

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

EXAMINATION REPORT  
OF  
TOWN OF LAUREL  
FRANKLIN COUNTY, INDIANA  
January 1, 2002 to December 31, 2005



**FILED**  
12/27/2006



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Yolanda Swearingen	12-10-01 to 12-31-07
President of the Town Council	Steve Jones	01-01-02 to 12-31-02
	Myrna Allen	01-01-03 to 12-31-04
	Becky Jones	01-01-05 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF LAUREL, FRANKLIN COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Laurel (Town), for the period of January 1, 2002 to December 31, 2005. The Town's management is responsible for the schedules. 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 schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedules referred to above present fairly, in all material respects, the cash transactions of the Town for the years ended December 31, 2002, 2003, 2004, and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

October 23, 2006

TOWN OF LAUREL  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2002, 2003, 2004, And 2005

	Cash and Investments			Cash and Investments
	01-01-02	Receipts	Disbursements	
<b>Governmental Funds:</b>				
General	\$ 19,053	\$ 98,539	\$ 92,243	\$ 25,349
Motor Vehicle Highway	16,270	15,799	18,481	13,588
Local Road and Street	3,873	3,342	3,464	3,751
Cumulative Capital Improvement	10,439	2,922	6,315	7,046
County Economic Development Income Tax	2,916	11,107	-	14,023
Accident Report	248	3	-	251
Firearms Training	-	50	-	50
Infractions/Violations	160	1,124	330	954
REMC Grant	1,111	-	1,111	-
Wal-Mart Grant	450	-	450	-
Stayin' Alive Grant	-	3,000	3,000	-
State Farm Insurance Grant	131	-	131	-
Local Law Enforcement Block Grant	9,999	907	7,915	2,991
Water Tower Project Grant	7,000	340,520	318,971	28,549
<b>Proprietary Funds:</b>				
Water Utility - Operating	2,481	89,603	57,072	35,012
Water Utility - Bond and Interest	(5,845)	28,593	22,092	656
Water Utility - Debt Service Reserve	3,405	-	-	3,405
Water Utility - Customer Deposit	6,084	1,300	1,255	6,129
Wastewater Utility - Operating	23,328	79,970	95,740	7,558
Wastewater Utility - Bond and Interest	7,450	16,017	16,350	7,117
Wastewater Utility - Debt Service Reserve	20,625	-	-	20,625
<b>Fiduciary Funds:</b>				
Payroll	(3,353)	43,818	40,465	-
Levy Excess	-	120	-	120
<b>Totals</b>	<b>\$ 125,825</b>	<b>\$ 736,734</b>	<b>\$ 685,385</b>	<b>\$ 177,174</b>

	Cash and Investments			Cash and Investments
	01-01-03	Receipts	Disbursements	
<b>Governmental Funds:</b>				
General	\$ 25,349	\$ 65,256	\$ 74,042	\$ 16,563
Motor Vehicle Highway	13,588	17,701	16,308	14,981
Local Road and Street	3,751	2,938	5,662	1,027
Riverboat	-	3,661	-	3,661
Cumulative Capital Improvement	7,046	2,093	1,862	7,277
County Economic Development Income Tax	14,023	6,501	10,663	9,861
Accident Report	251	22	-	273
Firearms Training	50	20	39	31
Infractions/Violations	954	1,514	198	2,270
Town Hall Building Fund	-	168	-	168
Local Law Enforcement Block Grant	2,991	-	2,991	-
Water Tower Project Grant	28,549	1,275	29,824	-
<b>Proprietary Funds:</b>				
Water Utility - Operating	35,012	98,988	91,602	42,398
Water Utility - Bond and Interest	656	10,216	-	10,872
Water Utility - Debt Service Reserve	3,405	-	-	3,405
Water Utility - Customer Deposit	6,129	750	400	6,479
Wastewater Utility - Operating	7,558	84,052	70,319	21,291
Wastewater Utility - Bond and Interest	7,117	15,950	15,950	7,117
Wastewater Utility - Debt Service Reserve	20,625	-	15,000	5,625
<b>Fiduciary Funds:</b>				
Payroll	-	40,542	42,364	(1,822)
Levy Excess	120	677	120	677
<b>Totals</b>	<b>\$ 177,174</b>	<b>\$ 352,324</b>	<b>\$ 377,344</b>	<b>\$ 152,154</b>

The accompanying notes are an integral part of the schedules.

TOWN OF LAUREL  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2002, 2003, 2004, And 2005  
(Continued)

