

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF LAPAZ
MARSHALL COUNTY, INDIANA

January 1, 2012 to December 31, 2013



FILED
11/24/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Susan Albert	01-01-12 to 12-31-15
President of the Town Council	Roger Ecker	01-01-12 to 12-31-12
	Lorraine Dove	01-01-13 to 12-31-13
	David Albert	01-01-14 to 12-31-15



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF LAPAZ, MARSHALL COUNTY, INDIANA

Report on the Financial Statement

We were engaged to audit the accompanying financial statement of the Town of LaPaz (Town), which comprises the financial position and results of operations for the period of January 1, 2012 to December 31, 2013, and the related notes to the financial statement as listed in the Table of Contents.

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 conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The Town did not provide complete accounting records and did not properly maintain the accounting records provided to prepare an accurate and complete financial statement. The Town's records do not permit the application of other auditing procedures to ascertain if the financial statement is fairly stated.

Disclaimer of Opinion

Because of the significance of the matter discussed in the *Basis for Disclaimer of Opinion* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on this financial statement.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Matters

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. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* paragraph and because federal grant monies were not accurately and separately identified in the financial ledgers, it is inappropriate to and we do not express an opinion on the Schedule of Expenditures of Federal Awards referred to above.

Other Information

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, Schedule of Leases and Debt, and Schedule of Capital Assets, 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 engagement to audit the financial statement and, accordingly, we express no opinion on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 24, 2015, 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.


Paul D. Joyce, CPA
State Examiner

September 24, 2015



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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 LAPAZ, MARSHALL COUNTY, INDIANA

We were engaged to 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, the financial statement of the Town of LaPaz (Town), which comprises the financial position and results of operations for the period of January 1, 2012 to December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated September 24, 2015. The opinion to the financial statement was disclaimed due to incomplete accounting records provided for audit and accounting records provided that were not properly maintained.

Internal Control Over Financial Reporting

In connection with our engagement to audit 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 2013-001 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

In connection with our engagement to audit the Town's financial statement, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001. Additionally, if the scope of our work had been sufficient to enable us to express an opinion on the financial statement, other instances of noncompliance, or other matters may have been identified and reported herein.

Town of LaPaz'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 engagement to audit 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

September 24, 2015

FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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 LAPAZ
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2012 and 2013

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12	Receipts	Disbursements	Cash and Investments 12-31-13
General Fund	\$ 48,368	\$ 1,169,613	\$ 1,112,020	\$ 105,961	\$ 165,825	\$ 191,708	\$ 80,078
Motor Vehicle	36,472	47,430	14,698	69,204	31,191	22,325	78,070
Local Road Street	25,489	1,585	14	27,060	1,882	12,135	16,807
Law Enforcement Ed	1,280	-	-	1,280	-	-	1,280
Park	4,349	50	690	3,709	1,025	1,414	3,320
Rainy Day Fund	64,490	-	-	64,490	10,000	35,569	38,921
Cum Capital Improvement	12,327	2,448	-	14,775	-	-	14,775
Cum Capital Development	39,422	7,067	-	46,489	4,093	-	50,582
Police Grant	12	-	-	12	-	-	12
Investment Cd	28,509	4,428	-	32,937	1,091	-	34,028
Payroll	(6,109)	111,758	128,885	(23,236)	101,764	107,233	(28,705)
Storm Drain	53,153	8,531	52,200	9,484	9,510	3,839	15,155
Sewer Utility Operation	126,462	247,518	276,148	97,832	253,966	196,225	155,573
Sant Bond & Interest	72,976	52,805	9,021	116,760	27,708	47,454	97,014
Depreciation	91,500	12,000	-	103,500	12,000	-	115,500
Debt Service	49,815	-	-	49,815	-	-	49,815
Totals	<u>\$ 648,515</u>	<u>\$ 1,665,233</u>	<u>\$ 1,593,676</u>	<u>\$ 720,072</u>	<u>\$ 620,055</u>	<u>\$ 617,902</u>	<u>\$ 722,225</u>

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

TOWN OF LAPAZ
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, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

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, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF LAPAZ
NOTES TO FINANCIAL STATEMENT
(Continued)

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, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

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

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.

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.

TOWN OF LAPAZ
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

TOWN OF LAPAZ
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

TOWN OF LAPAZ
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

Note 7. Cash Balance Deficits

The financial statement reports the Payroll fund with a negative cash balance as of December 31, 2012, and December 31, 2013. This is a result of erroneous posting of payroll expenditures which was corrected in 2014.

Note 8. Subsequent Events

In September 2014, the Town received \$400,000 from the Indiana Department of Transportation (INDOT) for relinquishment of US 31.

