

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

TOWN OF PARAGON

MORGAN COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
03/21/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Vickie L. Herrington Debbie Ellis	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Town Council	Ray Cooper Dale Allen Ray Cooper Dave Zoller	01-01-10 to 12-31-10 01-01-11 to 12-31-11 01-01-12 to 12-31-12 01-01-13 to 12-31-13



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF PARAGON, MORGAN COUNTY, INDIANA

We have examined the accompanying financial statements of the Town of Paragon (Town), for the period of January 1, 2010 to December 31, 2011. The financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on the financial statements 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 statements 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 effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the period of January 1, 2010 to December 31, 2011.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the period of January 1, 2010 to December 31, 2011, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the Town's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the examination procedures applied to the financial statements 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.

STATE BOARD OF ACCOUNTS

January 22, 2013

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FINANCIAL STATEMENTS

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 PARAGON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 77,904	\$ 183,261	\$ 177,456	\$ 83,709
Motor Vehicle Highway	33,878	45,606	63,056	16,428
Local Road And Street	1,847	7,478	3,990	5,335
Rainy Day	1,903	1,066	1,953	1,016
Donation	47	-	-	47
Levy Excess	-	236	-	236
Payroll	2,039	125,108	120,884	6,263
Law Enforcement Continuing Education	940	498	36	1,402
Crime Control Public Safety	9,262	12,864	13,412	8,714
Cumulative Capital Improvement	1,036	1,941	1,036	1,941
Economic Development Income Tax	12,053	32,215	41,257	3,011
Storm Water Operating	20,988	40,143	36,294	24,837
Sewage Operating	21,902	138,031	148,973	10,960
Sewage Bond And Interest	10,000	1	-	10,001
Sewage SRF Trustee Sinking and DSR	72,024	30,376	9,388	93,012
Sewage Depreciation	1,144	-	997	147
Water Operating	16,195	78,345	93,534	1,006
Water Depreciation	449	887	-	1,336
Water Deposit	5,505	1,935	1,475	5,965
Totals	<u>\$ 289,116</u>	<u>\$ 699,991</u>	<u>\$ 713,741</u>	<u>\$ 275,366</u>

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

TOWN OF PARAGON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 83,709	\$ 129,840	\$ 132,501	\$ 81,048
Motor Vehicle Highway	16,428	32,992	43,942	5,478
Local Road and Street	5,335	6,135	2,179	9,291
Rainy Day	1,016	184	-	1,200
Cumulative Capital Improvement	1,941	1,904	1,941	1,904
Economic Development Income Tax	3,011	26,526	27,355	2,182
Donation	47	-	-	47
Levy Excess	236	-	-	236
Payroll	6,263	107,102	113,169	196
Law Enforcement Continuing Education	1,402	168	502	1,068
Crime Control Public Safety	8,714	11,069	14,876	4,907
Storm Water Operating	24,837	48,963	58,377	15,423
Sewer Depreciation	147	-	-	147
Sewer Operating	10,960	134,497	140,294	5,163
Sewer Bond and Interest	10,001	-	-	10,001
Sewer SRF Trustee Sinking and DSR	93,012	39,659	62,599	70,072
Water Operating	1,006	82,788	81,974	1,820
Water Depreciation	1,336	-	-	1,336
Water Meter Deposit	5,965	3,405	4,223	5,147
Totals	<u>\$ 275,366</u>	<u>\$ 625,232</u>	<u>\$ 683,932</u>	<u>\$ 216,666</u>

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

TOWN OF PARAGON
NOTES TO FINANCIAL STATEMENTS

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, and storm water.

The accompanying financial statements present the financial information for the Town.

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 include 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.

Licenses and permits which include 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 licenses 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 include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

TOWN OF PARAGON
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 include 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).

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

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements include the following uses:

Personal services include 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 include 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 include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include 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.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

TOWN OF PARAGON
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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 (DLGF). The Town failed to properly follow statutory requirements and rates were approved based on the last approved DLGF budget.

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 should be 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 STATEMENTS
(Continued)

State statutes authorize 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 any replacement items purchased.

