv Franchise	St John TIF	Excess Welfare Distribution	Police PIDP	Quad Town
Cash and investments - beginning	\$ 68,492	\$ 3,408	\$ 3,700	\$ 62,282	\$ 561,913	\$ 88,978	\$ 9,716	\$ 6,702
Receipts:								
Taxes	-	-	-	-	1,028,390	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	1,351	-	-	-	16,448	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	502,025	-	-	132,122	-	-	-	-
Total receipts	502,025	1,351	-	132,122	1,028,390	16,448	-	-
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	1,660	-	-	-	-
Other services and charges	378,243	-	-	5,795	8,969	26,622	-	-
Debt service - principal and interest	-	-	-	-	473,755	-	-	-
Capital outlay	-	4,238	-	59,646	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	100,627	-	-	-	-	-	-	-
Total disbursements	478,870	4,238	-	67,101	482,724	26,622	-	-
Excess (deficiency) of receipts over disbursements	23,155	(2,887)	-	65,021	545,666	(10,174)	-	-
Cash and investments - ending	\$ 91,647	\$ 521	\$ 3,700	\$ 127,303	\$ 1,107,579	\$ 78,804	\$ 9,716	\$ 6,702

TOWN OF ST. JOHN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Asset Forfeiture Account	Christmas Events	HH/Fall Festival	Farmers Market	Police Special	Solid Waste Operating	Trash Collection	Street Repair Bond Proceeds
Cash and investments - beginning	\$ 5,617	\$ 3,408	\$ 49,003	\$ 10,734	\$ 83,668	\$ 23,170	\$ 96,834	\$ -
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	46,341	-	-
Charges for services	-	-	-	-	122,221	-	970,598	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	-	10,157	46,313	12,751	-	-	-	1,589,497
Total receipts	-	10,157	46,313	12,751	122,221	46,341	970,598	1,589,497
Disbursements:								
Personal services	-	-	-	5,542	-	-	-	-
Supplies	-	4,937	25,584	3,087	35,521	20	-	-
Other services and charges	-	7,791	6,858	2,978	36,825	20,466	969,633	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	50,984	2,105	-	1,008,745
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-
Total disbursements	-	12,728	32,442	11,607	123,330	22,591	969,633	1,008,745
Excess (deficiency) of receipts over disbursements	-	(2,571)	13,871	1,144	(1,109)	23,750	965	580,752
Cash and investments - ending	\$ 5,617	\$ 837	\$ 62,874	\$ 11,878	\$ 82,559	\$ 46,920	\$ 97,799	\$ 580,752

TOWN OF ST. JOHN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Dare Gifts & Donations	Excess Levy / Tax	FSA Withholdings	Lease Rental	Park Bond & Interest	CCD	Redevelopment	Cumulative Fire Equipment
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 86,718	\$ 29,804	\$ 80,457	\$ 71,229	\$ 246,286
Receipts:								
Taxes	-	14,052	-	718,495	71,700	109,043	-	91,118
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	61,613	6,422	10,904	-	8,861
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	150	-	11,365	142,622	1,200	-	-	-
Total receipts	150	14,052	11,365	922,730	79,322	119,947	-	99,979
Disbursements:								
Personal services	-	-	3,444	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	985,234	86,590	-	-	-
Capital outlay	-	-	-	-	-	47,716	947	52,077
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	1,200	-	-	-
Total disbursements	-	-	3,444	985,234	87,790	47,716	947	52,077
Excess (deficiency) of receipts over disbursements	150	14,052	7,921	(62,504)	(8,468)	72,231	(947)	47,902
Cash and investments - ending	\$ 150	\$ 14,052	\$ 7,921	\$ 24,214	\$ 21,336	\$ 152,688	\$ 70,282	\$ 294,188

TOWN OF ST. JOHN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Cumulative Sewer	CCI	SJ 05 Town Project	Park & Recreational	Ambulance Capital Replacement	Police Pension Metro	Payroll	Group Insurance
Cash and investments - beginning	\$ 925,589	\$ 2,462	\$ 342	\$ 185,028	\$ 151,153	\$ 114,961	\$ -	\$ 1,066
Receipts:								
Taxes	448,126	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	32,662	37,605	-	-	-	228,492	-	-
Charges for services	-	-	-	196,588	56,614	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	175,176	-	-	-	-	-	3,963,693	598,287
Total receipts	655,964	37,605	-	196,588	56,614	228,492	3,963,693	598,287
Disbursements:								
Personal services	-	-	-	-	-	199,205	-	-
Supplies	-	-	-	-	797	-	-	-
Other services and charges	-	15,261	100	-	10,361	608	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	131,964	1,520	-	90,144	131,952	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	718,000	-	-	85,000	-	-	3,963,693	585,656
Total disbursements	849,964	16,781	100	175,144	143,110	199,813	3,963,693	585,656
Excess (deficiency) of receipts over disbursements	(194,000)	20,824	(100)	21,444	(86,496)	28,679	-	12,631
Cash and investments - ending	\$ 731,589	\$ 23,286	\$ 242	\$ 206,472	\$ 64,657	\$ 143,640	\$ -	\$ 13,697

