

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

EXAMINATION REPORT

OF

TOWN OF LAGRO

WABASH COUNTY, INDIANA

January 1, 2007 to December 31, 2008



FILED
11/05/2009

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5-6
Supplementary Information:	
Schedule of Capital Assets.....	7
Schedule of Long-Term Debt	8
Examination Results and Comments:	
Annual Report.....	9
Bank Account Reconciliations	9
Condition of Records	9
Bond Ordinance Requirements	10
Overpayment of Compensation and Benefits.....	10
Federal and State Agencies – Compliance Requirements	10
Exit Conference.....	11

OFFICIALS

Office

Official

Term

Clerk-Treasurer

V. Maxine Baker

01-01-04 to 12-31-11

President of the
Town Council

Allen Tribbett
Richard Monce

01-01-07 to 11-05-07
11-06-07 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF LAGRO, WABASH COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Lagro (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

October 15, 2009

TOWN OF LAGRO
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, 2007 And 2008

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 107,001	\$ 77,943	\$ 94,028	\$ 90,916
Motor Vehicle Highway	43,289	37,906	32,852	48,343
Local Road and Street	6,826	3,089	8,000	1,915
Park and Recreation	6,176	12,848	14,902	4,122
Library Grant	3,318	2,521	1,839	4,000
Trash Disposal	493	12,596	13,309	(220)
Riverboat	2,857	2,863	-	5,720
Rainy Day	1,457	2,248	-	3,705
Cumulative Capital Improvement	3,307	1,595	2,400	2,502
Cumulative Fire Fighting	10,554	263	2,679	8,138
Economic Development Income Tax	12,647	8,174	10,446	10,375
Cumulative Capital Development	4,474	2,231	4,476	2,229
Levy Excess	5,171	2,586	7,757	-
Proprietary Funds:				
Water Utility - Operating	11,919	63,185	67,149	7,955
Water Utility - Bond and Interest	12,630	21,039	18,345	15,324
Water Utility - Depreciation	13,097	6,000	753	18,344
Water Utility - Customer Deposit	4,142	1,250	759	4,633
Wastewater Utility - Operating	(163)	69,920	69,402	355
Wastewater Utility - Bond and Interest	10,102	22,106	22,207	10,001
Wastewater Utility - Depreciation	1,200	7,200	7,969	431
Wastewater Utility - Reserve	3,245	5,155	7,667	733
Wastewater Utility - Debt Service Reserve	13,078	2,275	-	15,353
Fiduciary Funds:				
Park and Recreation Donation	1,455	800	1,047	1,208
Good Ole Days Festival	2,115	6,956	7,985	1,086
Payroll	(258)	64,425	63,182	985
Totals	\$ 280,132	\$ 437,174	\$ 459,153	\$ 258,153

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 90,916	\$ 70,477	\$ 88,245	\$ 73,148
Motor Vehicle Highway	48,343	17,699	41,358	24,684
Local Road and Street	1,915	2,903	-	4,818
Park and Recreation	4,122	18,470	13,854	8,738
Library Grant	4,000	18	1,146	2,872
Trash Disposal	(220)	13,244	12,803	221
Riverboat	5,720	2,848	-	8,568
Rainy Day	3,705	2,159	172	5,692
Cumulative Capital Improvement	2,502	1,476	-	3,978
Cumulative Fire Fighting	8,138	241	-	8,379
Economic Development Income Tax	10,375	5,661	9,912	6,124
Cumulative Capital Development	2,229	1,748	-	3,977
Proprietary Funds:				
Water Utility - Operating	7,955	54,057	58,309	3,703
Water Utility - Bond and Interest	15,324	21,039	17,969	18,394
Water Utility - Depreciation	18,344	6,000	1,848	22,496
Water Utility - Customer Deposit	4,633	700	424	4,909
Wastewater Utility - Operating	355	65,087	67,077	(1,635)
Wastewater Utility - Bond and Interest	10,001	16,504	21,802	4,703
Wastewater Utility - Depreciation	431	7,200	-	7,631
Wastewater Utility - Reserve	733	-	-	733
Wastewater Utility - Debt Service Reserve	15,353	1,706	-	17,059
Fiduciary Funds:				
Park and Recreation Donation	1,208	623	648	1,183
Good Ole Days Festival	1,086	8,453	7,454	2,085
Payroll	985	74,187	74,222	950
Totals	\$ 258,153	\$ 392,500	\$ 417,243	\$ 233,410

