

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF PATRIOT
SWITZERLAND COUNTY, INDIANA

January 1, 2011 to December 31, 2012



FILED
04/09/2014

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards	6-7
Financial Statement: Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	11
Notes to Financial Statement	12-14
Supplementary Information - Unaudited: Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	16-19
Schedule of Payables and Receivables	20
Schedule of Leases and Debt	21
Other Report	22
Audit Results and Comments: Official Bond	23-24
Advance Payments	24
Appropriations	24
Annual Report	25
Christmas Bonus Paid To Employees	25
Supplemental Audit of Federal Awards: Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance	28-29
Schedule of Expenditures of Federal Awards	33
Note to Schedule of Expenditures of Federal Awards	34
Schedule of Findings and Questioned Costs	35-36
Auditee Prepared Schedule: Corrective Action Plan	37
Exit Conference	38

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Linda Fisk	01-01-08 to 12-31-15
President of the Town Council	James Caudill	01-01-11 to 04-19-11
	(Vacant)	04-20-11 to 06-20-11
	Mike Thomas	06-21-11 to 12-31-11
	Robert L. Robinson	01-01-12 to 12-31-14
Superintendent of Utilities	Sherry Ogden	01-01-10 to 12-31-11
	Joseph Duckworth	01-01-12 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF PATRIOT, SWITZERLAND COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Patriot (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance 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, 2011 to December 31, 2012.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the period of January 1, 2011 to December 31, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 25, 2014, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. 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 statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.



Paul D. Joyce, CPA
State Examiner

February 25, 2014



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE TOWN OF PATRIOT, SWITZERLAND COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Town of Patriot (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated February 25, 2014, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

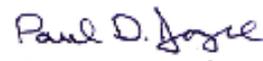
As part of obtaining reasonable assurance about whether the Town's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Patriot's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

February 25, 2014

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FINANCIAL STATEMENT

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

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TOWN OF PATRIOT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Years Ended December 31, 2011 And 2012

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12
General Fund	\$ 7,614	\$ 23,839	\$ 25,603	\$ 5,850	\$ 33,215	\$ 32,606	\$ 6,459
Motor Vehicle Highway	3,199	5,322	-	8,521	5,323	-	13,844
Local Road And Street	3,158	933	250	3,841	916	1,200	3,557
Riverboat Fund	60,656	6,545	-	67,201	8,905	-	76,106
Rainy Day Fund	677	-	-	677	-	-	677
Cumulative Capital Improvement (Ct)	8,278	581	-	8,859	554	-	9,413
Belterra Riverboat	901,241	318,378	470,122	749,497	319,708	272,289	796,916
Donation Fund	4,175	-	4,175	-	-	-	-
Memorial Park Fund	24,460	42,011	22,154	44,317	65,708	77,781	32,244
Town Hall Fund	2,460	506	-	2,966	335	-	3,301
Wastewater Utility Depreciation	-	-	-	-	25,145	-	25,145
Wastewater Operating Fund	826	32,866	32,897	795	613,182	606,244	7,733
Wastewater Bond And Interest	5,359	160,804	153,774	12,389	12,756	25,145	-
Wastewater Debt Service Reserve	12,723	-	-	12,723	16	12,739	-
Water Utility Bond & Int. DRD	44,379	479,432	248,918	274,893	24	230,484	44,433
Water Operating Fund	90,287	2,612,536	2,423,734	279,089	2,705,561	2,485,642	499,008
Water Utility-Bond And Interest	761,701	743,437	1,302,331	202,807	681,484	-	884,291
Water Utility-Depreciation	57,165	136,227	-	193,392	136,440	132,430	197,402
Water Utility Debt Service Reserve	642,856	-	-	642,856	-	-	642,856
Totals	<u>\$ 2,631,214</u>	<u>\$ 4,563,417</u>	<u>\$ 4,683,958</u>	<u>\$ 2,510,673</u>	<u>\$ 4,609,272</u>	<u>\$ 3,876,560</u>	<u>\$ 3,243,385</u>

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

TOWN OF PATRIOT
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, culture and recreation, public improvements, general administrative services, water, and wastewater.