Note 6. Pension Plan

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 Indiana Public Retirement System (INPRS) 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.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

TOWN OF PARAGON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy

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

Note 7. Subsequent Events

The Town received notices in 2012 that there were outstanding liens with the Internal Revenue Service and the Indiana Department of Revenue. The Town had a certificate of deposit for \$77,521 that was used as collateral for a police vehicle loan. The Town cashed this certificate of deposit and used the funds to pay off this loan and the liens.

The Town defaulted on its State Revolving Fund Loan payment in 2012. As a result, the Town had to refinance this loan. The new loan was for \$618,600 which was used to pay off their old loan. The new State Revolving Fund loan payments go through January 1, 2027.

The Town approved a rate increase of about fifty percent for the Water and Wastewater Utilities effective with the August 1, 2012 billing.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 2010 Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the Town's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

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 Reports of the Town which are 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 approved by management of the Town. It is presented as intended by the Town.

TOWN OF PARAGON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road And Street	Rainy Day	Donation	Levy Excess	Payroll
Cash and investments - beginning	\$ 77,904	\$ 33,878	\$ 1,847	\$ 1,903	\$ 47	\$ -	\$ 2,039
Receipts:							
Taxes	54,830	17,928	6,314	-	-	236	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	69,869	6,285	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	860	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	57,702	21,393	1,164	1,066	-	-	125,108
Total receipts	<u>183,261</u>	<u>45,606</u>	<u>7,478</u>	<u>1,066</u>	<u>-</u>	<u>236</u>	<u>125,108</u>
Disbursements:							
Personal services	91,972	19,059	-	-	-	-	-
Supplies	73,504	31,336	3,990	1,953	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	11,980	12,661	-	-	-	-	120,884
Total disbursements	<u>177,456</u>	<u>63,056</u>	<u>3,990</u>	<u>1,953</u>	<u>-</u>	<u>-</u>	<u>120,884</u>
Excess (deficiency) of receipts over disbursements	<u>5,805</u>	<u>(17,450)</u>	<u>3,488</u>	<u>(887)</u>	<u>-</u>	<u>236</u>	<u>4,224</u>
Cash and investments - ending	<u>\$ 83,709</u>	<u>\$ 16,428</u>	<u>\$ 5,335</u>	<u>\$ 1,016</u>	<u>\$ 47</u>	<u>\$ 236</u>	<u>\$ 6,263</u>

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

	Law Enforcement Continuing Education	Crime Control Public Safety	Cumulative Capital Improvement	Economic Development Income Tax	Storm Water Operating	Sewage Operating	Sewage Bond And Interest
Cash and investments - beginning	\$ 940	\$ 9,262	\$ 1,036	\$ 12,053	\$ 20,988	\$ 21,902	\$ 10,000
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	128	-	-	-	-	-	-
Intergovernmental	-	12,864	1,941	32,215	-	-	-
Charges for services	360	-	-	-	-	-	-
Fines and forfeits	10	-	-	-	-	-	-
Utility fees	-	-	-	-	33,307	108,021	-
Other receipts	-	-	-	-	6,836	30,010	1
Total receipts	<u>498</u>	<u>12,864</u>	<u>1,941</u>	<u>32,215</u>	<u>40,143</u>	<u>138,031</u>	<u>1</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	36	13,412	-	1,315	-	-	-
Debt service - principal and interest	-	-	-	-	25,400	59,574	-
Utility operating expenses	-	-	-	-	10,894	59,134	-
Other disbursements	-	-	1,036	39,942	-	30,265	-
Total disbursements	<u>36</u>	<u>13,412</u>	<u>1,036</u>	<u>41,257</u>	<u>36,294</u>	<u>148,973</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>462</u>	<u>(548)</u>	<u>905</u>	<u>(9,042)</u>	<u>3,849</u>	<u>(10,942)</u>	<u>1</u>
Cash and investments - ending	<u>\$ 1,402</u>	<u>\$ 8,714</u>	<u>\$ 1,941</u>	<u>\$ 3,011</u>	<u>\$ 24,837</u>	<u>\$ 10,960</u>	<u>\$ 10,001</u>

