

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

EXAMINATION REPORT

OF

TOWN OF LACROSSE

LAPORTE COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED
02/12/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Judith V. Kasten	01-01-05 to 12-31-07
President of the Town Council	Carl Albertson	01-01-05 to 12-31-05
	Robert Wheeler	01-01-06 to 12-31-06
	Jack Turner, Sr.	01-01-07 to 12-31-07



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF LACROSSE, LAPORTE COUNTY, INDIANA

We have examined the financial information presented herein of the Town of LaCrosse (Town), for the period of January 1, 2005 to December 31, 2006. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein 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 financial information referred to above present fairly, in all material respects, the financial information of the Town for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. The schedule has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

January 24, 2007

TOWN OF LACROSSE
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, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 48,984	\$ 249,272	\$ 230,090	\$ 68,166
Motor Vehicle Highway	5,160	17,817	12,440	10,538
Local Road and Street	5,890	7,180	10,194	2,876
Riverboat Gaming	70,851	92,139	100,475	62,515
Fire Station/Community Building	9,631	97	9	9,718
Cumulative Capital Improvement	11,214	1,734	-	12,948
Cumulative Capital Development	12,452	2,355	-	14,806
County Economic Development Income Tax	65,924	15,331	32,309	48,946
Proprietary Funds:				
Water Utility:				
Operating	17,085	48,826	51,094	14,817
Bond and Interest	11,353	33,600	27,947	17,006
Depreciation	10,458	6,000	3,463	12,995
Customer Deposit	7,714	1,575	101	9,188
Reserve Surplus	17,900	2,400	-	20,300
Wastewater Utility:				
Operating	21,388	132,221	135,633	17,977
Bond and Interest	5,020	139,330	144,300	50
Depreciation	9,062	3,600	-	12,662
Reserve Surplus	143,420	-	7,320	136,100
Fiduciary Fund:				
Payroll	-	37,795	37,795	-
Totals	<u>\$ 473,506</u>	<u>\$ 791,274</u>	<u>\$ 793,170</u>	<u>\$ 471,609</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 68,166	\$ 216,121	\$ 213,029	\$ 71,259
Motor Vehicle Highway	10,538	21,316	11,223	20,631
Local Road and Street	2,876	7,019	1,945	7,951
Riverboat Gaming	62,515	69,968	77,160	55,323
Fire Station/Community Building	9,718	76	9,794	-
Cumulative Capital Improvement	12,948	2,004	-	14,953
Cumulative Capital Development	14,806	2,385	3	17,189
County Economic Development Income Tax	48,946	20,614	34,138	35,422
Major Moves Construction	-	119,169	119,169	-
Proprietary Funds:				
Water Utility:				
Operating	14,817	55,574	60,904	9,487
Bond and Interest	17,006	39,000	32,254	23,752
Depreciation	12,995	6,000	7,292	11,703
Customer Deposit	9,188	2,500	727	10,961
Reserve Surplus	20,300	2,400	-	22,700
Wastewater Utility:				
Operating	17,977	116,811	128,739	6,048
Bond and Interest	50	156,000	144,980	11,070
Depreciation	12,662	3,600	1,187	15,075
Reserve Surplus	136,100	7,320	-	143,420
Fiduciary Funds:				
Levy Excess	-	247	-	247
Payroll	-	40,552	40,552	-
Totals	<u>\$ 471,609</u>	<u>\$ 888,678</u>	<u>\$ 883,097</u>	<u>\$ 477,189</u>

The accompanying notes are an integral part of the schedules.

TOWN OF LACROSSE
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, health and social services, culture and recreation, and general administrative services.

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. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

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.

TOWN OF LACROSSE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Business-type Activities:		
Water Utility		
Revenue bonds:		
1978 Water improvement	\$ 69,000	\$ 5,000
1988 Water improvement	<u>40,000</u>	<u>19,000</u>
Total Water Utility	<u>109,000</u>	<u>24,000</u>
Wastewater Utility		
State Revolving Loan:		
Construction of a wastewater treatment system	<u>1,180,000</u>	<u>121,000</u>
Total business-type activities long-term debt:	<u>\$ 1,289,000</u>	<u>\$ 145,000</u>

TOWN OF LACROSSE
EXAMINATION RESULTS AND COMMENTS

FUNDS NOT REPORTED

Two funds were not reported on the City and Town Annual Report (CTAR) for 2005. The two funds not reported were the Fire Station/Community Building Fund and the Payroll Fund.

Indiana Code 5-3-1-3 provides the Clerk-Treasurer or Controller of each city and town shall have published an annual report of the receipts and expenditures of such city or town, showing the same "by funds and appropriations," within sixty days after the close of each calendar year. The total indebtedness at December 31 of such municipality must also be shown in this published report. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had been recorded with the County Recorder but they were not certified to the County Auditor which would result in collection through the property taxes.