The accompanying financial statement presents the financial information for the Town.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 statement. 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, food and beverage tax, boat and trailer excise tax, and other taxes that are set by the Town.

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, 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, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: copies of public records, copy machine charges, and park rental fees.

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

TOWN OF PATRIOT
NOTES TO FINANCIAL STATEMENT
(Continued)

Penalties which include fees received for late payments.

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 statement. 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.

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

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.

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 PATRIOT
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 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.

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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 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 statement 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 audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

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

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

	General Fund	Motor Vehicle Highway	Local Road And Street	Riverboat Fund	Rainy Day Fund	Cumulative Capital Improvement (Ct)	Belterra Riverboat	Donation Fund	Memorial Park Fund	Town Hall Fund
Cash and investments - beginning	\$ 7,614	\$ 3,199	\$ 3,158	\$ 60,656	\$ 677	\$ 8,278	\$ 901,241	\$ 4,175	\$ 24,460	\$ 2,460
Receipts:										
Taxes	6,114	-	-	-	-	-	-	-	-	-
Intergovernmental	4,913	5,322	933	6,545	-	581	314,571	-	-	-
Charges for services	12,100	-	-	-	-	-	-	-	-	495
Utility fees	-	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-	-
Other receipts	712	-	-	-	-	-	3,807	-	42,011	11
Total receipts	23,839	5,322	933	6,545	-	581	318,378	-	42,011	506
Disbursements:										
Personal services	30	-	-	-	-	-	36,075	-	-	-
Supplies	1,764	-	-	-	-	-	42,713	-	4,382	-
Other services and charges	21,449	-	250	-	-	-	88,000	-	228	-
Capital outlay	-	-	-	-	-	-	109,409	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-	-
Other disbursements	2,360	-	-	-	-	-	193,925	4,175	17,544	-
Total disbursements	25,603	-	250	-	-	-	470,122	4,175	22,154	-
Excess (deficiency) of receipts over disbursements	(1,764)	5,322	683	6,545	-	581	(151,744)	(4,175)	19,857	506
Cash and investments - ending	\$ 5,850	\$ 8,521	\$ 3,841	\$ 67,201	\$ 677	\$ 8,859	\$ 749,497	\$ -	\$ 44,317	\$ 2,966

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

	Wastewater Utility Depreciation	Wastewater Operating Fund	Wastewater Bond And Interest	Wastewater Debt Service Reserve	Water Utility Bond & Int. DRD	Water Operating Fund	Water Utility-Bond And Interest	Water Utility-Depreciation	Water Utility Debt Service Reserve	Totals
Cash and investments - beginning	\$ -	\$ 826	\$ 5,359	\$ 12,723	\$ 44,379	\$ 90,287	\$ 761,701	\$ 57,165	\$ 642,856	\$ 2,631,214
Receipts:										
Taxes	-	-	-	-	-	-	-	-	-	6,114
Intergovernmental	-	-	-	-	-	-	-	-	-	332,865
Charges for services	-	-	-	-	-	-	-	-	-	12,595
Utility fees	-	31,788	-	-	-	2,543,856	-	-	-	2,575,644
Penalties	-	-	-	-	-	23,069	-	-	-	23,069
Other receipts	-	1,078	160,804	-	479,432	45,611	743,437	136,227	-	1,613,130
Total receipts	-	32,866	160,804	-	479,432	2,612,536	743,437	136,227	-	4,563,417
Disbursements:										
Personal services	-	-	-	-	-	-	-	-	-	36,105
Supplies	-	-	-	-	-	-	-	-	-	48,859
Other services and charges	-	-	-	-	-	-	-	-	-	109,927
Capital outlay	-	6,849	-	-	-	27,603	-	-	-	143,861
Utility operating expenses	-	19,048	-	-	-	1,345,181	-	-	-	1,364,229
Other disbursements	-	7,000	153,774	-	248,918	1,050,950	1,302,331	-	-	2,980,977
Total disbursements	-	32,897	153,774	-	248,918	2,423,734	1,302,331	-	-	4,683,958
Excess (deficiency) of receipts over disbursements	-	(31)	7,030	-	230,514	188,802	(558,894)	136,227	-	(120,541)
Cash and investments - ending	\$ -	\$ 795	\$ 12,389	\$ 12,723	\$ 274,893	\$ 279,089	\$ 202,807	\$ 193,392	\$ 642,856	\$ 2,510,673