TOWN OF ST. JOHN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Park Security Deposits	Police Pension 1977	PERF	Barrett Law Water Improvement	Barrett Law Sewer Improvement	Rosewood/Wellington	Traffic Tickets	Building Escrow
Cash and investments - beginning	\$ -	\$ 13,504	\$ 19,331	\$ 3,462	\$ 1,830	\$ 275	\$ 1,440	\$ 264,000
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	3,200	54,014	249,104	8,744	3,924	8,139	48,240	129,000
Total receipts	3,200	54,014	249,104	8,744	3,924	8,139	48,240	129,000
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	3,300	54,014	252,232	5,593	2,484	6,752	47,160	127,000
Total disbursements	3,300	54,014	252,232	5,593	2,484	6,752	47,160	127,000
Excess (deficiency) of receipts over disbursements	(100)	-	(3,128)	3,151	1,440	1,387	1,080	2,000
Cash and investments - ending	\$ (100)	\$ 13,504	\$ 16,203	\$ 6,613	\$ 3,270	\$ 1,662	\$ 2,520	\$ 266,000

TOWN OF ST. JOHN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Escrow Clearing Reimbursement	Sanitary District Operating	Sanitary District B & I	Sanitary District Excess Welfare	Wastewater Operating	Wastewater Bond & Interest	Wastewater Improvement	Wastewater Lotton
Cash and investments - beginning	\$ 5,818	\$ 144,363	\$ 8,516	\$ 7,421	\$ 383,516	\$ 502	\$ 107,111	\$ -
Receipts:								
Taxes	-	226,760	131,323	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	21,553	11,383	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	1,963,834	-	-	-
Penalties	-	-	-	-	33,176	-	-	-
Other receipts	175,762	83,500	87,000	1,372	18,253	222,001	-	1,088
Total receipts	175,762	331,813	229,706	1,372	2,015,263	222,001	-	1,088
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	35,000	227,488	-	87,000	221,453	-	-
Capital outlay	-	3,236	-	-	-	-	14,619	-
Utility operating expenses	-	355,592	-	-	1,511,597	-	-	1,088
Other disbursements	159,661	6,305	378	-	258,924	-	-	-
Total disbursements	159,661	400,133	227,866	-	1,857,521	221,453	14,619	1,088
Excess (deficiency) of receipts over disbursements	16,101	(68,320)	1,840	1,372	157,742	548	(14,619)	-
Cash and investments - ending	\$ 21,919	\$ 76,043	\$ 10,356	\$ 8,793	\$ 541,258	\$ 1,050	\$ 92,492	\$ -

TOWN OF ST. JOHN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Wastewater DSR	Wastewater WWTP	Wastewater System Development	Wastewater 36 Transmission"	Water Operating	Water B & I	Water Improvement	Water Meter Deposit
Cash and investments - beginning	\$ 254,038	\$ 262,167	\$ 995,872	\$ 8,498	\$ 1,390,264	\$ 277,940	\$ 500,117	\$ 183,663
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	179,514	2,219,615	-	-	-
Penalties	-	-	-	-	9,128	-	-	-
Other receipts	-	328,952	232,066	-	217,501	722,000	-	14,275
Total receipts	-	328,952	232,066	179,514	2,446,244	722,000	-	14,275
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	102,101	694,621	-	-
Capital outlay	-	-	9,930	-	-	-	168,598	-
Utility operating expenses	-	1,379	1,500	174,673	759,823	-	-	6,578
Other disbursements	-	-	-	-	1,136,303	-	-	-
Total disbursements	-	1,379	11,430	174,673	1,998,227	694,621	168,598	6,578
Excess (deficiency) of receipts over disbursements	-	327,573	220,636	4,841	448,017	27,379	(168,598)	7,697
Cash and investments - ending	\$ 254,038	\$ 589,740	\$ 1,216,508	\$ 13,339	\$ 1,838,281	\$ 305,319	\$ 331,519	\$ 191,360