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

	Sewage SRF Trustee Sinking and DSR	Sewage Depreciation	Water Operating	Water Depreciation	Water Deposit	Totals
Cash and investments - beginning	\$ 72,024	\$ 1,144	\$ 16,195	\$ 449	\$ 5,505	\$ 289,116
Receipts:						
Taxes	-	-	-	-	-	79,308
Licenses and permits	-	-	-	-	-	128
Intergovernmental	-	-	-	-	-	123,174
Charges for services	-	-	-	-	-	360
Fines and forfeits	-	-	-	-	-	870
Utility fees	-	-	76,336	-	-	217,664
Other receipts	30,376	-	2,009	887	1,935	278,487
Total receipts	<u>30,376</u>	<u>-</u>	<u>78,345</u>	<u>887</u>	<u>1,935</u>	<u>699,991</u>
Disbursements:						
Personal services	-	-	-	-	-	111,031
Supplies	-	-	-	-	-	125,546
Debt service - principal and interest	9,388	-	24,543	-	-	118,905
Utility operating expenses	-	-	52,566	-	1,475	124,069
Other disbursements	-	997	16,425	-	-	234,190
Total disbursements	<u>9,388</u>	<u>997</u>	<u>93,534</u>	<u>-</u>	<u>1,475</u>	<u>713,741</u>
Excess (deficiency) of receipts over disbursements	<u>20,988</u>	<u>(997)</u>	<u>(15,189)</u>	<u>887</u>	<u>460</u>	<u>(13,750)</u>
Cash and investments - ending	<u>\$ 93,012</u>	<u>\$ 147</u>	<u>\$ 1,006</u>	<u>\$ 1,336</u>	<u>\$ 5,965</u>	<u>\$ 275,366</u>

TOWN OF PARAGON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Local Road and Street	Rainy Day	Cumulative Capital Improvement	Economic Development Income Tax	Donation
Cash and investments - beginning	\$ 83,709	\$ 16,428	\$ 5,335	\$ 1,016	\$ 1,941	\$ 3,011	\$ 47
Receipts:							
Taxes	65,051	-	-	-	-	-	-
Licenses and permits	-	-	-	184	-	-	-
Intergovernmental	50,931	23,992	6,135	-	1,904	24,526	-
Charges for services	2,660	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	11,198	9,000	-	-	-	2,000	-
Total receipts	<u>129,840</u>	<u>32,992</u>	<u>6,135</u>	<u>184</u>	<u>1,904</u>	<u>26,526</u>	<u>-</u>
Disbursements:							
Personal services	79,069	19,879	-	-	-	-	-
Supplies	25,158	-	-	-	-	-	-
Other services and charges	25,274	14,063	2,179	-	1,941	17,355	-
Debt service - principal and interest	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	3,000	10,000	-	-	-	10,000	-
Total disbursements	<u>132,501</u>	<u>43,942</u>	<u>2,179</u>	<u>-</u>	<u>1,941</u>	<u>27,355</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(2,661)</u>	<u>(10,950)</u>	<u>3,956</u>	<u>184</u>	<u>(37)</u>	<u>(829)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 81,048</u>	<u>\$ 5,478</u>	<u>\$ 9,291</u>	<u>\$ 1,200</u>	<u>\$ 1,904</u>	<u>\$ 2,182</u>	<u>\$ 47</u>

TOWN OF PARAGON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Levy Excess	Payroll	Law Enforcement Continuing Education	Crime Control Public Safety	Storm Water Operating	Sewer Depreciation	Sewer Operating
Cash and investments - beginning	\$ 236	\$ 6,263	\$ 1,402	\$ 8,714	\$ 24,837	\$ 147	\$ 10,960
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	140	-	-	-	-
Intergovernmental	-	-	-	11,069	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	28	-	-	-	-
Utility fees	-	-	-	-	33,900	-	107,492
Other receipts	-	107,102	-	-	15,063	-	27,005
Total receipts	-	107,102	168	11,069	48,963	-	134,497
Disbursements:							
Personal services	-	113,169	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	502	14,876	-	-	-
Debt service - principal and interest	-	-	-	-	25,188	-	39,595
Utility operating expenses	-	-	-	-	9,189	-	94,699
Other disbursements	-	-	-	-	24,000	-	6,000
Total disbursements	-	113,169	502	14,876	58,377	-	140,294
Excess (deficiency) of receipts over disbursements	-	(6,067)	(334)	(3,807)	(9,414)	-	(5,797)
Cash and investments - ending	\$ 236	\$ 196	\$ 1,068	\$ 4,907	\$ 15,423	\$ 147	\$ 5,163