Indiana Code 36-9-23-33 states, in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

(1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

(A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;

(B) a description of the premises, as shown by the records of the county auditor; and

(C) the amount of the delinquent fees, together with the penalty; or

(2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder. . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. The county and its officers and employees are not liable for any material error in the information on this list."

(g) On receipt of the list under subsection (e), the county auditor of each county shall add a fifteen dollar (\$15) certification fee for each lot or parcel of real property on which fees are delinquent, which fee is in addition to all other fees and charges. The county auditor shall immediately enter on the tax duplicate for the municipality the delinquent fees, penalties, service charges, recording fees, and certification fees, which are due not later than the due date of the next May installment of property taxes. . . ."

TOWN OF LACROSSE
EXAMINATION RESULTS AND COMMENTS
(Continued)

ACCOUNTS PAYABLE VOUCHERS (CLAIMS)

Errors on Vouchers:

Some accounts payable vouchers did not have indications made that the goods or services were received.

Vouchers for utilities and cellular phones were incomplete. Only the first page of the vendor invoice was attached to the voucher. The remaining pages, which show the detail or the itemization were not attached to the voucher or made available for audit.

It was not always indicated on the accounts payable voucher as to which account within a fund the disbursement should have been posted.

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

"(c) The fiscal officer of a municipality 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."

Contractual Services:

The town attorney employed an "extern" from Valparaiso University. The "extern" was to receive college credit, but when he exceeded the hours for the college credit, the town attorney had the "extern" bill the Town for the additional hours. The town paid the "extern" directly, without a contract or any other type of document to indicate the hourly rate. The Town paid the hourly rate directed by the town attorney.

Payments for services provided by an organization should go directly to the organization and not to an individual employee of the organization. All payments for services should be supported by a written contract.

Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The contract for the attorney indicates that he shall receive a fixed monthly retainer fee. "The retainer fee will cover normal and customary town business matters including attendance at monthly town meetings, phone calls, conferences, preparation of ordinary business documents and the like as well as legal advice concerning town business to the council members and its officers when requested. The retainer will not cover or include any services provided in the preparation for or the trial of any litigated matters in court or In such cases I cannot accurately determine the amount of work that will be required and will therefore bill on an hourly basis for the extraordinary services" The Town incurred such extraordinary matters, but the invoices submitted could not be verified to the hourly rate included in the contract. For example, one invoice indicated the attorney performed work from 2001 to 2005 on "Preparation of Municipal Code". No hours worked were indicated. A lump sum of \$4,000 was billed and paid. In another instance, the attorney billed for some litigation. Only two dates were indicated with the scope of the work performed and a dollar amount. Once again, no hours were indicated.

TOWN OF LACROSSE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts.

Disbursements Not Split:

Some of the disbursements paid by the General fund are also for the benefit of the utilities and street department. Such disbursements include: computer software maintenance agreement; repairs and maintenance on vehicles; and health, vision, dental and life insurance on the employees.

The resources of a particular fund may be used only for the purposes for which the fund was created or as otherwise authorized by law. Therefore, one of the fundamentals of good accounting is that a proper charge be made for all substantial interfund services and that an adequate record be made for all interfund receipts and disbursements. For example, hydrant rental furnished to the city or town must be billed by the Water Utility. In brief, such billings should be made by all funds concerned and warrants drawn from one fund to another in payment thereof, so that each fund will show its correct financial position.

Incidental services and supplies given by one fund to another shall be billed to and paid for by the fund receiving such services and supplies. In case an employee of one fund works part-time for another fund, the pay of that employee shall be divided in recording the payroll, and the proper amount charged to each fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 2)

APPROPRIATIONS

As of December 31, 2005, the following funds had disbursements in excess of budgeted appropriations:

<u>Fund</u>	<u>Excess Amount Expended</u>
Local Road and Street	\$ 194
County Economic Development Income Tax (CEDIT)	2,309

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

FINANCE CHARGES

The Water Utility incurred, and subsequently paid, late charges for delinquent payment on an outstanding bond issue during 2006.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF LACROSSE
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

The Town has not maintained capital asset records. The Council did adopt a capital asset policy as a result of the prior audit period comment. The Clerk-Treasurer has made a listing of purchases during the audit period, but this listing was incomplete. For example, in accordance with the policy, all construction in progress should be capitalized. During the audit period, the Town renovated the Town Hall. Based upon our accumulation of disbursements, the Town should have capitalized at least \$17,014 for the renovations, but none of the costs were accumulated for capitalization.

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)

TOWN OF LACROSSE
EXIT CONFERENCE

The contents of this report were discussed on January 24, 2007, with Robert Wheeler, Town Council member; and Judith V. Kasten, Clerk-Treasurer. The officials concurred with our findings.