TOWN OF ST. JOHN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Water Construction	Water System Development	Water DSR	Water District Operating	Water District Excess Welfare	Water Const Bond 2009	Totals
Cash and investments - beginning	\$ 266,967	\$ 688,036	\$ 437,314	\$ 49,488	\$ 3,845	\$ 2,006,980	\$ 11,787,026
Receipts:							
Taxes	-	-	-	185,531	-	-	5,929,139
Licenses and permits	-	-	-	-	-	-	395,562
Intergovernmental	-	-	-	17,808	-	-	1,356,913
Charges for services	-	-	-	-	-	-	1,921,748
Fines and forfeits	-	-	-	-	-	-	70,574
Utility fees	-	-	-	-	-	-	4,362,963
Penalties	-	-	-	-	-	-	42,304
Other receipts	-	232,500	66,480	135,000	711	-	12,279,649
Total receipts	-	232,500	66,480	338,339	711	-	26,358,852
Disbursements:							
Personal services	-	-	-	-	-	-	3,609,613
Supplies	-	-	-	-	-	-	283,944
Other services and charges	-	-	-	-	-	-	2,895,712
Debt service - principal and interest	-	-	-	-	-	-	4,143,242
Capital outlay	147,274	154,753	-	2,828	-	1,674,139	3,855,209
Utility operating expenses	-	1,500	-	334,079	-	-	3,147,809
Other disbursements	-	-	-	3,397	-	-	7,791,401
Total disbursements	147,274	156,253	-	340,304	-	1,674,139	25,726,930
Excess (deficiency) of receipts over disbursements	(147,274)	76,247	66,480	(1,965)	711	(1,674,139)	631,922
Cash and investments - ending	\$ 119,693	\$ 764,283	\$ 503,794	\$ 47,523	\$ 4,556	\$ 332,841	\$ 12,418,948

TOWN OF ST. JOHN
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
December 31, 2010

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.

General infrastructure assets are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 2,942,569
Infrastructure	129,256,573
Buildings	11,611,386
Improvements other than buildings	1,700,539
Machinery and equipment	<u>4,903,545</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 150,414,612</u>
Business-type activities:	
Water Utility:	
Capital assets, net of depreciation:	
Land	\$ 834,128
Buildings	407,342
Improvements other than buildings	11,337,139
Construction in progress	<u>433,780</u>
Total Water Utility capital assets	<u>13,012,389</u>
Wastewater Utility:	
Capital assets, net of depreciation:	
Land	63,827
Improvements other than buildings	15,074,896
Machinery and equipment	<u>5,595</u>
Total Wastewater Utility capital assets	<u>15,144,318</u>
Total business-type activities capital assets, net of depreciation	<u>\$ 28,156,707</u>

TOWN OF ST. JOHN
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2010

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:		
Town buildings	\$ 10,215,000	\$ 733,000
Wheel loader	28,028	29,238
Note payable to Sanitary District	661,113	661,113
Bonds payable:		
General obligation bonds:		
1997 Park improvements	580,000	83,730
2010 Road projects	1,600,000	99,243
Revenue bonds:		
2001 Ravenswood TIF	79,800	200,487
2005 St. John Marketplace TIF	2,060,000	263,715
1999 Barrett Law Series A	6,928	7,199
1999 Barrett Law Series B	<u>2,022</u>	<u>2,086</u>
Total governmental activities debt	<u>\$ 15,232,891</u>	<u>\$ 2,079,811</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
2001 Water Utility improvements	\$ 800,000	\$ 340,163
2007 Water Utility improvements	4,000,000	161,165
2009 Water Utility improvements	<u>2,515,000</u>	<u>184,682</u>
Total Water Utility	<u>7,315,000</u>	<u>686,010</u>
Sanitary District:		
Bonds payable:		
General obligation bonds:		
1996 Sanitary District improvements	135,000	141,220
Revenue bonds:		
2004 Wastewater Utility improvements	<u>2,335,000</u>	<u>222,432</u>
Total Sanitary District	<u>2,470,000</u>	<u>363,652</u>
Total business-type activities debt	<u>\$ 9,785,000</u>	<u>\$ 1,049,662</u>

TOWN OF ST. JOHN
EXAMINATION RESULTS AND COMMENTS

TOWN'S NOTE PAYABLE TO SANITARY DISTRICT

In July 2007, both the Town Council and Sanitary District Commissioners approved resolutions authorizing a \$1,500,000 temporary loan from the Wastewater Treatment Plant Expansion Fund #676 to the Town's 05 Town Project Fund #471 to be repaid by December 31, 2007. In December 2007, the Town's 05 Town Project Fund repaid \$300,000 to the Sanitary District leaving a \$1,200,000 outstanding principal balance. On December 20th and 17th, 2007, both the Town Council and Sanitary District Commissioners, respectively, approved resolutions authorizing an extension of the term of the loan and prepared a "Demand Promissory Note."