TOWN OF PARAGON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Sewer Bond and Interest	Sewage SRF Trustee Sinking and DSR	Water Operating	Water Depreciation	Water Meter Deposit	Totals
Cash and investments - beginning	\$ 10,001	\$ 93,012	\$ 1,006	\$ 1,336	\$ 5,965	\$ 275,366
Receipts:						
Taxes	-	-	-	-	-	65,051
Licenses and permits	-	-	-	-	-	324
Intergovernmental	-	-	-	-	-	118,557
Charges for services	-	-	-	-	-	2,660
Fines and forfeits	-	-	-	-	-	28
Utility fees	-	-	77,781	-	-	219,173
Other receipts	-	39,659	5,007	-	3,405	219,439
Total receipts	-	39,659	82,788	-	3,405	625,232
Disbursements:						
Personal services	-	-	-	-	-	212,117
Supplies	-	-	-	-	-	25,158
Other services and charges	-	-	-	-	-	76,190
Debt service - principal and interest	-	62,599	-	-	-	127,382
Utility operating expenses	-	-	76,974	-	-	180,862
Other disbursements	-	-	5,000	-	4,223	62,223
Total disbursements	-	62,599	81,974	-	4,223	683,932
Excess (deficiency) of receipts over disbursements	-	(22,940)	814	-	(818)	(58,700)
Cash and investments - ending	\$ 10,001	\$ 70,072	\$ 1,820	\$ 1,336	\$ 5,147	\$ 216,666

TOWN OF PARAGON
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2011

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ -	\$ -
Storm Water	-	-
Wastewater	-	-
Water	<u>63,533</u>	<u>26,527</u>
Totals	<u>\$ 63,533</u>	<u>\$ 26,527</u>

TOWN OF PARAGON
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Notes and loans payable	Police Vehicle	\$ 13,321	\$ 4,791
Total governmental activities		<u>13,321</u>	<u>4,791</u>
Storm Water:			
Notes and loans payable	USDA 1/ Storm Sewer	289,500	15,304
Notes and loans payable	USDA 2/ Storm Sewer	<u>180,500</u>	<u>9,671</u>
Total Storm Water		<u>470,000</u>	<u>24,975</u>
Wastewater:			
Notes and loans payable	SRF/Sanitary Sewer	<u>595,594</u>	<u>62,662</u>
Totals		<u>\$ 1,078,915</u>	<u>\$ 92,428</u>

TOWN OF PARAGON
EXAMINATION RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

As was noted in Examination Report B38722, the Town did not timely report and remit taxes to the Internal Revenue Service (IRS) or the Indiana Department of Revenue as well as incurring finance and late charges from vendors. This condition persisted in the current examination period and the following items were found.

1. *FEDERAL PAYROLL TAXES*

The Town received delinquent tax notices from the Internal Revenue Service (IRS) in the examination period as well as 2012 that notified the Town Form 941s had not been filed and were delinquent. This resulted in the Town incurring penalties and interest in 2012 as a result of the former Clerk-Treasurer not filing reports and remitting taxes during 2010 and 2011. There were indications that this was an ongoing problem as the Town received notice that 2006 taxes were due to the IRS. The Town made written request that penalties and interest be waived; however, assessments were made and on September 27, 2012, the Town paid \$10,303.09 in penalties and interest to the Internal Revenue Service for periods ending December 31, 2011, and earlier.

2. *UTILITY RECEIPTS TAX*

Utility receipts tax was not reported and paid by the Water Utility to the Indiana Department of Revenue during the examination period. This had been commented on in earlier audit reports as well.