In 2015, the Town was awarded a \$1,000,000 grant to finance road improvements. This includes federal funds and 80 percent of the grant will be retained by the INDOT to pay construction costs.

OTHER INFORMATION - UNAUDITED

The Town's Annual Financial 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 Financial 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 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 other information presented was approved by management of the Town. It is presented as intended by the Town.

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

	General Fund	Motor Vehicle	Local Road Street	Law Enforcement Ed	Park	Rainy Day Fund	Cum Capital Improvement	Cum Capital Development	Police Grant
Cash and investments - beginning	\$ 48,368	\$ 36,472	\$ 25,489	\$ 1,280	\$ 4,349	\$ 64,490	\$ 12,327	\$ 39,422	\$ 12
Receipts:									
Taxes	60,048	38,199	1,585	-	-	-	-	6,595	-
Licenses and permits	1,517	-	-	-	-	-	-	-	-
Intergovernmental	37,112	9,231	-	-	-	-	2,448	472	-
Charges for services	90,324	-	-	-	50	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	980,612	-	-	-	-	-	-	-	-
Total receipts	<u>1,169,613</u>	<u>47,430</u>	<u>1,585</u>	<u>-</u>	<u>50</u>	<u>-</u>	<u>2,448</u>	<u>7,067</u>	<u>-</u>
Disbursements:									
Personal services	22,419	3,978	-	-	-	-	-	-	-
Supplies	9,620	6,509	14	-	-	-	-	-	-
Other services and charges	31,610	4,211	-	-	690	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	1,048,371	-	-	-	-	-	-	-	-
Total disbursements	<u>1,112,020</u>	<u>14,698</u>	<u>14</u>	<u>-</u>	<u>690</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>57,593</u>	<u>32,732</u>	<u>1,571</u>	<u>-</u>	<u>(640)</u>	<u>-</u>	<u>2,448</u>	<u>7,067</u>	<u>-</u>
Cash and investments - ending	<u>\$ 105,961</u>	<u>\$ 69,204</u>	<u>\$ 27,060</u>	<u>\$ 1,280</u>	<u>\$ 3,709</u>	<u>\$ 64,490</u>	<u>\$ 14,775</u>	<u>\$ 46,489</u>	<u>\$ 12</u>

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

	Investment Cd	Payroll	Storm Drain	Sewer Utility Operation	Sant Bond & Interest	Depreciation	Debt Service	Totals
Cash and investments - beginning	\$ 28,509	\$ (6,109)	\$ 53,153	\$ 126,462	\$ 72,976	\$ 91,500	\$ 49,815	\$ 648,515
Receipts:								
Taxes	-	-	-	-	-	-	-	106,427
Licenses and permits	-	-	-	-	-	-	-	1,517
Intergovernmental	-	-	-	-	-	-	-	49,263
Charges for services	-	-	-	-	-	-	-	90,374
Utility fees	-	-	8,531	237,695	-	-	-	246,226
Penalties	-	-	-	3,858	-	-	-	3,858
Other receipts	4,428	111,758	-	5,965	52,805	12,000	-	1,167,568
Total receipts	4,428	111,758	8,531	247,518	52,805	12,000	-	1,665,233
Disbursements:								
Personal services	-	128,885	11,290	90,501	-	-	-	257,073
Supplies	-	-	-	-	-	-	-	16,143
Other services and charges	-	-	-	4,546	-	-	-	41,057
Debt service - principal and interest	-	-	-	56,764	-	-	-	56,764
Capital outlay	-	-	26,787	25,988	-	-	-	52,775
Utility operating expenses	-	-	14,123	86,049	-	-	-	100,172
Other disbursements	-	-	-	12,300	9,021	-	-	1,069,692
Total disbursements	-	128,885	52,200	276,148	9,021	-	-	1,593,676
Excess (deficiency) of receipts over disbursements	4,428	(17,127)	(43,669)	(28,630)	43,784	12,000	-	71,557
Cash and investments - ending	\$ 32,937	\$ (23,236)	\$ 9,484	\$ 97,832	\$ 116,760	\$ 103,500	\$ 49,815	\$ 720,072

