

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ST. JOHN

LAKE COUNTY, INDIANA

January 1, 2020 to December 31, 2021



**FILED**  
10/27/2022



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Beth Hernandez	01-01-20 to 12-31-22
President of the Town Council	Gerald Swets	01-01-20 to 12-31-22
Town Manager	(Vacant)	01-01-20 to 02-29-20
	Craig Phillips	03-01-20 to 01-11-21
	(Vacant)	01-12-21 to 06-14-21
	Chris Salatas	06-15-21 to 02-05-22
	Jason Dravet	02-06-22 to 03-04-22
	Joseph Wiszowaty	03-05-22 to 12-31-22



**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)

TO: THE OFFICIALS OF THE TOWN OF ST. JOHN, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of St. John (Town), for the period from January 1, 2020 to December 31, 2021. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statement Audit Report of the Town, which provides our opinions on the Town's financial statement. This report may be found at [www.in.gov/sboa/](http://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 Audit 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 Audit Results and Comments, incorporated within this report, was not verified for accuracy.

A handwritten signature in blue ink that reads "Beth Kelley".

Beth Kelley, CPA, CFE  
Deputy State Examiner

October 12, 2022

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CLERK-TREASURER  
TOWN OF ST. JOHN

CLERK-TREASURER  
TOWN OF ST. JOHN  
AUDIT RESULTS AND COMMENTS

**LOAN FROM WATER TO SEWER UTILITY**

*Condition and Context*

The municipal legislative body, with the approval of the board, may transfer surplus earnings of the utility. A cash reserve fund shall be created by ordinance and carried on the records of the utility or utilities by providing for monthly contributions or transfers to the cash reserve fund of surplus earnings of the utility or utilities. A cash reserve fund, if authorized by ordinance, may be used to make loans to another utility owned by the same municipality, for periods not to exceed five years, at any interest rate. The repayment of the loan and interest shall be returned to the cash reserve fund.

Pursuant to the provisions of Indiana Code 8-1.5-3-11, the Town approved Ordinance 1625 which established a cash reserve fund for the Water Utility, to be funded from surplus earnings. The Water Utility's cash reserve fund balance on January 1, 2020, was \$517,917, which was transferred to the Water Operating fund by Resolution in October 2020.

In October 2020, the Waterworks Board approved Resolution 2020-10-20-WW, and the Town Council adopted Ordinance 1717, which approved a five-year interest free loan of \$2,500,000 from the Water Utility to the Wastewater Utility. However, the loan was made directly from the Water Operating fund, which is not allowed by Indiana Code.

*Criteria*

Indiana Code 8-1.5-3-11 states:

"(a) The money belonging to each municipally owned utility shall be kept by the municipal fiscal officer as separate funds as required by any bond ordinance or accounting procedures established by the commission or the state board of accounts. The municipal legislative body, with the approval of the board, may transfer surplus earnings of the utility to the general fund. The money may not, however, be transferred unless the terms and conditions of any bond ordinance, resolution, indenture, contract under [IC 8-1-2.2](#), or similar instrument binding upon the utility are complied with.

(b) A cash reserve fund shall be created by ordinance and carried on the records of the utility or utilities by providing for monthly contributions or transfers to the cash reserve fund of surplus earnings of the utility or utilities.

(c) 'Surplus earnings' are those cash earnings remaining after provision has been made to take care of current obligations, including:

- (1) operating expense;
- (2) depreciation or replacement fund;
- (3) bond and interest sinking fund;
- (4) retirement fund; or
- (5) any other priority fund requirements fixed by law.

CLERK-TREASURER  
TOWN OF ST. JOHN  
AUDIT RESULTS AND COMMENTS  
(Continued)

(d) After creation of the cash reserve fund, the legislative body may include in the municipal general fund budget, as revenue in lieu of taxes, an amount equal to the actual balance in the cash reserve fund as of June 30 of the current year. However, the available cash reserve fund balance may be transferred to the municipal general fund only during the calendar year for which the budget was adopted, and transfers may not be made from any utility funds to the general fund except from the cash reserve fund.

(e) If at any time after the final approval of the budget an emergency should arise for further appropriations from the general fund, the legislative body may, by ordinance, transfer additional money from the cash reserve fund to the general fund to provide for the additional appropriations, the transfer to be limited to the accretions to the cash reserve fund since the preceding June 30.

(f) A cash reserve fund, if authorized by ordinance, may be used to make loans to another utility owned by the same municipality, for periods not to exceed five (5) years, at any interest rate. The repayment of the loan and interest shall be returned to the cash reserve fund."

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

## **CONTRACT PAYMENTS**

### *Condition and Context*

The Town entered into a contract for the SCADA (Supervisory Control and Data Acquisition system) water and sewer project, to be financed with the 2021 Water bond proceeds and Wastewater funds. The \$1,192,500 contract was approved by the Waterworks and Sanitary District Boards in January 2021.