The \$1,200,000 promissory note is due on December 20, 2011, or "On Demand" with 180 days prior written notice to the Town from the Sanitary District, with interest thereon prior to the due date at 5 percent per annum. During May 2008, the Town's 05 Town Project Fund #471 received \$392,686.58 for reimbursements from the St. John Municipal Building Corporation's Construction Fund. The \$392,686.58 was then paid to the Wastewater Treatment Plant Expansion Fund #676 as partial repayment of the note. No other repayments occurred in 2008 or 2009. The General Fund repaid \$71,200 and \$75,000 on January 6 and September 24, 2010, respectively, to the Wastewater Treatment Plant Expansion Fund #676. Thus, the Town has repaid a total of \$538,886.58 to the Sanitary District between 2008 and 2010.

Officials have not determined the interest component on the payments made on the loan in accordance with the promissory note's agreed upon terms. Our calculation of the interest due on the loan determined that of the \$538,886.58 repaid by the Town, interest charges totaled approximately \$122,421.47 and \$416,465.11 was to reduce the principal amount. Thus, as of December 31, 2010, the Town's note payable balance to the Sanitary District was determined to total \$783,534.89 in addition to \$10,120.66 of interest from 2010.

The Town's resolution did not include a funding source for how the Town would repay the promissory note. In addition, the Town did not approve an ordinance to borrow the money only authorized through the passage of a resolution. A similar comment appeared in the prior report.

Indiana Code 8-1.5-3-12 states that a municipality may, by ordinance of its legislative body, borrow money from a water, gas, or electric utility owned by the municipality for current purposes in anticipation of taxes levied and to be collected during the current or following year.

The Board may by resolution lend money to the municipality if the water, gas or electricity has on hand:

1. A surplus of cash exceeding by at least the amount the sum of all amounts required to pay the indebtedness of the utility falling due during the current calendar year and following year;
2. The amount necessary to meet current expenses during the year; and
3. The amount necessary to pay for improvements contemplated to be made during the current calendar year minus the estimated receipts during the calendar year.

A loan may not be made for the sum in excess of fifty percent (50%) of the amount estimated to be collected from anticipated taxes. The loan:

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

- (1) Must be evidenced by an obligation of the municipality;
- (2) Must be signed by the executive;
- (3) Is due on or before thirty (30) days after the last day of the payment of anticipated taxes;
and
- (4) May bear interest at any rate as determined by the board, payable at maturity.

We recommended that when loans are made from a municipal wastewater (sewage) utility to a municipality, the aforementioned procedures be followed. However, since there are no statutory guidelines included in IC 36-9-23 for such loans, other loan provisions would be acceptable as set out in home rule ordinance adopted under IC 36-1-3. (Cities and Towns Bulletin and Uniform Compliance Guidelines, March 2008)

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)

RESIDENTIAL GARBAGE COLLECTION FEE

On December 18, 2008, the Town Council approved Ordinance No. 1482 establishing a residential refuse garbage collection fee. Per section nine of Ordinance No. 1482:

"The owner of each such lot or parcel of real estate upon which is situated a dwelling or dwelling unit shall pay a fee of Fifteen and 82/100 Dollars (\$15.82) per month for each dwelling or dwelling unit to which a sanitary garbage, refuse, recyclable, and yard waste collection and disposal services is provided effective from the date of this Ordinance, upon adoption by the Town Council and publication in conformance with applicable law. The fee paid per month shall increase to Sixteen and 61/100 Dollars (\$16.61) on May 1, 2010, as this is the date of increase of the Town's Contract payment for sanitary garbage, refuse, recyclable and yard waste collection and disposal services."

A review of the December 2010 monthly billing noted that \$15.82 continued to be assessed to residents and not the increase rate of \$16.61, as approved by the Council. After further inquiry, the \$15.82 rate per month continued to be assessed until the July 1, 2011 billing. As of July 1, 2011, the rate changed to \$16.29 per month. The \$16.29 agrees to the rate per month per dwelling agreed upon between the Town and the waste hauler. An ordinance amending Ordinance No. 1482 was not passed by the Council. In accordance with Ordinance No. 1482, as of May 1, 2010, the garbage collection fee should have been charged at \$16.61 per month. This resulted in loss revenue to the Town of approximately \$58,906 from May 2010 to July 2011.

