

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF PARAGON

MORGAN COUNTY, INDIANA

January 1, 2012 to December 31, 2016



FILED
04/26/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Debbie Ellis	01-01-12 to 12-31-19
President of the Town Council	Ray Cooper	01-01-12 to 12-31-12
	Dave Zoller	01-01-13 to 12-31-14
	James Martin	01-01-15 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our examination report of the Town of Paragon (Town), for the period from January 1, 2012 to December 31, 2016. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statements Examination Report of the Town, which provides our opinion on the Town's financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

March 13, 2018

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CLERK-TREASURER
TOWN OF PARAGON

CLERK-TREASURER
TOWN OF PARAGON
EXAMINATION RESULTS AND COMMENTS

INTERNAL CONROLS OVER THE ANNUAL FINANCIAL REPORT

A similar comment also appeared in the prior Report B42007, entitled *CONDITION OF RECORDS*.

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Financial Statements.

The following errors were noted in the Financial Statements: The Sewer SRF Trustee Sinking fund and DSR fund were not reported on the financial statements or recorded in the Town's records. The Storm Water Bond and Interest fund was not correctly reported separately from the Storm Water fund for examination years ending December 31, 2012, 2013, 2014, and 2015.

Adjustments were proposed, accepted by the Town, and made to the financial statements.

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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."

UNPAID INTERFUND LOANS

The same comment also appeared in prior Reports B38722 and B42007, entitled *LOAN BETWEEN TOWN FUNDS*.

Prior to the current examination period, there were temporary loans between funds that had not been repaid by December 31 of the year the loans were made. During the current examination period, 18 of these loans, totaling \$96,807, were repaid. As of the date of this report, 12 of the old outstanding loans, totaling \$118,000, remain unpaid.

CLERK-TREASURER
TOWN OF PARAGON
EXAMINATION RESULTS AND COMMENTS
(Continued)

Outstanding loans between funds as of the date of this report are as follows:

<u>Fund Receiving Fund</u>	<u>Fund Making Loan</u>	<u>Date Loan Made</u>	<u>Amount Unpaid</u>
General	Water Utility Depreciation	10-03-06	\$ 5,000
Water Operating	Sewer Bond & Interest	08-09-07	5,000
Sewer Bond & Interest	Sewer Depreciation	03-28-08	45,000
Sewer Operating	Storm Water	02-26-09	5,000
General	Mvh	04-30-09	1,000
General	Mvh	06-05-09	8,000
General	Mvh	01-14-10	10,000
Sewer Operating	Edit Tax	01-27-10	14,000
Water Operating	Edit Tax	12-27-10	2,000
Sewer Operating	Mvh	01-13-11	10,000
Sewer Operating	Storm Water	01-13-11	11,000
Sewer Operating	Storm Water	07-22-11	2,000
Total			<u>\$ 118,000</u>

Indiana Code 36-1-8-4 states in part:

"(a) . . .

- (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.
- (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
 - (A) A statement that the fiscal body has determined that an emergency exists.
 - (B) A brief description of the grounds for the emergency.
 - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

CLERK-TREASURER
TOWN OF PARAGON
EXIT CONFERENCE

The contents of this report were discussed on March 13, 2018, with Debbie Ellis, Clerk-Treasurer, and Evelyn M. Zoller, Town Council member.