

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

EXAMINATION REPORT  
OF  
TOWN OF LAFONTAINE  
WABASH COUNTY, INDIANA  
January 1, 2007 to December 31, 2008



**FILED**  
12/22/2009



## 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:	
Condition of Records .....	9
Annual Financial Report .....	9-10
Overdrawn Cash Balances.....	10
Penalties, Interest, and Other Charges .....	10
Supporting Documentation .....	10
Bad Debts and Uncollectible Accounts .....	11
Delinquent Wastewater Accounts.....	11
Lost Water .....	12
Utility Receipts Tax.....	12
Ordinances and Resolutions .....	12
Exit Conference.....	13

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Linda Harris	01-01-04 to 12-31-11
President of the Town Council	Michael Brane Dan Guenin	01-01-07 to 12-31-07 01-01-08 to 12-31-09
Superintendent of Utilities	Dennis Jones	01-01-07 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](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

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

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

November 3, 2009

TOWN OF LAFONTAINE  
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
<b>Governmental Funds:</b>				
General	\$ 89,316	\$ 192,333	\$ 208,574	\$ 73,075
Motor Vehicle Highway	38,774	61,819	56,412	44,181
Local Road and Street	23,288	4,836	7,967	20,157
Law Enforcement Continuing Education	1,061	311	450	922
Rainy Day	2,144	4,949	-	7,093
Cumulative Capital Improvement	13,146	3,161	7,270	9,037
Cumulative Capital Drain	28,936	6,422	19,843	15,515
Economic Development Income Tax	53,767	18,006	17,449	54,324
Fire Protection	6,842	26,525	31,924	1,443
Trash	(1,757)	20,438	23,070	(4,389)
Unsafe Building	7,014	4,486	-	11,500
Levy Excess	-	5,320	4,064	1,256
<b>Proprietary Funds:</b>				
Water Utility - Operating	59,699	90,890	121,142	29,447
Water Utility - Bond and Interest	19,351	364	-	19,715
Water Utility - Depreciation	28,800	9,400	13,220	24,980
Wastewater Utility - Operating	185,000	206,230	207,703	183,527
Wastewater Utility - Bond and Interest (1967)	75,582	11,295	51,870	35,007
Wastewater Utility - Bond and Interest (2005)	36,000	12,000	48,000	-
Wastewater Utility - Depreciation	8,657	1,200	-	9,857
Wastewater Utility - Bond Escrow (1967)	129,971	4,670	42,500	92,141
<b>Fiduciary Fund:</b>				
Payroll	-	169,061	169,061	-
<b>Totals</b>	<b>\$ 805,591</b>	<b>\$ 853,716</b>	<b>\$ 1,030,519</b>	<b>\$ 628,788</b>

  

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
<b>Governmental Funds:</b>				
General	\$ 73,075	\$ 198,710	\$ 192,918	\$ 78,867
Motor Vehicle Highway	44,181	49,287	62,347	31,121
Local Road and Street	20,157	4,544	4,210	20,491
Law Enforcement Continuing Education	922	913	359	1,476
Rainy Day	7,093	4,761	2,932	8,922
Cumulative Capital Improvement	9,037	2,927	-	11,964
Cumulative Capital Drain	15,515	5,320	5,977	14,858
Economic Development Income Tax	54,324	14,093	18,471	49,946
Fire Protection	1,443	17,675	19,118	-
Trash	(4,389)	20,691	19,488	(3,186)
Unsafe Building	11,500	-	-	11,500
Levy Excess	1,256	-	1,256	-
<b>Proprietary Funds:</b>				
Water Utility - Operating	29,447	94,451	108,369	15,529
Water Utility - Bond and Interest	19,715	312	-	20,027
Water Utility - Depreciation	24,980	9,688	21,184	13,484
Wastewater Utility - Operating	183,527	197,555	209,282	171,800
Wastewater Utility - Bond and Interest	35,007	120,562	133,293	22,276
Wastewater Utility - Depreciation	9,857	1,200	-	11,057
Wastewater Utility - Bond Escrow (1967)	92,141	-	-	92,141
<b>Fiduciary Fund:</b>				
Payroll	-	174,112	174,112	-
<b>Totals</b>	<b>\$ 628,788</b>	<b>\$ 916,801</b>	<b>\$ 973,316</b>	<b>\$ 572,273</b>

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

TOWN OF LAFONTAINE  
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 (police and fire), highways and streets, culture and recreation, public improvements, general administrative services, water, wastewater, and economic development.