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 ST. JOHN
EXAMINATION RESULTS AND COMMENTS
(Continued)

PERSONNEL POLICY

The Town's personnel policy for vacation leave states:

"Vacation schedules shall be developed on a uniform basis from January 1st through December 31st at the discretion of the Department Head and shall not be accumulated from year to year. When an employee who has unused vacation leave to his credit is separated from department services, full pay for amount of such vacation will be allowed."

Upon separation of employment with the Town, employees were paid the vacation leave balance reflected on their service record; however, they were also paid for the amount of vacation time earned in the year of separation which would not be credited to the employee until January of the following year. An approved ordinance, resolution or policy was not presented for audit to support the payment of earned vacation time.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing 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)

RECREATION INSTRUCTORS

The Park Board contracts with individuals as instructors for recreation programs. The individuals are considered independent contractors and are paid through the claim process at a certain rate per hour as set by an approved agreement. If an individual is paid over \$600 in a year, a Miscellaneous Income Form 1099-MISC is completed.

The individuals hired as instructors should be considered employees of the Town and paid through the payroll system. In addition, one recreational instructor was paid \$624 in 2010 without a Form 1099-MISC being completed.

The Internal Revenue Service's Publication 15 (Circular E), Employer's Tax Guide defines an employee as follows: "Generally, a worker who performs services for you is your employee if you have the right to control what will be done and how it will be done. This is so even when you give the employee freedom of action. What matters is that you have the right to control the details of how the services are performed. See Publication 15-A for more information on how to determine whether an individual providing services is an independent contractor or an employee. If an employer-employee relationship exists, it does not matter what it is called. The employee may be called an agent or independent contractor. It also does not matter how payments are measured or paid, what they are called, or if the employee works full or part time."

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)

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

CAPITAL ASSET RECORDS

An updated detail capital asset ledger was not provided. A review of the minutes noted the purchase of vehicles and the continuation of the construction project for the Water Utility treatment plant.

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

TOWN OF ST. JOHN
EXIT CONFERENCE

The contents of this report were discussed on August 30, 2011, with Stephen Kil, Town Manager; Sherry Sury, Clerk-Treasurer; Beverly Gawrys, Chief Deputy Clerk; and Chip Sobek, Park Director. The official response has been made a part of this report and may be found on pages 32 through 40.

**Office of the
Clerk-Treasurer**

St. John Municipal Building
10955 West 93rd Avenue
St. John, Indiana 46373-8822



**Sherry P. Sury, IAMC, CMC
Clerk-Treasurer**

(219) 365-4800 Voice
(219) 558-2081 Facsimile
E-Mail ssury.ct@stjohnin.com

September 12, 2011

VIA EMAIL

Mr. Bruce A. Hartman, CPA, State Examiner
INDIANA STATE BOARD OF ACCOUNTS
302 Washington Street, Room E418
Indianapolis, IN 46204-2765

Ms. Mary Jo Small, Field Supervisor
For Lake, LaPorte and Porter Counties
C/o: Porter County Administration Center
Attn: INDIANA STATE BOARD OF ACCOUNTS
155 Indiana Avenue
Valparaiso, IN 46383

RE: Town of St. John Clerk-Treasurer's and Town Manager's
Response to the State Board Accounts Exam Results and Comments
(Exam Period: January 1, 2010 – December 31, 2010)

C/o: Mary Jo Small, Field Supervisor, Valparaiso, IN

Dear Mr. Hartman and Ms. Small:

As Clerk-Treasurer of the Town of St. John, Indiana, I attended the August 30, 2011, Exit Conference wherein the Exam Results and Comments for the Town of St. John for the one year period ending on December 31, 2010 were disclosed and reviewed. As Fiscal Officer and Clerk for the Town along with the attached memo (Exhibit A) from the Town Manager and memorandum from the Town Attorney (Exhibit B), this is our response to the Exam Results and Comments.

TOWN'S NOTE PAYABLE TO SANITARY DISTRICT - Exhibit A attached

RESIDENTIAL GARBAGE COLLECTION FEE - Exhibit A attached

PERSONNEL POLICY - Exhibit A attached

RECREATION INSTRUCTORS - Exhibit A and Exhibit B attached

CAPITAL ASSET RECORDS

Response

Due to staff reductions in addition to two employees resigning their positions in 2010 within the Clerk-Treasurer's office and with the continual training of these two replacements, the capital asset records were not able to be updated and the assets entered into our Keystone software program for the year ending 2010. This task will be completed in proper form at the first opportunity.

CONCLUSION

In conclusion, I trust the above response meets the requirement as established within the ten-day timeframe of the August 30, 2011, exit conference. If you should have any questions, please do not hesitate to contact the undersigned.

