

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF PATRIOT

SWITZERLAND COUNTY, INDIANA

January 1, 2010 to December 31, 2010



**FILED**

04/09/2014



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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	01-01-10 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

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statement of the Town of Patriot (Town), for the year ended December 31, 2010. The financial statement is the responsibility of the Town's management. Our responsibility is to express an opinion on the financial statement based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial 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 comprehensive 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 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 year.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does 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 year ended December 31, 2010.

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 year ended December 31, 2010, 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 statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the financial statement. It has not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on it.

*Paul D. Joyce*  
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.

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

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General Fund	\$ 5,025	\$ 31,172	\$ 28,583	\$ 7,614
Motor Vehicle Highway	30,772	5,267	32,840	3,199
Local Road And Street	2,190	968	-	3,158
Donation Fund	3,500	4,250	3,575	4,175
Riverboat Fund	52,482	8,174	-	60,656
Memorial Park Fund	2,690	23,147	1,377	24,460
Town Hall Fund	1,835	625	-	2,460
Rainy Day Fund	677	-	-	677
Cumulative Capital Improvement (Ct)	7,687	591	-	8,278
Belterra Riverboat	905,538	368,215	372,512	901,241
Wastewater Operating Fund	2,604	49,023	50,801	826
Wastewater Bond And Interest	4,912	12,007	11,560	5,359
Wastewater Debt Service Reserve	12,714	9	-	12,723
Water Operating Fund	13,852	2,067,564	1,991,129	90,287
Water Utility - Bond And Interest	893,919	579,352	711,570	761,701
Water Utility - Depreciation	146,965	376	90,176	57,165
Water Utility Debt Service Reserve	592,298	82,336	31,778	642,856
Park Nonreverting	14,937	5,845	20,782	-
Water Utility - Bond And Interest DRD	-	306,043	261,664	44,379
Totals	<u>\$ 2,694,597</u>	<u>\$ 3,544,964</u>	<u>\$ 3,608,347</u>	<u>\$ 2,631,214</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 (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, 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.

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

TOWN OF PATRIOT  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.

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.

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

TOWN OF PATRIOT  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.

**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.

TOWN OF PATRIOT  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.

**Note 6. Combined Funds**

Funds related to Riverboat were reported individually in the current financial statement but were combined into one fund for the prior financial statement.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Reports for years prior to 2011 can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

For additional financial information, the Town's Annual Report information for years 2011 and later 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 Report of the Town which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was 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, 2010

	General Fund	Motor Vehicle Highway	Local Road And Street	Donation Fund	Riverboat Fund
Cash and investments - beginning	\$ 5,025	\$ 30,772	\$ 2,190	\$ 3,500	\$ 52,482
Receipts:					
Taxes	9,246	5,267	-	-	-
Intergovernmental	5,001	-	968	-	8,174
Utility fees	-	-	-	-	-
Other receipts	16,925	-	-	4,250	-
Total receipts	<u>31,172</u>	<u>5,267</u>	<u>968</u>	<u>4,250</u>	<u>8,174</u>
Disbursements:					
Personal services	4,200	-	-	-	-
Supplies	5,249	-	-	-	-
Other services and charges	9,406	32,840	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	9,728	-	-	3,575	-
Total disbursements	<u>28,583</u>	<u>32,840</u>	<u>-</u>	<u>3,575</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>2,589</u>	<u>(27,573)</u>	<u>968</u>	<u>675</u>	<u>8,174</u>
Cash and investments - ending	<u>\$ 7,614</u>	<u>\$ 3,199</u>	<u>\$ 3,158</u>	<u>\$ 4,175</u>	<u>\$ 60,656</u>

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

	Memorial Park Fund	Town Hall Fund	Rainy Day Fund	Cumulative Capital Improvement (Ct)	Belterra Riverboat
Cash and investments - beginning	\$ 2,690	\$ 1,835	\$ 677	\$ 7,687	\$ 905,538
Receipts:					
Taxes	-	-	-	-	-
Intergovernmental	-	-	-	591	331,987
Utility fees	-	-	-	-	-
Other receipts	23,147	625	-	-	36,228
Total receipts	<u>23,147</u>	<u>625</u>	<u>-</u>	<u>591</u>	<u>368,215</u>
Disbursements:					
Personal services	-	-	-	-	23,010
Supplies	-	-	-	-	44,269
Other services and charges	-	-	-	-	47,758
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	97,357
Utility operating expenses	-	-	-	-	-
Other disbursements	1,377	-	-	-	160,118
Total disbursements	<u>1,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>372,512</u>
Excess (deficiency) of receipts over disbursements	<u>21,770</u>	<u>625</u>	<u>-</u>	<u>591</u>	<u>(4,297)</u>
Cash and investments - ending	<u>\$ 24,460</u>	<u>\$ 2,460</u>	<u>\$ 677</u>	<u>\$ 8,278</u>	<u>\$ 901,241</u>