Monthly invoices of \$99,357 were paid to the vendor between June 2021 and February 2022, totaling \$894,339. The vendor provided invoices to the Town which equaled one-twelfth of the contract. The invoices were not detailed and did not contain the work performed for the amount billed.

### *Criteria*

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

CLERK-TREASURER  
TOWN OF ST. JOHN  
AUDIT RESULTS AND COMMENTS  
(Continued)

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Office of the  
Clerk-Treasurer  
St John Municipal Building  
10955 W 93<sup>rd</sup> Avenue  
St John, Indiana 46373



Beth R. Hernandez  
Clerk-Treasurer  
219.365.4800 telephone  
bhernandez@stjohnin.com  
www.stjohnin.com

## OFFICIAL RESPONSE

October 24, 2022

Indiana State Board of Accounts  
302 West Washington St. Room E418  
Indianapolis, IN 46204-2765

Re: Town of St. John's Official Response to the Audit Results and Comments for 2020-2021

### **LOAN FROM WATER TO SEWER UTILITY**

On October 20, 2020, the Water Board approved Resolution 2020-10-20WW approving a temporary loan from the Waterworks' Cash Reserve Fund to the Sewage Works Utility Fund in an amount not to exceed \$2,500,000. On October 28, 2020, the Town Council passed Ordinance 1717 approving a temporary loan from the Waterworks' Cash Reserve Fund to the Sewage Works Utility Fund in an amount not to exceed \$2,500,000. However, at this same Town Council meeting held on October 28, 2020, the Town Council also passed Resolution 2020-10-28D declaring the Waterworks' Cash Reserve Fund as abolished and directed the Clerk-Treasurer to immediately transfer the \$517,917 balance to the Water Operating Fund. The abolishment of the Waterworks' Cash Reserve Fund and transfer of \$517,917 to the Water Operating Fund resulted in the temporary loan being made directly from the Water Operating Fund to the Sewage Works Utility Fund because the Waterworks' Cash Reserve Fund and balance no longer existed. It is important to note that reserve funds from the Water Operating Fund were always intended to fund the temporary loan. The Sewage Works Utility Fund will repay the balance of its loan to the Water Operating Fund. The Town Council will establish a Waterworks' Cash Reserve Fund. A new temporary loan in an amount not to exceed \$2,500,000 may be approved, and if so, it will pass through the Waterworks' Cash Reserve Fund. The Town, by taking this proactive response, in no way, admits and strictly denies any malfeasance, misfeasance, nonfeasance, and/or intentional wrongdoing as related to any Town official, agent, and/or employee.

### **CONTRACT PAYMENTS**

On January 19, 2021, the Sanitary Board entered into an agreement with Austgen Electric, Inc. for services related to the SCADA project. On January 28, 2021, the Water Board entered into the same agreement with Austgen Electric, Inc. The contract specifies that the SCADA project will cost a total of \$1,192,500 with Water to pay \$625,622 and Wastewater to pay \$566,878. On June 15, 2021, Austgen Electric, Inc. sent an email that stated they planned to bill the Town of St. John \$99,375 for a 12-month period beginning in June 2021. This billing proposal was accepted by the Town Manager, and the Town Manager, by way of signature, authorized payment for work performed for nine (9) pay requests beginning June 2021 through February 2022. To date, a total of \$894,375 has been paid to Austgen Electric, Inc. for work performed with Water paying \$447,187.50 and Wastewater paying \$447,187.50. The Town will ensure that all remaining pay requests contain enough written detail as to the work performed prior to payment. The Town, by taking this proactive response, in no way admits and strictly denies any malfeasance, misfeasance, nonfeasance, and/or intentional wrongdoing as related to any Town official, agent, and/or employee.

Beth R. Hernandez  
Town of St. John Clerk-Treasurer

CLERK-TREASURER  
TOWN OF ST. JOHN  
EXIT CONFERENCE

The contents of this report were discussed on October 12, 2022, with Beth Hernandez, Clerk-Treasurer; Joseph Wiszowaty, Town Manager; Wayne Pondinas, Town Council member; Bryan Blazak, Town Council member; and Katie Szczepanski, Deputy Clerk-Treasurer.

TOWN COUNCIL  
TOWN OF ST. JOHN

TOWN COUNCIL  
TOWN OF ST. JOHN  
AUDIT RESULT AND COMMENT

***LOAN FROM WATER TO SEWER UTILITY***

*Condition and Context*

The municipal legislative body, with the approval of the board, may transfer surplus earnings of the utility. A cash reserve fund shall be created by ordinance and carried on the records of the utility or utilities by providing for monthly contributions or transfers to the cash reserve fund of surplus earnings of the utility or utilities. A cash reserve fund, if authorized by ordinance, may be used to make loans to another utility owned by the same municipality, for periods not to exceed five years, at any interest rate. The repayment of the loan and interest shall be returned to the cash reserve fund.