The current Clerk-Treasurer, after being notified Form URT had not been filed, consulted with the Indiana Department of Revenue. She then filed Form URT for the period of 2004 through 2011. This represented the period that the Indiana Department of Revenue informed the Town as being delinquent. Since the periods of 2004 through 2010 were past due and delinquent, penalty for late payment was reported and paid. On February 7, 2012, the Town reported taxes due for 2004 through 2010 in the amount of \$6,608.33 and late payment penalty of \$660.74 making the total payment \$7,269.07. However, interest due for the period after the original due date was not computed or reported. There were tax assessment notices found from the Indiana Department of Revenue that they did assess penalty and interest on these returns and that additional payment was due.

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)

3. *SALES TAX*

The Water Utility collected sales tax from customers but failed to timely report and/or remit these to the Indiana Department of Revenue. This was commented upon in the Report B38722 as well.

TOWN OF PARAGON
EXAMINATION RESULTS AND COMMENTS
(Continued)

The Town's payments to the Indiana Department of Revenue were reviewed for 2010 and 2011; however, records presented for examination did not indicate the type of tax and/or period that it was for. Communication with the Indiana Department of Revenue by the current Clerk-Treasurer indicated that any payments received are credited to the oldest tax liability first. The Town would be making tax payments for state and county income taxes withheld in addition to sales taxes collected by the utility.

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)

4. STATE AND COUNTY PAYROLL TAXES

The Town received many delinquent tax notices from the Indiana Department of Revenue in the examination period as well as 2012. The current Clerk-Treasurer filed reports for 2010 and 2011 that she was told had not been filed and was delinquent. This resulted in the Town incurring penalties and interest in 2012 as a result of the former Clerk-Treasurer not filing reports and remitting taxes during 2010 and 2011. The Town made written request that penalties and interest be waived; however, assessments were made and on September 27, 2012 the Town paid \$3,069.84 in penalties and interest to the Indiana Department of Revenue for periods ending December 31, 2011, and earlier.

5. FINANCE CHARGES

As was noted in Report B38722, the Town incurred, and subsequently paid, finance charges for delinquent payment of vendor invoices during 2010 and 2011. These are summarized in the following schedule:

<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Description</u>	<u>Fund</u>
08-10-10	People State Bank	\$ 50.00	Late Charge on Police Car Loan	Crime Control Public Safety
09-15-10	People State Bank	50.00	Late Charge on Police Car Loan	Crime Control Public Safety
09-28-10	People State Bank	50.00	Late Charge on Police Car Loan	Crime Control Public Safety
12-09-10	People State Bank	50.00	Late Charge on Police Car Loan	Crime Control Public Safety
06-10-11	People State Bank	50.00	Late Charge on Police Car Loan	Crime Control Public Safety
11-17-10	Ford Credit	111.98	Late Charge	Crime Control Public Safety
11-20-11	Ford Credit	111.98	Late Charge	Crime Control Public Safety
Calendar 2011	VISA	73.10	Fees and Interest	General
Calendar 2011	People State Bank	60.00	Bank Account Overdraft Fees	General
12-31-11	Culligan	5.00	Late Charge	Water Operating
02-08-12	Indiana Department of Revenue	25.00	Retail Merchant Certificate Reinstatement Fee	Water Operating
05-03-12	BMV	21.00	Delinquent Fee For Not Tinting 2009 Charger	Crime Control Public Safety
		\$ 658.06		
Total		\$ 658.06		

TOWN OF PARAGON
EXAMINATION RESULTS AND COMMENTS
(Continued)

Since the former Clerk-Treasurer had been informed in the last examination report that penalties and interest may be the personal obligation of the responsible official and the town council board minutes in 2011 affirmed this position, Vickie Herrington, former Clerk-Treasurer, was asked to repay \$14,691.73 representing penalty and interest on delinquent tax payments and finance charges on delinquent payments to vendors. (See Summary of Charges, page 34)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. 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)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Internal Revenue Service Form 941 was not filed as required during the examination period. The Town received a notice dated January 27, 2012, from the Social Security Administration that they were unable to check wages reported on W-2 against what was reported on Form 941 for 2010. The Town made contact with the Internal Revenue Service; and on February 7, 2012, Form 941 was completed for the third and fourth quarter of 2010 and all four quarters of 2011 along with payment that was computed as due.

