

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

FINANCIAL STATEMENT EXAMINATION REPORT  
OF

PETERSBURG/PIKE COUNTY REVOLVING  
LOAN FUND ADMINISTRATION BOARD  
PIKE COUNTY, INDIANA

January 1, 2010 to December 31, 2011



**FILED**  
10/10/2012



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Accountant's Report.....	3
Financial Statements:	
Statements of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis .....	6-7
Notes to Financial Statements .....	8-10
Supplementary Information:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis .....	12-13
Schedule of Payables and Receivables .....	14
Examination Results and Comments:	
Official Bond .....	15
Receipt Issuance .....	15
Collection of Amounts Due .....	15
Internal Controls .....	15
Annual Report.....	15
Exit Conference.....	16

OFFICIALS

Office

Official

Term

Loan Coordinator

Paul A. Lake

01-01-10 to 12-31-12

President of the Board

Marvin Stratton

01-01-10 to 12-31-12



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE PETERSBURG/PIKE COUNTY REVOLVING  
LOAN FUND ADMINISTRATION BOARD, PIKE COUNTY, INDIANA

We have examined the financial statements of the Petersburg/Pike County Revolving Loan Fund Administration Board (District), for the period of January 1, 2010 to December 31, 2011. The District's management is responsible for the financial statements. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial 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 District prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

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

The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and the Schedule of Payables and Receivables, 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.

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

STATE BOARD OF ACCOUNTS

July 16, 2012

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## FINANCIAL STATEMENTS

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

PETERSBURG/PIKE COUNTY REVOLVING LOAN FUND ADMINISTRATION BOARD  
 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
Loan Fund	\$ 132,669	\$ 54,292	\$ 31,916	\$ 155,045
Sequestered Account	242,427	177	269	242,335
Totals	<u>\$ 375,096</u>	<u>\$ 54,469</u>	<u>\$ 32,185</u>	<u>\$ 397,380</u>

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

PETERSBURG/PIKE COUNTY REVOLVING LOAN FUND ADMINISTRATION BOARD  
 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
Sequestered Account	\$ 242,335	\$ 121	\$ 121	\$ 242,335
Loan Fund	<u>155,045</u>	<u>48,785</u>	<u>125,585</u>	<u>78,245</u>
Totals	<u>\$ 397,380</u>	<u>\$ 48,906</u>	<u>\$ 125,706</u>	<u>\$ 320,580</u>

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

PETERSBURG/PIKE COUNTY REVOLVING LOAN FUND ADMINISTRATION BOARD  
NOTES TO FINANCIAL STATEMENTS

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

The District was established under the laws of the State of Indiana. The District operates under an appointed governing board.

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

*B. Basis of Accounting*

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

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

*C. Cash and Investments*

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

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include the following sources:

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 may 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.

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.

PETERSBURG/PIKE COUNTY REVOLVING LOAN FUND ADMINISTRATION BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 District 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 District. 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 District. 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 District 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. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the District 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 3. 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 District 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.

PETERSBURG/PIKE COUNTY REVOLVING LOAN FUND ADMINISTRATION BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**Note 4. Risk Management**

The District 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 District 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 District by recording as a disbursement any replacement items purchased.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the District's 2010 Annual Report 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 District'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 District 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 District. It is presented as intended by the District.

PETERSBURG/PIKE COUNTY REVOLVING LOAN FUND ADMINISTRATION BOARD  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	<u>Loan Fund</u>	<u>Sequestered Account</u>	<u>Totals</u>
Cash and investments - beginning	\$ 132,669	\$ 242,427	\$ 375,096
Receipts:			
Charges for services	54,183	-	54,183
Other receipts	<u>109</u>	<u>177</u>	<u>286</u>
Total receipts	<u>54,292</u>	<u>177</u>	<u>54,469</u>
Disbursements:			
Other services and charges	583	-	583
Other disbursements	<u>31,333</u>	<u>269</u>	<u>31,602</u>
Total disbursements	<u>31,916</u>	<u>269</u>	<u>32,185</u>
Excess (deficiency) of receipts over disbursements	<u>22,376</u>	<u>(92)</u>	<u>22,284</u>
Cash and investments - ending	<u>\$ 155,045</u>	<u>\$ 242,335</u>	<u>\$ 397,380</u>

PETERSBURG/PIKE COUNTY REVOLVING LOAN FUND ADMINISTRATION BOARD  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011

	Sequestered Account	Loan Fund	Totals
Cash and investments - beginning	\$ 242,335	\$ 155,045	\$ 397,380
Receipts:			
Charges for services	-	48,785	48,785
Other receipts	121	-	121
Total receipts	121	48,785	48,906
Disbursements:			
Other services and charges	-	585	585
Other disbursements	121	125,000	125,121
Total disbursements	121	125,585	125,706
Deficiency of receipts over disbursements	-	(76,800)	(76,800)
Cash and investments - ending	\$ 242,335	\$ 78,245	\$ 320,580

PETERSBURG/PIKE COUNTY REVOLVING LOAN FUND ADMINISTRATION BOARD  
SCHEDULE OF PAYABLES AND RECEIVABLES  
December 31, 2011

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ -</u>	<u>\$ 366,721</u>

PETERSBURG/PIKE COUNTY REVOLVING LOAN FUND ADMINISTRATION BOARD  
EXAMINATION RESULTS AND COMMENTS

**RECEIPT ISSUANCE**

The information presented for audit indicates that receipts were not issued or recorded on the same day the payment was received.

For the examination years of 2010 and 2011, it was noted that the receipts were written after the day of receipt of the payment.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Page 10-13)

**COLLECTION OF AMOUNTS DUE**

During the examination, it was noted \$337 was due from Smokehouse Number 423 as of December 31, 2011.

The Loan Coordinator shows this account receivable as zero as of December 31, 2011.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Page 10-7)

**INTERNAL CONTROLS**

During the examination, we noted the following concerns over the controls of the receipting, disbursing, recording, and accounting for the financial activities: Lack of segregation of duties.

The Loan Coordinator is responsible for issuing receipts, posting the transactions to the ledger, and reconciling the bank statements to the ledger.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Page 10-11)

**ANNUAL REPORT**

Officials did not submit the 2010 annual report by March 31, 2011, as required.

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 filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

PETERSBURG/PIKE COUNTY REVOLVING LOAN FUND ADMINISTRATION BOARD  
EXIT CONFERENCE

The contents of this report were discussed on July 16, 2012, with Paul A. Lake, Loan Coordinator. The official concurred with our findings.