Pursuant to the provisions of Indiana Code 8-1.5-3-11, the Town approved Ordinance 1625 which established a cash reserve fund for the Water Utility, to be funded from surplus earnings. The Water Utility's cash reserve fund balance on January 1, 2020, was \$517,917, which was transferred to the Water Operating fund by Resolution in October 2020.

In October 2020, the Water Board approved Resolution 2020-10-20-WW, and the Town Council adopted Ordinance 1717, which approved a five-year interest free loan of \$2,500,000 from the Water Utility to the Wastewater Utility. However, the loan was made directly from the Water Operating fund, which is not allowed by Indiana Code.

*Criteria*

Indiana Code 8-1.5-3-11 states:

"(a) The money belonging to each municipally owned utility shall be kept by the municipal fiscal officer as separate funds as required by any bond ordinance or accounting procedures established by the commission or the state board of accounts. The municipal legislative body, with the approval of the board, may transfer surplus earnings of the utility to the general fund. The money may not, however, be transferred unless the terms and conditions of any bond ordinance, resolution, indenture, contract under [IC 8-1-2.2](#), or similar instrument binding upon the utility are complied with.

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TOWN COUNCIL  
TOWN OF ST. JOHN  
AUDIT RESULT AND COMMENT  
(Continued)

(c) 'Surplus earnings' are those cash earnings remaining after provision has been made to take care of current obligations, including:

- (1) operating expense;
- (2) depreciation or replacement fund;
- (3) bond and interest sinking fund;
- (4) retirement fund; or
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(d) After creation of the cash reserve fund, the legislative body may include in the municipal general fund budget, as revenue in lieu of taxes, an amount equal to the actual balance in the cash reserve fund as of June 30 of the current year. However, the available cash reserve fund balance may be transferred to the municipal general fund only during the calendar year for which the budget was adopted, and transfers may not be made from any utility funds to the general fund except from the cash reserve fund.

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TOWN COUNCIL  
TOWN OF ST. JOHN  
EXIT CONFERENCE

The contents of this report were discussed on October 12, 2022, with Beth Hernandez, Clerk-Treasurer; Joseph Wiszowaty, Town Manager; Wayne Pondinas, Town Council member; Bryan Blazak, Town Council member; and Katie Szczepanski, Deputy Clerk-Treasurer.

WATERWORKS BOARD  
TOWN OF ST. JOHN

WATERWORKS BOARD  
TOWN OF ST. JOHN  
AUDIT RESULTS AND COMMENTS

**LOAN FROM WATER TO SEWER UTILITY**

*Condition and Context*

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WATERWORKS BOARD  
TOWN OF ST. JOHN  
AUDIT RESULTS AND COMMENTS  
(Continued)

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### **CONTRACT PAYMENTS**

#### *Condition and Context*

The Town entered into a contract for the SCADA (Supervisory Control and Data Acquisition system) water and sewer project, to be financed with the 2021 Water bond proceeds and Wastewater funds. The \$1,192,500 contract was approved by the Waterworks and Sanitary District Boards in January 2021.

Monthly invoices of \$99,357 were paid to the vendor between June 2021 and February 2022, totaling \$894,339. The vendor provided invoices to the Town which equaled one-twelfth of the contract. The invoices were not detailed and did not contain the work performed for the amount billed.

#### *Criteria*

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

WATERWORKS BOARD  
TOWN OF ST. JOHN  
AUDIT RESULTS AND COMMENTS  
(Continued)

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

WATERWORKS BOARD  
TOWN OF ST. JOHN  
EXIT CONFERENCE

The contents of this report were discussed on October 12, 2022, with Billy Manousopoulos, Waterworks Board member; Beth Hernandez, Clerk-Treasurer; Joseph Wiszowaty, Town Manager; Wayne Pondinas, Town Council member; Bryan Blazak, Town Council member; Richard Setlak, Sanitary District Board member; and Katie Szczepanski, Deputy Clerk-Treasurer.

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SANITARY DISTRICT BOARD  
TOWN OF ST. JOHN

SANITARY DISTRICT BOARD  
TOWN OF ST. JOHN  
AUDIT RESULT AND COMMENT

**CONTRACT PAYMENTS**

*Condition and Context*

The Town entered into a contract for the SCADA (Supervisory Control and Data Acquisition system) water and sewer project, to be financed with the 2021 Water bond proceeds and Wastewater funds. The \$1,192,500 contract was approved by the Waterworks and Sanitary District Boards in January 2021.

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- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

SANITARY DISTRICT BOARD  
TOWN OF ST. JOHN  
EXIT CONFERENCE

The contents of this report were discussed on October 12, 2022, with Richard Setlak, Sanitary District Board member; Beth Hernandez, Clerk-Treasurer; Joseph Wiszowaty, Town Manager; Wayne Pondinas, Town Council member; Bryan Blazak, Town Council member; Billy Manousopoulos, Waterworks Board member; and Katie Szczepanski, Deputy Clerk-Treasurer.