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)

BUDGETARY CONTROL

The Town failed to properly advertise and adopt a budget during the examination period. The prior Report B38722 noted that expenditures were in excess of budgeted appropriations for the General, Motor Vehicle Highway, and Local Road and Street funds in 2008 and 2009.

The law requires the adoption of a balanced budget which shall include all anticipated revenues and expenses of every organizational unit with the exception of utilities. A budget is the record of a definite financial program for a given period of time and the means of carrying such program into effect. It shows the contemplated expenditures and their relation to the revenues received and expected. At least two days prior to September 22 of each year, two copies of the budget on which tax levies are based shall be filed with the county auditor for use of the county tax adjustment board. [IC 6-1.1-17-5(b)] In preparing the budget, careful planning for the necessary income is essential, and it is equally important to provide a specific program for the disposition or anticipated revenue. No budget plan will work of its own accord. With complete information available it is possible for the Clerk-Treasurer or Controller to formulate a balanced budget. Appropriations as stated in the budget, or as modified by additional appropriations, shall constitute the limitation of disbursements. No disbursement shall be made without an appropriation therefor unless specifically authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN OF PARAGON
EXAMINATION RESULTS AND COMMENTS
(Continued)

The budget ordinance required under IC 36-4-7-7 and IC 36-5-3-4, which is adopted by the city or town council, may either list each major budget category along with each minor object classification or only list each major budget category. Regardless of which method is chosen, the appropriation records maintained must contain minor object classifications. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

FUND SOURCES AND USES

In October 2010, \$2,000.00 from the Storm Water Operating Fund and in May 2011 \$2,233.27 from the Motor Vehicle Highway Fund was disbursed to Public Employees Retirement Fund for employer share of retirement benefits. The Town made all of the remaining required payments from the General Fund during the examination period. There was not information available to determine how the Town was intending to pay for this benefit.

The March 2010 premium of \$4,208.09 for employee health insurance was disbursed from the motor vehicle highway fund. In 2011, the monthly premiums were carried as reconciling items until December 2011 when \$15,000.00 was posted to Motor Vehicle Highway Fund and \$6,050.63 was posted to Economic Development Income Tax Fund. The Town made all of the remaining required payments from the General Fund during the examination period. There was not information available to determine how the Town was intending to pay for this benefit.

In 2010, the Town disbursed \$3,807.23 from water operating fund and \$3,982.10 from Payroll Fund to the Indiana Department of Revenue. During 2011 disbursements to the Indiana Department of Revenue were as follows: General Fund in the amount of \$4,466.38; Motor Vehicle Highway Fund was \$5,624.94; Water Operating Fund was \$3,743.93; Sewage Operating Fund was \$2,646.86; Storm Water Operating Fund was \$3,000.00; and Payroll Fund was \$3,620.76. During this period the Town was making payment for employee payroll withholdings and sales tax on customer utility charges. There was not information available to determine what the Town was intending to be paying when making these payments.

In October 2010, the Town received \$25,000.00 from United Way for paving which was receipted in the General Fund. The disbursements for paving in 2010 were paid from the Economic Development Income Tax, Motor Vehicle Highway, and Rainy Day funds.

In 2011, the Town disbursed \$10,105.00 for painting water tower; \$1,200.00 for annual software maintenance; and \$6,050.63 for employee health insurance from the Economic Development Income Tax Fund.

During the examination period, the Town was not transferring the weekly gross pay from the General, Motor Vehicle Highway, Water Operating, Sewage Operating and Storm Water Operating funds to the Payroll Fund, but a lesser amount. During the end of 2010 and all of 2011, the Town quite remitting the related employer share of Social Security taxes as well. This resulted in the Town funds not reflecting the correct disbursements for payroll and payroll taxes.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF PARAGON
EXAMINATION RESULTS AND COMMENTS
(Continued)

LOANS BETWEEN TOWN FUNDS

As noted in Report B38722, there were temporary loans that had been made and not repaid by December 31 of the year made. This continued in the examination period and the Board minutes did not indicate that these loans were presented and approved. The amount of these temporary loans made and remained unpaid as of December 31, 2011, are as follows:

