

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

EXAMINATION REPORT
OF
TOWN OF LACONIA
HARRISON COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
08/22/2008

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Nancy McKellar
Amy Watson

01-01-04 to 12-31-07
01-01-08 to 12-31-11

President of the Town Council

Joseph Kingsley

01-01-06 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF LACONIA, HARRISON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Laconia (Town), for the period of January 1, 2006 to December 31, 2007. 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 presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It 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

June 25, 2008

TOWN OF LACONIA
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 5,175	\$ 2,435	\$ 5,904	\$ 1,706
Motor Vehicle Highway	5,835	1,071	-	6,906
Local Road and Street	1,723	160	-	1,883
Riverboat	121,773	28,595	20,324	130,044
Cumulative Capital Improvement	3,194	103	-	3,297
County Economic Development Income Tax	2,476	295	-	2,771
Proprietary Fund:				
Wastewater Utility - Operating	2,904	24,121	20,036	6,989
Totals	<u>\$ 143,080</u>	<u>\$ 56,780</u>	<u>\$ 46,264</u>	<u>\$ 153,596</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 1,706	\$ 4,752	\$ 3,072	\$ 3,386
Motor Vehicle Highway	6,906	1,050	2,000	5,956
Local Road and Street	1,883	203	-	2,086
Riverboat	130,044	24,073	44,214	109,903
Cumulative Capital Improvement	3,297	102	-	3,399
County Economic Development Income Tax	2,771	235	-	3,006
Proprietary Fund:				
Wastewater Utility - Operating	6,989	19,299	19,006	7,282
Totals	<u>\$ 153,596</u>	<u>\$ 49,714</u>	<u>\$ 68,292</u>	<u>\$ 135,018</u>

The accompanying notes are an integral part of the financial information.

TOWN OF LACONIA
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety (fire), highways and streets, general administrative services, and wastewater.

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 LACONIA
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 500
Buildings	22,681
Machinery and equipment	<u>138,402</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 161,583</u>
Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Buildings and improvements	<u>\$ 632,181</u>

TOWN OF LACONIA
EXAMINATION RESULTS AND COMMENTS

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

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.

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."

RAINY DAY FUND

The Town received supplemental distributions of CAGIT under Indiana Code 6-3.5-1.1-21.1 and recorded them in the General Fund. The Town has not established a Rainy Day Fund.

Public Law 267, Acts of 2003, changed the method of distributing CAGIT, COIT, and CEDIT revenue. Indiana Code 6-3.5-1.1-21.1, Indiana Code 6-3.5-6-17.3 and Indiana Code 6-3.5-7-17.3 state that if the Department of Revenue determines that an excess of the amounts required to make distributions of CAGIT, COIT or CEDIT exists, such excess shall be distributed in a supplemental distribution in January of the ensuing budget year. Any supplemental distributions received shall be deposited in the city or town's rainy day fund. (Cities and Towns Bulletin and Uniform Compliance Guidelines, December 2003, Page 4)

The fund should be established by ordinance and the ordinance should state the purposes and sources of funding for the fund (Indiana Code 36-1-8-5). (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 3)

RECORD INFORMATION (Applies to Wastewater Utility)

The Consumer's Ledger - Municipal Wastewater Utility (Sewage Form 324) did not always show payments made and was not 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)

TEMPORARY LOANS - UTILITIES (Applies to Wastewater Utility)

The Town issued check 1382 dated July 17, 2006 from the Riverboat Fund for \$2,262.32 to the Wastewater Utility, as a temporary loan until wastewater liens were collected and received from the Harrison County Treasurer. The temporary loan was not repaid as of December 31, 2007. The Town did not adopt an ordinance for the temporary loan.

TOWN OF LACONIA
EXAMINATION RESULTS AND COMMENTS
(Continued)

The Town adopted Ordinance 2005-6 on November 4, 2005, for a \$10,000 loan from the Riverboat Fund to the Wastewater Utility. The loan was to be repaid on a regular monthly basis. There have been only five (5) repayments during the audit period totaling \$900, leaving a balance due of \$9,100 as of December 31, 2007.