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
<b>Governmental Funds:</b>				
General	\$ 16,563	\$ 58,540	\$ 51,346	\$ 23,757
Motor Vehicle Highway	14,981	19,533	25,669	8,845
Local Road and Street	1,027	3,198	40	4,185
Riverboat	3,661	3,651	-	7,312
Cumulative Capital Improvement	7,277	2,161	1,572	7,866
County Economic Development Income Tax	9,861	7,534	2,059	15,336
Accident Report	273	-	-	273
Firearms Training	31	20	-	51
Infractions/Violations	2,270	2,952	3,980	1,242
Town Hall Building Fund	168	47,870	50,016	(1,978)
<b>Proprietary Funds:</b>				
Water Utility - Operating	42,398	93,221	84,440	51,179
Water Utility - Bond and Interest	10,872	10,216	16,444	4,644
Water Utility - Debt Service Reserve	3,405	10,000	-	13,405
Water Utility - Customer Deposit	6,479	700	-	7,179
Wastewater Utility - Operating	21,291	77,411	95,458	3,244
Wastewater Utility - Bond and Interest	7,117	15,950	11,105	11,962
Wastewater Utility - Debt Service Reserve	5,625	-	-	5,625
<b>Fiduciary Funds:</b>				
Payroll	(1,822)	43,508	41,686	-
Levy Excess	677	-	677	-
<b>Totals</b>	<b>\$ 152,154</b>	<b>\$ 396,465</b>	<b>\$ 384,492</b>	<b>\$ 164,127</b>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
<b>Governmental Funds:</b>				
General	\$ 23,757	\$ 86,701	\$ 73,153	\$ 37,305
Motor Vehicle Highway	8,845	18,771	22,862	4,754
Local Road and Street	4,185	3,329	5,678	1,836
Riverboat	7,312	3,651	6,988	3,975
Cumulative Capital Improvement	7,866	2,690	10,165	391
County Economic Development Income Tax	15,336	8,685	16,689	7,332
Accident Report	273	6	-	279
Firearms Training	51	-	-	51
Infractions/Violations	1,242	4,240	2,948	2,534
Town Hall Building Fund	(1,978)	638,536	636,558	-
<b>Proprietary Funds:</b>				
Water Utility - Operating	51,179	93,423	123,302	21,300
Water Utility - Bond and Interest	4,644	11,144	-	15,788
Water Utility - Debt Service Reserve	13,405	-	-	13,405
Water Utility - Customer Deposit	7,179	250	50	7,379
Wastewater Utility - Operating	3,244	74,950	77,506	688
Wastewater Utility - Bond and Interest	11,962	9,305	15,950	5,317
Wastewater Utility - Debt Service Reserve	5,625	-	-	5,625
<b>Fiduciary Fund:</b>				
Payroll	-	42,371	42,371	-
<b>Totals</b>	<b>\$ 164,127</b>	<b>\$ 998,052</b>	<b>\$ 1,034,220</b>	<b>\$ 127,959</b>

The accompanying notes are an integral part of the schedules.

TOWN OF LAUREL  
NOTES TO SCHEDULES

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, road and street maintenance, culture and recreation, general administrative services, and water and wastewater utilities.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. 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% 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 become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes 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 6. Long-Term Debt

The Town has entered into various debts such as 1976 Sewage Works Improvement Revenue Bonds for wastewater improvements; 1990 Water Improvement Revenue Bonds for water improvements; a Build Indiana Fund Loan for local match for Water Tower construction; and a bank loan for local match for Firehouse/Town Hall/Police Station construction. The outstanding principal at December 31, 2005, was \$133,000, \$115,000, \$35,209, and \$137,262, respectively.

TOWN OF LAUREL  
EXAMINATION RESULTS AND COMMENTS

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the examination period:

- (1) In some instances, claims were not presented for examination.
- (2) Some claims were not supported by an adequately itemized invoice or bill.
- (3) Several claims or invoices did not have evidence to support receipt of goods or services.

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."

"(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."

CAPITAL ASSET RECORDS

The Town and Utilities do not maintain records of capital assets for the Town's capital assets and the Utility Plant in Service accounts.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

GUARANTEE DEPOSIT REGISTER

The Guarantee Deposit Register was not in balance with the Utility Meter Deposit Fund's cash balance.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF LAUREL  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

INTERFUND TRANSFERS NOT REPAID - WATER UTILITY

As stated in the previous three Reports, covering the periods 1994-1995, 1996-1997, and 1998-2001, the Water Utility still has temporary loans and transfers that are required to be repaid. At December 31, 2005, the Water Utility owed the following:

<u>Due To</u>	<u>Amount</u>
Town General	\$ 17,942
Town CCI	2,000
Town MVH	11,892
Wastewater Utility	<u>29,277</u>
 Total	 <u>\$ 61,111</u>

Indiana Code 36-1-8-4 concerning temporary loans 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 department of local government finance."

Indiana Code 8-1.5-3-11(f) states: "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."

DELINQUENT ACCOUNTS RECEIVABLE

As stated in the previous two Reports, covering the periods 1996-1997 and 1998-2001, the Utilities did not always shut off delinquent customers as required by an ordinance passed by the Town Council for delinquent Utility customers.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF LAUREL  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

RECORD INFORMATION

The Ledger of Appropriations, Encumbrances, Disbursements and Balances (Town Form 209) was not always used and reconciled to the Ledger of Receipts, Disbursements and Balances (Town Form 208).

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BOND ORDINANCE REQUIREMENTS - WATER UTILITY

As stated in the previous three Reports, covering the periods 1994-1995, 1996-1997, and 1998-2001, Bond and Interest funding requirements and Debt Service Reserve funding requirements were not being properly met in accordance with Revenue Bond Ordinance No. 1990-5.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CERTIFIED REPORT NOT FILED

As noted in the previous Report, covering the period 1998-2001, the Town did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the years 2002, 2003, 2004, and 2005.

Indiana Code 5-11-13-1 states in part: "Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

As stated in the previous Report, covering the period 1998-2001, some officials or employees of the Town had money due from the Town, but a list of such employees was not certified to the County Treasurer during this examination period.

Indiana Code 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

TOWN OF LAUREL  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

OFFICIAL BOND

There were no official bonds for the Clerk-Treasurer on file in the Franklin County Recorder's Office for the entire period of this examination.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

TOWN OF LAUREL  
EXIT CONFERENCE

The contents of this report were discussed on October 23, 2006, with Becky Jones, President of the Town Council; and Yolanda Swearingen, Clerk-Treasurer.