

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

EXAMINATION REPORT
OF
TOWN OF LAKEVILLE
ST. JOSEPH COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
12/04/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cindy McQueen Casey Grove	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Town Council	Fred Holdeman John Kuhn	01-01-06 to 12-31-07 01-01-08 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 LAKEVILLE, ST. JOSEPH COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Lakeville (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 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. 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

October 21, 2008

TOWN OF LAKEVILLE
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, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 83,153	\$ 211,359	\$ 244,618	\$ 49,894
Motor Vehicle Highway	56,892	35,832	64,190	28,534
Local Road and Street	15,145	8,482	-	23,627
Law Enforcement Continuing Education	289	4,592	3,941	940
Major Moves	-	67,453	-	67,453
Rainy Day	-	3,668	-	3,668
Police Block Grant	-	4,871	4,642	229
Donation	489	26,825	27,265	49
Levy Excess	-	22,916	-	22,916
Cumulative Capital Improvement	3,839	2,026	4,621	1,244
Cumulative Capital Development	21,435	4,187	2,265	23,357
County Economic Development Income Tax	10,031	10,137	-	20,168
Proprietary Funds:				
Water Utility - Operating	2,711	260,612	125,088	138,235
Water Utility - Bond and Interest	29,557	17,754	17,775	29,536
Water Utility - Depreciation	60,296	-	128	60,168
Water Utility - Customer Deposit	24,903	4,625	3,459	26,069
Wastewater Utility - Operating	44,968	131,487	155,673	20,782
Wastewater Utility - Bond and Interest	312	35,363	35,675	-
Wastewater Utility - Depreciation	138,992	21,407	43,057	117,342
Wastewater Utility - Debt Reserve	39,689	-	-	39,689
Fiduciary Funds:				
Trust Fund - Fall Inheritance Fund	384	-	384	-
Payroll	-	177,664	177,182	482
Totals	\$ 533,085	\$ 1,051,260	\$ 909,963	\$ 674,382

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 49,894	\$ 259,635	\$ 291,205	\$ 18,324
Motor Vehicle Highway	28,534	35,517	51,273	12,778
Local Road and Street	23,627	8,264	6,464	25,427
Law Enforcement Continuing Education	940	2,841	2,344	1,437
Major Moves	67,453	-	-	67,453
Rainy Day	3,668	3,413	-	7,081
Police Block Grant	229	-	-	229
Donation	49	-	-	49
Levy Excess	22,916	-	22,916	-
Cumulative Capital Improvement	1,244	1,991	1,540	1,695
Cumulative Capital Development	23,357	4,247	3,182	24,422
County Economic Development Income Tax	20,168	8,075	-	28,243
Proprietary Funds:				
Water Utility - Operating	138,235	150,713	238,937	50,011
Water Utility - Bond and Interest	29,536	86,370	26,225	89,681
Water Utility - Depreciation	60,168	-	-	60,168
Water Utility - Customer Deposit	26,069	4,610	4,560	26,119
Wastewater Utility - Operating	20,782	127,940	127,490	21,232
Wastewater Utility - Bond and Interest	-	40,182	34,962	5,220
Wastewater Utility - Depreciation	117,342	94,434	100,619	111,157
Wastewater Utility - Debt Reserve	39,689	-	-	39,689
Fiduciary Fund:				
Payroll	482	196,689	197,171	-
Totals	\$ 674,382	\$ 1,024,921	\$ 1,108,888	\$ 590,415

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

TOWN OF LAKEVILLE
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, 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 LAKEVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type Activities:		
Water Utility		
Revenue bond:		
1996 Water facility additions and improvements	\$ 334,000	\$ 5,000
Wastewater Utility		
Revenue bonds:		
2000 Wastewater facility additions and improvements	340,000	20,000
Total business-type activities debt:	<u>\$ 674,000</u>	<u>\$ 25,000</u>

TOWN OF LAKEVILLE
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping, were identified during our examination period:

The Major Moves state distribution in October 2006 was recorded twice on the ledger of receipts for the Motor Vehicle Highway Fund, once on October 13, 2006, and again on December 31, 2006. The amount of the distribution was \$3,890.09.

Some revenue postings, though to the proper fund, were not always posted to the proper account within the fund.

The petty cash and the cash change funds were deposited to the Town bank account and were receipted to the General Fund, \$100; the Water Utility Operating Fund, \$50; and the Wastewater Utility Operating Fund, \$50 on December 31, 2007. However, the Petty Cash (Fund 103) and the Cash Change (Fund 104) shown on the Town Fund Ledgers were not properly reduced to zero to reflect the return of these funds.

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)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$80.71 were paid to the Internal Revenue Service on July 10, 2006, for the quarterly periods ending December 31, 2005, and March 31, 2006.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

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)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the Customer Deposit Fund balance at December 31, 2007. The detailed customer deposit register shows \$4,235.57 more than the balance in the Customer Deposit Fund. The Clerk-Treasurer does not routinely balance the detail in the deposit register to the Customer Deposit Fund balance. A test of transactions showed some errors in posting to the manual customer deposit register. A similar comment appeared in prior Report B27268.

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 LAKEVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS AND CASH NECESSARY TO BALANCE

Monthly depository reconciliations of the fund balances to the bank account balances during the examination period included some errors and omissions. A comparison of the records to the bank accounts at December 31, 2007, indicated cash necessary to balance of \$764.32. Monthly depository reconciliations of the fund balances to the bank account balances in 2008 were incomplete.

Indiana Code 5-13-6-1(e) states in part: "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."

At all times, the manual and/or 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)

ANNUAL CITY AND TOWN FINANCIAL REPORT

The annual city and town financial reports (CTAR-1) for the years 2006 and 2007 were not filed timely.

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)

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 within sixty days after the close of each calendar year.

CERTIFIED REPORT NOT FILED

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 2006 and 2007.

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."

CAPITAL ASSET RECORDS

The Town does not maintain sufficient detailed records of capital assets. Records providing historical costs for the capital assets of the Town and its Utilities are either not available or are incomplete.

TOWN OF LAKEVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Every governmental unit should have a complete inventory of all capital assets owned which reflects 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 LAKEVILLE
EXIT CONFERENCE

The contents of this report were discussed on October 21, 2008, with John Kuhn, President of the Town Council; and Casey Grove, Clerk-Treasurer. The officials concurred with our findings.