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

	Wastewater Operating Fund	Wastewater Bond And Interest	Wastewater Debt Service Reserve	Water Operating Fund	Water Utility - Bond And Interest
Cash and investments - beginning	\$ 2,604	\$ 4,912	\$ 12,714	\$ 13,852	\$ 893,919
Receipts:					
Taxes	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Utility fees	19,323	-	-	1,973,752	-
Other receipts	29,700	12,007	9	93,812	579,352
Total receipts	<u>49,023</u>	<u>12,007</u>	<u>9</u>	<u>2,067,564</u>	<u>579,352</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	29,700	11,560	-	191,025	401,922
Capital outlay	650	-	-	56,022	-
Utility operating expenses	6,914	-	-	1,014,221	-
Other disbursements	13,537	-	-	729,861	309,648
Total disbursements	<u>50,801</u>	<u>11,560</u>	<u>-</u>	<u>1,991,129</u>	<u>711,570</u>
Excess (deficiency) of receipts over disbursements	<u>(1,778)</u>	<u>447</u>	<u>9</u>	<u>76,435</u>	<u>(132,218)</u>
Cash and investments - ending	<u>\$ 826</u>	<u>\$ 5,359</u>	<u>\$ 12,723</u>	<u>\$ 90,287</u>	<u>\$ 761,701</u>

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

	Water Utility - Depreciation	Water Utility Debt Service Reserve	Park Nonreverting	Water Utility Bond and Interest - DRD	Totals
Cash and investments - beginning	\$ 146,965	\$ 592,298	\$ 14,937	\$ -	\$ 2,694,597
Receipts:					
Taxes	-	-	-	-	14,513
Intergovernmental	-	-	-	-	346,721
Utility fees	-	-	-	-	1,993,075
Other receipts	376	82,336	5,845	306,043	1,190,655
Total receipts	<u>376</u>	<u>82,336</u>	<u>5,845</u>	<u>306,043</u>	<u>3,544,964</u>
Disbursements:					
Personal services	-	-	-	-	27,210
Supplies	-	-	-	-	49,518
Other services and charges	-	-	-	-	90,004
Debt service - principal and interest	-	-	-	-	634,207
Capital outlay	-	-	-	-	154,029
Utility operating expenses	-	-	-	-	1,021,135
Other disbursements	90,176	31,778	20,782	261,664	1,632,244
Total disbursements	<u>90,176</u>	<u>31,778</u>	<u>20,782</u>	<u>261,664</u>	<u>3,608,347</u>
Excess (deficiency) of receipts over disbursements	<u>(89,800)</u>	<u>50,558</u>	<u>(14,937)</u>	<u>44,379</u>	<u>(63,383)</u>
Cash and investments - ending	<u>\$ 57,165</u>	<u>\$ 642,856</u>	<u>\$ -</u>	<u>\$ 44,379</u>	<u>\$ 2,631,214</u>

TOWN OF PATRIOT  
EXAMINATION RESULTS AND COMMENTS

**OFFICIAL BOND (Applies to Clerk-Treasurer)**

The Clerk-Treasurer's 2010 surety bond in the amount of \$60,000 was insufficient per the Indiana Code. Based on total receipts of \$3,501,829 in 2009, the surety bond amount for 2010 should have been \$120,000. Also, the surety bond for the Clerk-Treasurer was 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)."

TOWN OF PATRIOT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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."

***APPROPRIATIONS (Applies to Town Council and Clerk-Treasurer)***

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

Fund	Year	Excess Amount Expended
Motor Vehicle Highway	2010	<u>\$ 27,840</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."

***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. The payroll that was processed was for the payroll period ending on Thursday. The employees received their full pay for Thursday even though the day was not completed.

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)

***COMPENSATION AND BENEFITS (Applies to Town Council and Clerk-Treasurer)***

Compensation and benefits were paid to all 15 employees, but a salary ordinance or resolution was not passed by the Town Council to support the payments. The compensation and benefits paid to these employees was \$412,373.

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)

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.