Fund Receiving Loan	Fund Making Loan	Date loan Made	Amount Unpaid
General	Water Depreciation	October 3, 2006	\$ 5,000.00
Water Operating	Sewage Bond and Interest	August 9, 2007	5,000.00
Sewage Bond and Interest	Storm Water Operating	February 28, 2008	10,000.00
Sewage Bond and Interest	Economic Development Income Tax	February 28, 2008	1,695.00
Sewage Bond and Interest	Sewage Depreciation	March 28, 2008	45,000.00
Sewage Bond and Interest	Water Depreciation	January 15, 2009	7,500.00
Sewage Operating	Storm Water Operating	February 26, 2009	5,000.00
General	Motor Vehicle Highway	April 30, 2009	1,000.00
General	Motor Vehicle Highway	June 5, 2009	8,000.00
Storm Water Operating	Cumulative Capital Improvement	September 22, 2009	2,200.00
Storm Water Operating	Rainy Day	September 22, 2009	11,412.00
General	Motor Vehicle Highway	January 14, 2010	10,000.00
Sewage Operating	Economic Development Income Tax	January 27, 2010	14,000.00
Sewage Operating	Water Operating	January 27, 2010	15,000.00
Storm Water Operating	Water Operating	July 30, 2010	6,000.00
Sewage Operating	Economic Development Income Tax	December 27, 2010	1,000.00
Water Operating	Economic Development Income Tax	December 27, 2010	2,000.00
Motor Vehicle Highway	Economic Development Income Tax	December 27, 2010	10,000.00
Sewage Operating	Motor Vehicle Highway	January 13, 2011	10,000.00
Sewage Operating	Storm Water Operating	January 13, 2011	11,000.00
Sewage Operating	Water Operating	January 31, 2011	4,000.00
Water Operating	Sewage Operating	April 4, 2011	5,000.00
Sewage Operating	Storm Water Operating	July 22, 2011	2,000.00
Storm Water Operating	Water Operating	August 1, 2011	1,000.00
Storm Water Operating	Sewage Operating	August 1, 2011	1,000.00
Storm Water Operating	Economic Development Income Tax	August 1, 2011	10,000.00
Economic Development Income Tax	Storm Water Operating	September 7, 2011	2,000.00
Motor Vehicle Highway	Storm Water Operating	October 31, 2011	3,000.00
Motor Vehicle Highway	Storm Water Operating	November 22, 2011	3,000.00
Motor Vehicle Highway	Storm Water Operating	December 28, 2011	3,000.00

These loans are still unpaid as of the date of this report.

TOWN OF PARAGON
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 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."

COMPUTER OUTPUT

Access to records and information generated by the computer system was limited due to the current Clerk-Treasurer being unable to access and print any 2010 financial reports. The current Clerk-Treasurer said that there were various reports found throughout the Town Hall when she took over the position; however, there was little organization to them.

The Simplified Cash Journal was available for the Water, Wastewater, and Storm Water Utilities. The Ledger of Receipts, Disbursements, and Balances for the Payroll Fund was also available. We were able to trace the financial statement transactions to the bank account activity.

Public records, financial statement information and supporting information generated through a computer system should be printed out on paper, printed to disk or maintained on-line at the end of each reporting year and retained for audit. Information must be maintained in a manner that will allow access for audit and public inquiry on equipment of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-15-6-3(d) states:

"No financial records or records relating thereto shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the State Board of Accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced as described in subsection (e)."

TOWN OF PARAGON
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping that were cited in the prior examination report, were again present during our period of examination:

1. The Annual Reports for 2010 did not agree with the prior examination ending balances nor did the 2011 beginning balances agree to the 2010 ending.

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)

2. Accounts receivable records were not retained that would allow the unit to provide the account receivable balance at any particular point in time during examination period.

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)

3. The State Revolving Funds in custody of the trustee were not reported in the financial statements or recorded in the Town's records.

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)

4. The Town was not using prescribed or approved form: 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)

Adjustments to the Annual Report were approved by the current Clerk-Treasurer and are reflected in this report.