Sincerely,



SHERRY P. SURY, IAMC, CMC
Clerk-Treasurer

Copy: Michael S. Forbes, Town Council President
Dave Austgen, Tim Kuiper, Town Attorneys
Steve Kil, Town Manager
Jeffrey Gunning, Special Counsel to Clerk-Treasurer
Beverly Gawrys, Deputy Clerk
Robert Myers, Waterworks & Sanitary District Board President
Chip Sobek, Park Superintendent

Office of the
Town Manager

St. John Municipal Building
10955 West 93rd Avenue
St. John, Indiana 46373-8822



Stephen Z. Kil

219 . 365 . 6043 telephone
219 . 558 . 2078 facsimile
E-mail: stevekil.tn@stjohnin.com

TO: SHERRY P. SURY, CLERK-TREASURER

FROM: STEPHEN Z. KIL, TOWN MANAGER 

RE: RESPONSE TO STATE BOARD OF ACCOUNTS (SBA) EXAMINATION RESULTS AND COMMENTS FOR FY-2010 AUDIT

DATE: SEPTEMBER 12, 2011

Dear Sherry;

Please accept the following as the response to the audit position taken by the State Board of Accounts related to the following items:

1. Loan from the Sanitary District to the Civil Town from the Waste Water Treatment Plant Expansion Fund.
2. Garbage Collection Fee Ordinance No. 1482.
3. Personnel Policy Manual – Accumulated Vacation Time
4. Parks and Receptions Instructors

- A. SBA Audit Position: Regarding the loan from the Sanitary District to the Civil Town, the SBA audit position is that the loan should be extended by both the Sanitary District and Town Council; and that the interest component must be determined.

Response: The extension of the loan will be placed on the Sanitary Board and Town Council agendas for approval prior to the end of 2011. At the time the loan was approved in July of 2007 by the Sanitary District, former Commissioner Alex Monanteras indicated that same would be repaid by using a simplistic interest calculation by taking the principal amount of One Million Two Hundred Thousand Dollars (\$1,200,000.00) X an interest rate of Five Percent (5%) that equals Sixty Thousand Dollars (\$60,000.00) in interest. Given the foregoing, the total amount due to the Sanitary District in principal and interest is One Million Two Hundred Sixty Thousand Dollars and zero cents (\$1,260,000.00). Further, it was agreed that the repayment method would be the annual amount of PILT paid from the Town's utilities to the General Fund, which has been done on an annual basis.

- B. SBA Audit Position: The Town's Garbage Collection Fee Ordinance No. 1482 needs to be amended to reflect the current contract terms, retroactive to May 1, 2010.

EXHIBIT A

Response: The Town will amend Ordinance No. 1482 consistent with the audit position of the State Board of Accounts, which will include the increasing rate schedule that is part of the contract terms with the Town's waste hauler. The Town will amend Ordinance No. 1482 retroactive to May 2011.

- C. SBA Audit Position: The Town must clarify the manner, in writing, in which the way accumulated vacation time is paid-out at the time when separation of employment occurs.

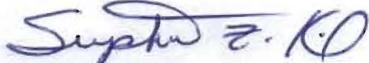
Response: The Town's Personnel Policy Manual is currently being updated and will include the appropriate language that will clarify the manner in which accumulated vacation time is paid-out. The amendments to the Personnel Policy Manual will be presented to the Town Council for consideration prior to the end of 2011.

- D. SBA Audit Position: Parks and Receptions Instructors must be classified as employees and not as Independent Contractors. This classification would only apply to those instructors who do not have a legitimate business entity established.

Response: The Town's Attorney (David Austgen) researched this matter and rendered an opinion based upon all applicable laws and I.R.S. regulations. (please see attached opinion from the town attorney).

It is my understanding that you will be formulating the response to the part of the audit that deals with the Capital Asset Records.

Respectfully,



Stephen Z. Kil
Town Manager

Copy: Town Council President
Town Attorney
File

SBA 2011 SBA Response and Comments [1]

MEMORANDUM (via e-mail only)

DATE: August 23, 2010
TO: Town of St. John, Attn: M. Barenie, Town Council President
FROM: Austgen Kuiper & Associates, P.C., Town Attorneys
RE: St. John/Town-Misc. Park Department
Miscellaneous Employee/Independent Contractor Matters

Based upon direction to review and assess the above matter and circumstances, the following constitutes our memo report on same.