TOWN OF PATRIOT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	General Fund	Motor Vehicle Highway	Local Road And Street	Riverboat Fund	Rainy Day Fund	Cumulative Capital Improvement (Ct)	Belterra Riverboat	Donation Fund	Memorial Park Fund	Town Hall Fund
Cash and investments - beginning	\$ 5,850	\$ 8,521	\$ 3,841	\$ 67,201	\$ 677	\$ 8,859	\$ 749,497	\$ -	\$ 44,317	\$ 2,966
Receipts:										
Taxes	9,584	-	-	-	-	-	-	-	-	-
Intergovernmental	5,341	5,323	916	8,905	-	554	313,312	-	-	-
Charges for services	18,000	-	-	-	-	-	-	-	-	315
Utility fees	-	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-	-
Other receipts	290	-	-	-	-	-	6,396	-	65,708	20
Total receipts	33,215	5,323	916	8,905	-	554	319,708	-	65,708	335
Disbursements:										
Personal services	1,235	-	-	-	-	-	59,896	-	-	-
Supplies	1,569	-	-	-	-	-	49,867	-	-	-
Other services and charges	28,332	-	-	-	-	-	42,061	-	504	-
Capital outlay	-	-	1,200	-	-	-	34,706	-	66,477	-
Utility operating expenses	-	-	-	-	-	-	-	-	-	-
Other disbursements	1,470	-	-	-	-	-	85,759	-	10,800	-
Total disbursements	32,606	-	1,200	-	-	-	272,289	-	77,781	-
Excess (deficiency) of receipts over disbursements	609	5,323	(284)	8,905	-	554	47,419	-	(12,073)	335
Cash and investments - ending	\$ 6,459	\$ 13,844	\$ 3,557	\$ 76,106	\$ 677	\$ 9,413	\$ 796,916	\$ -	\$ 32,244	\$ 3,301

TOWN OF PATRIOT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Wastewater Utility Depreciation	Wastewater Operating Fund	Wastewater Bond And Interest	Wastewater Debt Service Reserve	Water Utility Bond & Int. DRD	Water Operating Fund	Water Utility-Bond And Interest	Water Utility-Depreciation	Water Utility Debt Service Reserve	Totals
Cash and investments - beginning	\$ -	\$ 795	\$ 12,389	\$ 12,723	\$ 274,893	\$ 279,089	\$ 202,807	\$ 193,392	\$ 642,856	\$ 2,510,673
Receipts:										
Taxes	-	-	-	-	-	-	-	-	-	9,584
Intergovernmental	-	577,080	-	-	-	-	-	-	-	911,431
Charges for services	-	-	-	-	-	-	-	-	-	18,315
Utility fees	-	36,102	-	-	-	2,645,538	-	-	-	2,681,640
Penalties	-	-	-	-	-	22,232	-	-	-	22,232
Other receipts	25,145	-	12,756	16	24	37,791	681,484	136,440	-	966,070
Total receipts	25,145	613,182	12,756	16	24	2,705,561	681,484	136,440	-	4,609,272
Disbursements:										
Personal services	-	-	-	-	-	-	-	-	-	61,131
Supplies	-	-	-	-	-	-	-	-	-	51,436
Other services and charges	-	-	-	-	-	-	-	-	-	70,897
Capital outlay	-	565,013	-	-	-	42,534	-	132,430	-	842,360
Utility operating expenses	-	41,231	-	-	-	1,454,113	-	-	-	1,495,344
Other disbursements	-	-	25,145	12,739	230,484	988,995	-	-	-	1,355,392
Total disbursements	-	606,244	25,145	12,739	230,484	2,485,642	-	132,430	-	3,876,560
Excess (deficiency) of receipts over disbursements	25,145	6,938	(12,389)	(12,723)	(230,460)	219,919	681,484	4,010	-	732,712
Cash and investments - ending	\$ 25,145	\$ 7,733	\$ -	\$ -	\$ 44,433	\$ 499,008	\$ 884,291	\$ 197,402	\$ 642,856	\$ 3,243,385