TOWN OF LAPAZ
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	General Fund	Motor Vehicle	Local Road Street	Law Enforcement Ed	Park	Rainy Day Fund	Cum Capital Improvement	Cum Capital Development	Police Grant
Cash and investments - beginning	\$ 105,961	\$ 69,204	\$ 27,060	\$ 1,280	\$ 3,709	\$ 64,490	\$ 14,775	\$ 46,489	\$ 12
Receipts:									
Taxes	74,153	19,003	-	-	-	-	-	3,836	-
Intergovernmental	41,767	12,188	1,882	-	-	-	-	257	-
Charges for services	49,905	-	-	-	25	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	1,000	10,000	-	-	-
Total receipts	<u>165,825</u>	<u>31,191</u>	<u>1,882</u>	<u>-</u>	<u>1,025</u>	<u>10,000</u>	<u>-</u>	<u>4,093</u>	<u>-</u>
Disbursements:									
Personal services	21,944	3,883	-	-	-	-	-	-	-
Supplies	8,618	2,045	135	-	11	-	-	-	-
Other services and charges	30,539	2,397	-	-	1,403	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-
Capital outlay	21,711	14,000	12,000	-	-	35,569	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	108,896	-	-	-	-	-	-	-	-
Total disbursements	<u>191,708</u>	<u>22,325</u>	<u>12,135</u>	<u>-</u>	<u>1,414</u>	<u>35,569</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(25,883)</u>	<u>8,866</u>	<u>(10,253)</u>	<u>-</u>	<u>(389)</u>	<u>(25,569)</u>	<u>-</u>	<u>4,093</u>	<u>-</u>
Cash and investments - ending	<u>\$ 80,078</u>	<u>\$ 78,070</u>	<u>\$ 16,807</u>	<u>\$ 1,280</u>	<u>\$ 3,320</u>	<u>\$ 38,921</u>	<u>\$ 14,775</u>	<u>\$ 50,582</u>	<u>\$ 12</u>

TOWN OF LAPAZ
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Investment Cd	Payroll	Storm Drain	Sewer Utility Operation	Sant Bond & Interest	Depreciation	Debt Service	Totals
Cash and investments - beginning	\$ 32,937	\$ (23,236)	\$ 9,484	\$ 97,832	\$ 116,760	\$ 103,500	\$ 49,815	\$ 720,072
Receipts:								
Taxes	-	-	-	-	-	-	-	96,992
Intergovernmental	-	-	-	-	-	-	-	56,094
Charges for services	-	-	-	-	-	-	-	49,930
Utility fees	-	-	-	248,722	-	-	-	248,722
Penalties	-	-	209	4,444	-	-	-	4,653
Other receipts	1,091	101,764	9,301	800	27,708	12,000	-	163,664
Total receipts	1,091	101,764	9,510	253,966	27,708	12,000	-	620,055
Disbursements:								
Personal services	-	79,729	-	79,223	-	-	-	184,779
Supplies	-	-	-	-	-	-	-	10,809
Other services and charges	-	-	-	3,499	-	-	-	37,838
Debt service - principal and interest	-	-	-	-	47,424	-	-	47,424
Capital outlay	-	-	-	25,564	-	-	-	108,844
Utility operating expenses	-	-	3,839	36,242	-	-	-	40,081
Other disbursements	-	27,504	-	51,697	30	-	-	188,127
Total disbursements	-	107,233	3,839	196,225	47,454	-	-	617,902
Excess (deficiency) of receipts over disbursements	1,091	(5,469)	5,671	57,741	(19,746)	12,000	-	2,153
Cash and investments - ending	\$ 34,028	\$ (28,705)	\$ 15,155	\$ 155,573	\$ 97,014	\$ 115,500	\$ 49,815	\$ 722,225

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TOWN OF LAPAZ
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2013

Government or Enterprise	Accounts Payable	Accounts Receivable
Storm Water	\$ -	\$ 1,008
Wastewater	-	12,311
Governmental activities	9,692	-
 Totals	 \$ 9,692	 \$ 13,319

TOWN OF LAPAZ
 SCHEDULE OF LEASES AND DEBT
 December 31, 2013

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater: Revenue Bonds	sewage works refunding bonds	\$ 375,000	\$ 46,186
Totals		<u>\$ 375,000</u>	<u>\$ 46,186</u>

TOWN OF LAPAZ
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2013

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	\$ 109,600
Infrastructure	34,000
Buildings	39,000
Machinery, equipment, and vehicles	34,000
Total governmental activities	216,600
Storm Water:	
Land	7,029
Infrastructure	972,771
Total Storm Water	979,800
Wastewater:	
Land	50,603
Infrastructure	3,761,429
Buildings	106,318
Machinery, equipment, and vehicles	167,812
Total Wastewater	4,086,162
Total capital assets	\$ 5,282,562

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE TOWN OF LAPAZ, MARSHALL COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Town of LaPaz'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, 2012 to December 31, 2013. 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 the Town's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on the 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, 2012 to December 31, 2013.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the 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.

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

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-002 to be material weaknesses.