Current Process and Procedure:

Currently, the Parks Department uses an Independent Contractor Agreement to engage the services of individuals and entities to provide Recreational Instruction activities for program participants. For example, the Parks Department will engage Midwest Ice Arena to provide ice skating activities and the Arena collects a flat fee from each participant. For individuals, the Superintendant coordinates with the individual to determine a schedule to provide recreational activities as a program leader or to assist in the program at a set hourly rate or a percentage of the participant fee. The ages of leaders range from high school to older, with most leaders being in college, or college-aged. Most programs are conducted during the summer time and there are no year round programs. No individual recreational leader or assistant used provided more than 70 hours in a year (most average about 20 hours a year).

The original Agreement used by the Park Department was provided by our Firm in 2004 based on the circumstances and factors provided us at that time. The same has been updated. Once an agreement is made, then the Park Board approves the formal agreement. The only issue with this process is that given meeting schedules, some individuals provide services before Agreement is formally approved by the Park Board.

Employee versus Independent Contractor

The distinction between employees and independent contractors is important, because an employer must deduct Social Security/Medicare taxes from employees and must pay an equivalent amount to the Social Security Administration. If an individual is working as an independent contractor, the employer does not make Social Security/Medicare deductions, and the independent contractor must pay his or her own self-employment taxes along with income tax on earnings.

The IRS default is that all workers are employees unless they are independent contractors. When determining if an individual or an entity is an independent contractor, all information that provides evidence of the degree of control and independence must be considered. The Common

Law criteria that the IRS has established that provides evidence of the degree of control and independence fall into three (3) categories ("IRS criteria"):

1. **Behavioral:** Does the employer control or have the right to control what the worker does and how the worker does his or her job? If an employer trains and directs work, including hours of work, what tools or equipment to be used, specific tasks to be performed and how the work is to be done, the worker is likely an employee. If the worker can set his or her own hours and works with little or no direction or training, then he or she is probably an independent contractor. Facts that show whether the business has a right to direct and control how the worker does the task for which the worker is hired include the type and degree of--

(a) **Instructions the business gives the worker.** An employee is generally subject to the business' instructions of the business about when, where, and how to work. All of the following are examples of types of instructions about how to do work:

- When and where to do the work
- What tools or equipment to use
- What workers to hire or to assist with the work
- Where to purchase supplies and services
- What work must be performed by a specified individual
- What order or sequence to follow

The amount of instruction needed varies among different jobs. Even if no instructions are given, sufficient behavioral control may exist if the employer has the right to control how the work results are achieved. A business may lack the knowledge to instruct some highly specialized professionals; in other cases, the task may require little or no instruction. The key consideration is whether the business has retained the right to control the details of a worker's performance or instead has given up that right.

(b) **Training the business gives the worker.** An employee may be trained to perform services in a particular manner. Independent contractors ordinarily use their own methods.

2. **Financial:** Are the business aspects of the worker's job controlled by the employer? (these include things like how worker is paid, whether expenses are reimbursed, who provides tools/supplies, etc.) This factor includes how the worker is paid, whether the worker may work for others at the same time, and whether the worker can incur a profit or loss. A worker who is paid a salary, is often restricted from working for others, and who does not participate in company profits or losses, is probably an employee. Facts that show whether the business has a right to control the business aspects of the worker's job include:

(a) **The extent to which the worker has unreimbursed business expenses.** Independent contractors are more likely to have unreimbursed expenses than are employees. Fixed ongoing costs that are incurred regardless of whether work is currently being performed are especially important. However, employees may also incur unreimbursed expenses in connection with the services they perform for their business.

(b) **The extent of the worker's investment.** An independent contractor often has a significant investment in the facilities he or she uses in performing services for someone else. However, a significant investment is not necessary for independent contractor status.

(c) **The extent to which the worker makes services available to the relevant market.** An independent contractor is generally free to seek out business opportunities. Independent contractors often advertise, maintain a visible business location, and are available to work in the relevant market.

(d) How the business pays the worker. An employee is generally guaranteed a regular wage amount for an hourly, weekly, or other period of time. This usually indicates that a worker is an employee, even when the wage or salary is supplemented by a commission. An independent contractor is usually paid by a flat fee for the job. However, it is common in some professions to pay independent contractors hourly.

(e) The extent to which the worker can realize a profit or loss. An independent contractor can make a profit or loss.

3. **Type of Relationship:** Are there written contracts or employee type benefits (i.e. pension plan, insurance, vacation pay, etc.)? Will the relationship continue and is the work performed a key aspect of the business? The presence of a specific contract may indicate an independent contractor, but this factor alone is not controlling. If the worker is entitled to benefits, this would indicate an employment relationship. Another factor would be the type of work the person does; if it is directly related to the company's core work, he or she is probably an employee. Facts that show the parties' type of relationship include:

(a) Written contracts describing the relationship the parties intended to create.