TOWN OF PATRIOT
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ -	\$ -
Wastewater Utility	-	4,478
Water Utility	75,028	73,540
Totals	\$ 75,028	\$ 78,018

TOWN OF PATRIOT
SCHEDULE OF LEASES AND DEBT
December 31, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Water Utility: All American Investment Group LLC	AMR Meters & Upgrade to System's Existing Meters	\$ 108,154	12-10-08	09-10-23
Total of annual lease payments		<u>\$ 108,154</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Water Utility:			
Revenue bonds	Capital Improvements to System	\$ 4,556,056	\$ 410,888
Revenue bonds	Capital Improvements to System	435,000	44,013
Revenue bonds	Capital Improvements to System	199,000	20,443
Revenue bonds	Capital Improvements to System	1,898,000	130,410
Revenue bonds	Capital Improvements to System	212,000	36,818
Notes and loans payable	Capital Improvements to System	<u>175,537</u>	<u>63,549</u>
Total Water Utility		<u>7,475,593</u>	<u>706,121</u>
Totals		<u>\$ 7,475,593</u>	<u>\$ 706,121</u>

TOWN OF PATRIOT
OTHER REPORT

The annual audit report presented herein was prepared in addition to the other official report prepared for the individual Town office listed below:

Clerk-Treasurer

TOWN OF PATRIOT
AUDIT RESULTS AND COMMENTS

OFFICIAL BOND (Applies to Clerk-Treasurer)

The Clerk-Treasurer's surety bond amount of \$60,000 for the years 2011, 2012, and 2013 was insufficient per the Indiana Code. Based upon receipts of \$3,544,964 in 2010, the surety bond for the year 2011 should have been \$120,000. For the years 2012 and 2013, the surety bond should have been \$150,000, based upon receipts of \$4,563,417 in the year 2011 and \$4,609,272 in the year 2012. The surety bonds for the Clerk-Treasurer were not recorded with the County Recorder's office.

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond:

- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges and clerk-treasurers.
- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks.
- (4) Township trustees.
- (5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county.
- (6) Township assessors (if any).

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. County auditors shall file bonds in amounts of not less than thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county. The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000).

(d) Except as provided in subsection (j), a controller of a solid waste management district established under IC 13-21 or IC 13-9.5 (before its repeal) shall file an individual surety bond in an amount:

TOWN OF PATRIOT
 AUDIT RESULTS AND COMMENTS
 (Continued)

- (1) fixed by the board of directors of the solid waste management district; and
- (2) that is at least thirty thousand dollars (\$30,000).

(e) Except as provided under subsection (d), a person who is required to file an individual surety bond by the board of directors of a solid waste management district established under IC 13-21 or IC 13-9.5 (before its repeal) shall file a bond in an amount fixed by the board of directors."

Indiana Code 5-4-1-5.1(b) states in part:

"Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder in the county of residence of the officer, official, deputy, or employee. The county recorder and deputies and employees of the recorder shall file their bonds in the office of the clerk of the circuit court."