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

TOWN OF LAGRO
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, water, wastewater collection, 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.

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.

TOWN OF LAGRO
NOTES TO FINANCIAL INFORMATION
(Continued)

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. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

TOWN OF LAGRO
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended 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 are included if acquired (purchased, constructed, or donated) after January 1, 2005, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 5,500
Buildings	196,103
Machinery and equipment	<u>91,139</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 292,742</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 47,177
Buildings	2,304
Improvements other than buildings	939,882
Machinery and equipment	<u>49,340</u>
Total Water Utility capital assets	<u>1,038,703</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Improvements other than buildings	2,677,060
Machinery and equipment	<u>16,200</u>
Total Wastewater Utility capital assets	<u>2,693,260</u>
Total business-type activities capital assets	<u>\$ 3,731,963</u>

TOWN OF LAGRO
 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:		
Water Utility:		
Loan:		
State revolving fund - waterworks improvements	\$ 203,865	\$ 8,843
Wastewater Utility:		
Revenue bonds:		
1995 Sewage works expansion	150,000	12,615
2001 Sewage works expansion	<u>130,000</u>	<u>8,783</u>
Total Wastewater Utility	<u>280,000</u>	<u>21,398</u>
Total business-type activities debt	<u>\$ 483,865</u>	<u>\$ 30,241</u>

TOWN OF LAGRO
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

The following errors were noted on the Town's annual reports:

1. Beginning balances did not always agree with ending balances on the prior year's report.
2. Amounts reported did not always agree with the fund ledger amounts.
3. Some funds were omitted from the reports.
4. For some funds, total receipts on part 2 of the reports did not agree with total receipts on part 1.

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)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances included unidentified differences that varied by month. A similar comment appeared in prior Report B30802.

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)

CONDITION OF RECORDS

The following deficiency, relating to recordkeeping that was cited in the prior examination Report B30802, was again present during our period of examination:

There were several posting errors consisting of checks and receipts not recorded in the proper amounts.

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 LAGRO
EXAMINATION RESULTS AND COMMENTS
(Continued)

BOND ORDINANCE REQUIREMENTS

Gross revenues were not distributed to the various Wastewater Utility funds in accordance with Bond Ordinance SW-2-94 and Bond Ordinance 2001-1. Distributions to the Bond and Interest Fund and the Debt Service Reserve Fund were suspended for the last three months of 2008. As a result, the balance in the Bond and Interest Fund was insufficient to cover scheduled payments on April 1, 2009, and the balance in the Debt Service Reserve Fund was not sufficient to meet the reserve requirements of the bond ordinances.

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)

OVERPAYMENT OF COMPENSATION AND BENEFITS

Scott Siders, Utility Superintendent was paid \$14.82 and \$313.06 in excess of the amounts authorized in the salary ordinances for 2007 and 2008, respectively. V. Maxine Baker, Clerk-Treasurer, was paid \$300.41 in excess of the amount authorized in the salary ordinance for 2008. These overpayments will be repaid through payroll reductions over the remainder of 2009 so that all overpayments will be repaid by December 31, 2009.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

W-2's were not issued to Town Council members, the Library Coordinator and janitorial staff. A similar comment appeared in prior Report B30802.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF LAGRO
EXIT CONFERENCE

The contents of this report were discussed on October 15, 2009, with V. Maxine Baker, Clerk-Treasurer. The official concurred with our findings.