The Town's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

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

September 24, 2015

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

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

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TOWN OF LAPAZ
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended December 31, 2012 and 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-12	Total Federal Awards Expended 12-31-13
<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 Storm Drain Project	Indiana Office of Community and Rural Affairs	14.228	DR2-09-103	\$ 972,771	\$ -

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

TOWN OF LAPAZ
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 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 5-11-1-25), audits of towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF LAPAZ
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Disclaimer
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
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?	yes
--	-----

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
--	----

Section II - Financial Statement Findings

FINDING 2013-001 - FINANCIAL TRANSACTIONS AND REPORTING

We noted the following deficiencies in the internal control system of the Town and errors related to financial transactions and reporting:

1. Lack of Segregation of Duties: The Town has not separated incompatible activities related to receipts, disbursements, and financial close and reporting. The Clerk-Treasurer performs all aspects of the receipts, disbursements, and financial close and reporting processes without oversight. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

TOWN OF LAPAZ
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2. **Monitoring of Controls:** An evaluation of the Town's system of internal control has not been conducted. The failure to monitor the internal control system places the Town at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting require the Town to monitor and assess the quality of the system of internal control.

3. **Preparation of the Financial Statement and Recordkeeping:** The Town should have proper controls in place over the preparation of the financial statement to ensure accurate, complete, and reliable reporting of the Town's financial activity. Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statement and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent, or detect and correct, material misstatements.

The Town did not provide detailed history reports of receipts and disbursements transactions for 2013. In addition, reconcilements of the record balances to the bank account balances were not performed during the audit period. This allowed numerous recording errors to remain undetected and uncorrected and resulted in a financial statement that is unreliable and not reflective of the activity of the Town. The results of our efforts to reconcile the Town's record balances to the bank balances at December 31, 2012 and 2013, indicated that the record balances were \$147,153 and \$403,996 less than the bank balances; respectively.

Due to the lack of complete financial records for 2013 and the errors noted above, the records presented did not provide sufficient information to substantiate the receipts, disbursements, and ending cash and investment balances of the Town.

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)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

TOWN OF LAPAZ
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-002 - ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES AND DAVIS-BACON ACT

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's Program and
Non-Entitlement Grants in Hawaii
CFDA Number: 14.228
Federal Award Number: DR2-09-103
Pass-Through Entity: Indiana Office of Community and Rural Affairs

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and the Davis-Bacon Act.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles

During the grant construction period, the Town Council approved accounts payable voucher register summary pages that did not include a list of each accounts payable voucher and therefore did not have the detailed information necessary to monitor compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles requirements.

Davis-Bacon Act

The Town relied on a paid consultant to monitor compliance with the Davis-Bacon Act requirements. During the grant construction period, the Town received no payroll data or other data to allow for proper monitoring of the Grant Administrator's Davis-Bacon Act compliance procedures.

The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

TOWN OF LAPAZ
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the Town.

We recommended that the Town's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the Town. The document is presented as intended by the Town.

TOWN OF LAPAZ
108 RANDOLPH ST.
P.O. BOX 820
LAPAZ, IN
46537

CORRECTIVE ACTION PLAN

FINDING 2013-001

Contact Person Responsible for Corrective Action: Susan Albert
Contact Phone Number: 574-784-3491

Description of Corrective Action Plan:

Because many of the issues with my work as Clerk Treasurer I have enlisted the services of a consultant that has helped many clerks in my situation to improve their following standards and practices. With this consultant on board the Clerks office will be better informed and trained on their duties.

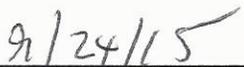
My recommendation to the Council will be to hire a part time deputy to be a utility clerk.

Anticipated Completion Date: 12/31/2015



(Signature)

Clerk Treasurer
(Title)



(Date)

TOWN OF LAPAZ
108 RANDOLPH ST.
P.O. BOX 820
LAPAZ, IN
46537

CORRECTIVE ACTION PLAN

FINDING 2013-002

Contact Person Responsible for Corrective Action: Susan Albert
Contact Phone Number: 574-784-3491

Description of Corrective Action Plan:

Will inform the Council that even if they retain grant administrators in the future, the town still needs to have on file payroll documentation for the Davis-Bacon Act.

Monitoring compliance; segregation of duties

There was documentation that the Town Council did start approving a list of vouchers as of 02/14/13. This practice will continue.

The Clerk is working with a consultant to better understand and use the financial software. This consultant is helping to change procedures in the office that will enable the Clerk Treasurer for the Town to better achieve the changes that need to be made.

It will be suggested to the Council that when there is an active project, grant or otherwise, there should be a person designated to oversee all activities and make certain all requirements are being met.

The Town Council will approve a purchasing procedure manual that all employees that can purchase must follow.

Anticipated Completion Date: immediate
Manual final deadline 1/1/2016


Susan Albert


Title


Date

OTHER REPORTS

In addition to this report, other reports may have been issued for the Town. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.