ERRORS ON CLAIMS

As was noted in prior Report B38722, the following deficiencies were noted on claims during the examination period:

1. Claims were not prepared for all disbursements.
2. Claims were not adequately itemized.
3. All claims did not have board approval.
4. Claims or invoices did not have evidence to support receipt of goods or services.

TOWN OF PARAGON
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 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."

SUPPORTING DOCUMENTATION

Several payments were observed, both from testing performed as well as general review made of claims found in the files, which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. The vendors did look to be ones that the Town usually conducted business with. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Claims for the month of January 2010 were not available during the examination.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

AMENDED UTILITIES RATE ORDINANCE NUMBER 2009-9

The Town has an ordinance concerning water and wastewater rates that was adopted in 2009. However, when a test of the August 1, 2011 billings was performed, customers with water usage of over 4,000 gallons were incorrectly charged for wastewater. The ordinance required a minimum charge of \$30.36 for up to 4,000 gallons, but the bills tested charged \$29.36. This resulted in the Town under billing \$1.00 for these customers. Other months were tested with the same result.

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 PARAGON
EXAMINATION RESULTS AND COMMENTS
(Continued)

DELINQUENT WASTEWATER ACCOUNTS

As noted in Examination Report B38722, 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.

Indiana Code 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.

(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. . . ."

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

As noted in Report B38722, a list of employees was not certified to the County Treasurer.

Indiana Code 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."

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

As noted in Report B38722, the Town did not have formal policy for collection of utility accounts receivable. The minutes presented for examination did indicate approval of adjustments by the governing body. Additionally, documentation was not presented for examination concerning unsuccessful collection procedures prior to adjustments to the records.

TOWN OF PARAGON
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

CUSTOMER DEPOSIT REGISTER

As noted in Report B38722, the detailed customer deposit register does not reconcile with the customer deposit amount recorded on the simplified cash journal.

The prior examination comment indicated the former Clerk-Treasurer knew that this was out of balance and had been reviewing the situation. Since records for the 2004 and 2005 period were not adequate to issue financial statements, the former Clerk-Treasurer had to attempt to determine transactions for that period as time allowed.

The customer deposit record presented for examination had the appearance of being redone near the end of the examination period. The current Clerk-Treasurer made updates for information she found applicable to the examination period that was not on the record as well as noting names that she did not see as being a customer since the new utility billing software was used in 2008. She is also recording 2012 deposits made and refunds made to customers or applied to last bill.

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)

CERTIFIED REPORT NOT FILED

The Town did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the years 2010 and 2011.

Indiana Code 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

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. This condition was noted in Report B38722.

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)

OFFICIAL BOND INFORMATION

Vickie L. Herrington, former Clerk-Treasurer, was bonded through Auto Owners Insurance Company. The bond provided \$15,000 of coverage for the term beginning July 28, 2009 and ending July 27, 2010, and the term beginning July 28, 2010 and ending July 27, 2011. The bond provided \$30,000 of coverage for the term beginning July 28, 2011 and ending July 27, 2012.

TOWN OF PARAGON
EXIT CONFERENCE

The contents of this report were discussed on January 22, 2013, with Debbie Ellis, Clerk-Treasurer, and Dave Zoller, President of Town Council. The officials concurred with our findings.

The contents of this report were discussed on January 8, 2013, via first class mail, with Vickie L. Herrington, former Clerk-Treasurer. The official indicated that she would be responding to the report but no officials response was received.

TOWN OF PARAGON
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Vickie L. Herrington, former Clerk-Treasurer: Penalties, Interest, and Other Charges, page 22 through 24	<u>\$ 14,691.73</u>	<u>\$ -</u>	<u>\$ 14,691.73</u>

This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.

AFFIDAVIT

STATE OF INDIANA)
)
Morgan COUNTY)

I, Michael W. Browning, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Paragon, Morgan County, Indiana, for the period from January 1, 2010 to December 31, 2011, is true and correct to the best of my knowledge and belief.

Michael W Browning
Field Examiner

Subscribed and sworn to before me this 4th day of February, 2013.

Kleanna K. Kuehn
Notary Public

My Commission Expires: July 17, 2016

County of Residence: Morgan