ADVANCE PAYMENTS (Applies to Town Council and Clerk-Treasurer)

The Town paid compensation to its employees in advance of the actual date the services were performed. The Clerk-Treasurer processed payroll on Thursday of each week for the payroll period ending on that day. Employees received their full pay on Thursday even though the payroll period ending that day was not complete.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS (Applies to Town Council and Clerk-Treasurer)

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General	2011	\$ <u>4,073</u>

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

TOWN OF PATRIOT
AUDIT RESULTS AND COMMENTS
(Continued)

ANNUAL REPORT (Applies to Clerk-Treasurer)

The Financial Assistance to Non-Governmental Entities Report included in the 2012 Town's Annual Report was not prepared. This report is to list the nongovernmental entities that received financial assistance from the Town during the year.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

CHRISTMAS BONUS PAID TO EMPLOYEES (Applies to Town Council and Clerk-Treasurer)

Christmas bonuses totaling \$4,950 were paid to all employees (excluding Town Council members) during the year 2012. The 2012 salary ordinance, number 2011-12-1, did not contain a provision in the ordinance authorizing the payment of Christmas bonuses. After we brought this to the attention of Town Officials, the Town Council amended salary ordinance number 2011-12-1, on November 18, 2013, authorizing the payment of Christmas bonuses.

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)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE TOWN OF PATRIOT, SWITZERLAND COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Town of Patriot's (Town) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the period of January 1, 2011 to December 31, 2012. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the period of January 1, 2011 to December 31, 2012.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

February 25, 2014

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented was approved by management of the Town. The schedule and note are presented as intended by the Town.

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TOWN OF PATRIOT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Years Ended December 31, 2011 And 2012

Federal Grantor Agency/ Cluster Title/Program Title/Project Title	Pass-Through or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-11	Total Federal Awards Expended 12-31-12
<u>Department of Housing and Urban Development</u>					
CDBG - State-Administered CDBG Cluster					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs	14.228	CF-10-217	\$ -	\$ 577,080
Wastewater Project					
Total federal awards expended				<u>\$ -</u>	<u>\$ 577,080</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF PATRIOT
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Patriot and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1 et seq.), audits of towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF PATRIOT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	no

Identification of Major Program:

_____ Name of Federal Program or Cluster _____

CDBG - State-Administered CDBG Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
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TOWN OF PATRIOT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings

FINDING 2012-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to the achievement of financial reporting objectives. The Town has not separated processing duties related to receipts, utility billings and collections, disbursements, payroll and related liabilities, cash and investment balances, preparation of the financial statement, and preparation of the Schedule of Expenditures of Federal Awards. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

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

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN of PATRIOT, INC.

Office of the Town Board
Patriot, Indiana 47038
(812) 594-2243

February 5, 2014

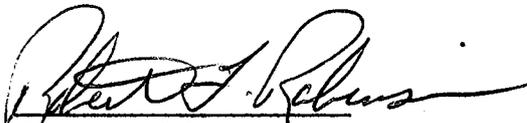
State Board of Accounts
Exit Conference
Town of Patriots Official Response
Audit 2010, 2011, 2012

The Town of Patriot would like to respond to the findings 2012-1 Internal Controls over Financial Transactions and Recording, Lack of Segregation of Duties.

We will review our procedures for internal control and take steps to provide segregation of duties of the receipting, disbursing, recording and accounting for the financial activities.

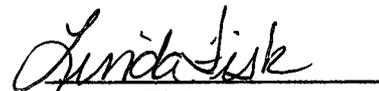
Any Questions please contact Linda Fisk Clerk - Treasurer of the Town of Patriot at 812-594-2243 or E-mail lfisk_pwc@yahoo.com

Sincerely,



Robert L. Robinson
Town Council President

Date: 3/6/14



Linda Fisk
Clerk - Treasurer

Date: 3/6/14

TOWN OF PATRIOT
EXIT CONFERENCE

The contents of this report were discussed on February 25, 2014, with Robert L. Robinson, President of the Town Council; Joseph Duckworth, Superintendent of Utilities; and Matthew E. Hocker, Town Council Attorney.

The contents of this report were discussed on March 6, 2014, with Linda Fisk, Clerk-Treasurer.