Since the temporary loan provisions of Indiana Code 36-1-8-4 would not apply to funds of a municipally owned utility and there are no statutes authorizing or prohibiting loans from a city or town fund to a municipally owned utility, a home rule ordinance could be adopted authorizing such loans. Such ordinance should list the amount and term of the loan and interest rate, if interest is to be charged.

Please note that recurring cash flow problems experienced by a municipally owned utility could indicate a need for an increase in utility rates. Indiana Code 8-1.5-3-8 and Indiana Code 36-9-23-25 require the boards over municipally owned utilities and wastewater utilities to set rates in an amount which will ensure sound fiscal condition for the utilities.

(Cities and Town Bulletin and Uniform Compliance Guidelines, December 2001, Page 6)

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Excess Amount Expended</u>	
	<u>2006</u>	<u>2007</u>
Riverboat	<u>\$ 8,062</u>	<u>\$ 44,213</u>

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."

CONDITION OF RECORDS (Applies to Town and Wastewater Utility)

The following deficiencies, relating to the recordkeeping that were cited in the prior examination report, were again present during our period of examination:

1. Record balances were not reconciled to depository balances during the two year period.

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."

2. There were a considerable number of posting errors. These errors included deposits not receipted, checks and receipts not recorded in the proper amounts, receipts posted to the wrong fund, interest not posted, and unauthorized bank withdrawals from the Town's checking account. The amounts noted below represent amounts that did not appear to be Town of Laconia's expenditures and were not subsequently reimbursed by the bank:

TOWN OF LACONIA
EXAMINATION RESULTS AND COMMENTS
(Continued)

Description	Date	Amount
Unauthorized check 7600	January 13, 2006	\$ 528.49
Cumberland Electric	December 4, 2006	28.76
Cumberland Electric	January 12, 2007	30.83
Cumberland Electric	March 2, 2007	25.95
Total		<u>\$ 614.03</u>

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)

3. A check from the Harrison County Auditor for collection of delinquent sewer liens in the amount of \$512.08 was receipted into the Town's bank account and posted to the General Fund. The Town is to issue a check to the Laconia Wastewater Utility for \$512.08.

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)

ERRORS ON CLAIMS

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

1. Claims were not prepared for all disbursements.
2. All claims were not approved by the Clerk-Treasurer.
3. 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;

TOWN OF LACONIA
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (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."

ADVANCE PAYMENTS (Applies to Wastewater Utility)

The Utility accepted payment from two (2) customers for outstanding utility charges on accounts for which the Utility had already placed liens on the properties. The Utility in turn issued checks on behalf of these two (2) customers to the County Treasurer. The checks to the County Treasurer included fees totaling \$210 that the Utility did not receive from the customers. Upon further research, these fees were for liens for which the County did not reimburse the Town. The County has stated that they will reimburse the Town for lien fees collected by the County.

Persons, companies or governmental units that have overpaid amounts to governmental units are entitled to a repayment or refund by check or warrant. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TRANSACTION RECORDING (Applies to the Wastewater Utility)

The consumer ledger did not always reconcile with the receipts and deposits. Four months of the examination period were tested, and in each month there were transactions posted incorrectly to the consumer ledger. Consumer's accounts, that were identified as incorrectly posted, should be researched and corrections made to the consumer's next bill.

For the months of April and July in the year 2006, the Town's records indicated that payment had not been made to the Utility for services provided. A review of the Utility's consumer ledger indicated that the Town had made payment. A review of all April 2006 receipts and deposits were compared to the consumer ledger and the Town did not make a payment. The Town is to make payment to the Utility for these two months charges.

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)

PRESCRIBED FORMS

The following prescribed or approved forms were not always in use:

- Ledger of Appropriations, Encumbrances, Disbursements and Balances, City and Town Form 209
- Payroll Schedule and Voucher, General Form 99
- Simplified Cash Journal - Wastewater Utility - Class C, Utility Form 323

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)

TOWN OF LACONIA
EXIT CONFERENCE

The contents of this report were discussed on June 25, 2008, with Joseph Kingsley, President of the Town Council; Thomas Huckaby, Town Council member; and Amy Watson, Clerk-Treasurer. The officials concurred with our findings.