

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

EXAMINATION REPORT  
OF  
TOWN OF LARWILL  
WHITLEY COUNTY, INDIANA  
January 1, 2007 to December 31, 2008



**FILED**  
10/15/2009



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Renee S. Sills	01-01-04 to 12-31-11
President of the Town Council	Richard A. Flauding Richard L. Hobbs	01-01-07 to 12-31-08 01-01-09 to 12-31-09



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF LARWILL, WHITLEY COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Larwill (Town), for the period of January 1, 2007 to December 31, 2008. 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, 2007 and 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 24, 2009

TOWN OF LARWILL  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES  
As Of And For The Years Ended December 31, 2007 And 2008

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 72,037	\$ 40,115	\$ 27,231	\$ 84,921
Motor Vehicle Highway	14,592	12,505	8,918	18,179
Local Road and Street	511	2,960	2,500	971
Housing Grant	5,485	-	-	5,485
Trash Removal	1,360	12,893	10,389	3,864
Rental Application	360	-	100	260
Gazebo	1,813	-	151	1,662
Levy Excess	743	-	-	743
Rainy Day	2,222	-	1,176	1,046
Cumulative Capital Improvement	4,258	990	85	5,163
Cumulative Capital Development	9,241	1,246	718	9,769
Economic Development Income Tax	30,806	8,860	1,860	37,806
Proprietary Funds:				
Wastewater Utility - Operating	54,542	74,949	42,885	86,606
Wastewater Utility - Bond and Interest	5,934	19,020	19,135	5,819
Wastewater Utility - Debt Reserve	19,965	-	-	19,965
Totals	<u>\$ 223,869</u>	<u>\$ 173,538</u>	<u>\$ 115,148</u>	<u>\$ 282,259</u>
	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 84,921	\$ 33,951	\$ 29,616	\$ 89,256
Motor Vehicle Highway	18,179	12,357	17,974	12,562
Local Road and Street	971	1,699	1,300	1,370
Housing Grant	5,485	-	-	5,485
Trash Removal	3,864	11,306	10,610	4,560
Rental Application	260	200	135	325
Gazebo	1,662	-	500	1,162
Levy Excess	743	-	-	743
Rainy Day	1,046	4,641	286	5,401
Cumulative Capital Improvement	5,163	1,374	1,832	4,705
Cumulative Capital Development	9,769	931	1,914	8,786
Economic Development Income Tax	37,806	15,046	17,754	35,098
Proprietary Funds:				
Wastewater Utility - Operating	86,606	66,120	46,564	106,162
Wastewater Utility - Bond and Interest	5,819	19,020	18,860	5,979
Wastewater Utility - Debt Reserve	19,965	-	-	19,965
Totals	<u>\$ 282,259</u>	<u>\$ 166,645</u>	<u>\$ 147,345</u>	<u>\$ 301,559</u>

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

TOWN OF LARWILL  
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, highways and streets, health and social services, culture and recreation, public improvements, 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.

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 LARWILL  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2008

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.

General infrastructure assets will be reported in the year completed. Retroactive reporting of general infrastructure assets is not required.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 9,400
Improvements other than buildings	2,279
Machinery and equipment	<u>3,971</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u>15,650</u>
 Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Buildings	\$ 7,533
Improvements other than buildings	830,237
Machinery and equipment	<u>2,687</u>
 Total Wastewater Utility capital assets	 \$ <u>840,457</u>

TOWN OF LARWILL  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2008

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Wastewater Utility:		
Revenue bonds:		
Sewage works improvement	\$ 247,000	\$ 18,585

TOWN OF LARWILL  
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were incomplete. In April of 2008, the ending fund balances were no longer reconciled to the bank balances. At December 31, 2008, the bank balance exceeded the fund balances by \$182.94.

IC 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)

DEPOSITS

There were numerous instances where receipts were deposited later than the next business day. A similar comment appeared in prior Report B31033.

IC 5-13-6-1(d) states:

"A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories: (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

PAYROLL DEDUCTIONS

Some wages paid to the Clerk-Treasurer and a part-time employee did not have any social security or Medicare taxes withheld. This caused the total social security and Medicare tax withholdings to be less than the required amounts and resulted in the Town paying a greater share as the employer match. Also, the total remitted for social security and Medicare taxes did not agree with the appropriate rates (6.2% and 1.45%, respectively).

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF LARWILL  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

ORDINANCES AND RESOLUTIONS

The Town increased garbage rates from \$6.50 per month to \$8.00 per month effective May of 2007. This increase was approved in the Town Council minutes dated February 8, 2007. No ordinance was created to establish the original fee or to allow for this increase.

If a unit wishes to either establish a pickup service or to change from a tax supported service to a user fee service, the foregoing statutes should be reviewed by the unit's legal counsel. The unit's attorney should prepare an ordinance expressing the governing body's wishes, the ordinance should be advertised, public hearings should be conducted, and the legislative body should act thereon. The ordinance should set out such provisions as:

1. The service to be provided.
2. The area in which the service is to be provided.
3. The method by which the service is to be provided.
4. The charges for the service. The charges should be billed separately even if established as a service of the sewage utility.
5. The method of payments of user charges, periods covered, due dates, location of places payments are to be received, etc.
6. Any penalties to be assessed for late payments.
7. The method of accounting for service charges. The Home Rule statute, as well as the other statutes cited, requires the revenues to be restricted to the amount reasonably related to the cost of providing the services. None of the statutes authorize a profit to be made or for any surplus to be transferred to another fund for other uses. Accounting shall be such that documentation will be provided to comply with the foregoing provisions.

(Cities and Towns Bulletin and Uniform Compliance Guidelines Issued by the State Board of Accounts, September 1999)

TOWN OF LARWILL  
EXIT CONFERENCE

The contents of this report were discussed on September 24, 2009, with Renee S. Sills, Clerk-Treasurer.