(b) Whether the business provides the worker with employee-type benefits, such as insurance, a pension plan, vacation pay, or sick pay.

(c) The permanency of the relationship. If you engage a worker with the expectation that the relationship will continue indefinitely, rather than for a specific project or period, this is generally considered evidence that your intent was to create an employer-employee relationship.

(d) The extent to which services performed by the worker are a key aspect of the regular business of the company. If a worker provides services that are a key aspect of your regular business activity, it is more likely that you will have the right to direct and control his or her activities.

Every business must weigh all these factors when determining whether a worker is an employee or independent contractor. Some factors may indicate that the worker is an employee, while other factors indicate that the worker is an independent contractor. There is no magic or set number of factors that makes the worker an employee or an independent contractor, and no one factor stands alone in making this determination. Also, factors which are relevant in one situation may not be relevant in another. The keys are to look at the entire relationship, consider the degree or extent of the right to direct and control, and finally, to document each of the factors used in coming up with the determination. The IRS also allows for the submission of a Form SS-8 to request a determination on the classification of a worker as an employee or independent contractor.

Consequences of Treating an Employee as an Independent Contractor

If an employee is classified as an independent contractor and there is *no reasonable basis* for doing so, the Town may be held liable for employment taxes for that worker (See Internal Revenue Code section 3509 for more information). If the Town has a *reasonable basis* for not treating a worker as an employee, the Town may be relieved from having to pay employment taxes for that worker. To get this relief, the Town must file all required federal information returns on a basis consistent with the Town's treatment of the worker. The Town must not have treated any worker holding a substantially similar position as an employee for any periods beginning after 1977 (See Publication 1976, Section 530 Employment Tax Relief Requirements (PDF) for more information).

Analysis of Current Town Process and Procedure

This is a general overview and analysis of the Park Department's status of workers as Independent Contractors. To be certain, every worker would have to be reviewed based upon the IRS criteria. The Independent Contractor Agreement is being used to engage two (2) general classes of workers, (1) entities and (2) individuals, which are discussed in further detail below.

Entities: Typically, entities are independent contractors pursuant to the IRS criteria. Midwest Ice Arena and Jump Central would be good examples of Independent Contractor entities that the Park Department approves an Independent Contractor Agreement. In every case that has been presented to this Law Firm, related to the Town Park Department, these Independent Contractor entities are Independent Contractors under the IRS criteria and regulations.

Individuals: Individual persons engaged by the Park Department as Recreation Instructors or assistants are the second class of workers. This class of workers is engaged to perform specific and limited activities for the Park Department. Examples of the limited activities are a babysitting course, craft and project programs, cooking class, dog obedience, referees, tennis lessons, and day camps. These individuals are paid at an hourly rate as needed to lead or assist with a specific program (or programs) or paid a percentage of the applicant fees paid to the Town. The engagement is limited to the specific activity and not to general help with the Park Department regular duties and functions. After evaluating all of the IRS Criteria as set forth below, it appears that the individuals engaged to perform recreational activity leadership for specific courses would be Independent Contractors and not treated as employees. We reasonably conclude the same. If an Independent Contractor status is determined, the same needs to be documented in a similar fashion as set forth below.

1. **Behavioral:**

(a) **Instructions the business gives the worker.**

- When and where to do the work: ***Only after consultation with the worker.***
- What tools or equipment to use: ***No***
- What workers to hire or to assist with the work: ***No***
- Where to purchase supplies and services: ***No***
- What work must be performed by a specified individual: ***Yes if specifically contracted***
- What order or sequence to follow: ***No***

(b) **Training the business gives the worker.** ***Minimal***

2. **Financial:**

- (a) ***The extent to which the worker has unreimbursed business expenses. No reimbursement***
- (b) ***The extent of the worker's investment. Little***
- (c) ***The extent to which the worker makes services available to the relevant market. Have other employment and are free to be employed by others.***
- (d) ***How the business pays the worker. Hourly and percentage of fee collected per participant.***
- (e) ***The extent to which the worker can realize a profit or loss. No if hourly & Yes if percentage***

3. **Type of Relationship:**

- (a) Written contracts describing the relationship the parties intended to create. ***Yes***

(b) Whether the business provides the worker with employee-type benefits, such as insurance, a pension plan, vacation pay, or sick pay. ***No benefits.***

(c) The permanency of the relationship. ***Short term for completion of Course Program***

(d) The extent to which services performed by the worker are a key aspect of the regular business of the company. ***Not part of key aspect of park department***

Enclosure: Specimen Independent Contractor Agreement

cc: File/