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 LAFONTAINE  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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 LAFONTAINE  
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 completed in the current and prior years have been reported. Retroactive reporting of general infrastructure assets is not required.

	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 12,001
Infrastructure	39,887
Buildings	59,000
Improvements other than buildings	2,010
Machinery and equipment	<u>231,209</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 344,107</u>
 Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 2,102
Buildings	16,345
Improvements other than buildings	582,535
Machinery and equipment	<u>29,370</u>
 Total Water Utility capital assets	 <u>630,352</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	13,926
Buildings	29,550
Improvements other than buildings	2,250,995
Machinery and equipment	<u>78,655</u>
 Total Wastewater Utility capital assets	 <u>2,373,126</u>
 Total business-type activities capital assets	 <u>\$ 3,003,478</u>

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

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Water Utility:		
Loan payable:		
Water line extension	\$ 23,078	\$ 13,753
Total Water Utility	<u>23,078</u>	<u>13,753</u>
Wastewater Utility:		
Loan payable:		
State Revolving Fund	1,015,595	16,056
Revenue bonds:		
2005 Refunding revenue bonds	<u>214,000</u>	<u>7,651</u>
Total Wastewater Utility	<u>1,229,595</u>	<u>23,707</u>
Total business-type activities debt	<u>\$ 1,252,673</u>	<u>\$ 37,460</u>

TOWN OF LAFONTAINE  
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

Financial records presented for audit were incomplete and not reflective of the funds' activity. Manual financial records are maintained by the Clerk-Treasurer for the Water Utility and Wastewater Utility. The following deficiencies were noted:

1. Utility transactions were recorded in the Simplified Cash Journals, but were not always recorded to a specific fund.
2. Disbursements were misclassified and inconsistently posted from year to year.
3. The Wastewater Bond and Interest (1967) Fund was combined with the Wastewater Bond and Interest (2005) Fund into one Bond and Interest Fund at December 31, 2007, without posting a transaction. Only one Bond and Interest Fund was reported at January 1, 2008.
4. Receipts and disbursements reported for both Wastewater Bond and Interest funds for the years 2007 and 2008 did not agree with the transactions recorded in the Simplified Cash Journal.
5. Receipts and disbursements for the Wastewater Bond Escrow (1967) Fund were not recorded in the Simplified Cash Journal.
6. Fund balances were not carried over from one month to the next when there was no activity. Therefore, some funds did not report year-end balances in the Simplified Cash Journals.

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)

ANNUAL FINANCIAL REPORT

The Town's Annual Financial Report for years 2007 and 2008 were incomplete and contained numerous errors. The following deficiencies were noted:

1. Typographical errors were made to some amounts reported in Part 1 "Statement of Receipts, Disbursements, Cash Balances and Investment Balances." This made some fund balances appear to be incorrect.
2. Part 2 "Receipt Report – Actual Receipts by Fund" and Part 3 "Disbursements – All Funds" were incomplete and contained errors.
3. The Wastewater Bond Escrow (1967) Fund activity and balances were not included in the 2007 or 2008 report.
4. The Wastewater Depreciation Fund activity and balances were not included in the 2007 report.

TOWN OF LAFONTAINE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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)

OVERDRAWN CASH BALANCES

The cash balance of the Trash Fund was overdrawn at December 31, 2007 and 2008, by \$4,389 and \$3,186, respectively. A similar comment appeared in prior Report B30182.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES

The Water Utility did not remit sales tax collections in a timely manner. Sales tax collections for the months of July, August, and September, 2008 were remitted in November 2008. Sales tax collections for the months of May, June, and November 2008 were remitted in January 2009. Adequate documentation was not provided to determine if penalties and interest were included in the remittances. However, penalties and interest totaling \$288 were paid to the Indiana Department of Revenue on January 16, 2009, for late remittances of 2008 sales tax.

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)

SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation 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 LAFONTAINE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

The Utilities do not have a written policy for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. No write-offs of uncollectible accounts have been performed for years. The Utilities are not applying any collection procedures other than monthly shut-offs for nonpayment. Accounts receivable for water, wastewater, and trash services at December 31, 2008, was \$79,033. Approximately 95% of accounts receivable balances were inactive accounts ninety days and older.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property. A similar comment appeared in prior Report B30182.

IC 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.
  - (C) The amount of the delinquent fees, together with the penalty.
- (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. . . ."

TOWN OF LAFONTAINE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

LOST WATER

During 2007 and 2008, the Water Utility reported a total of 70,296,400 gallons of treated water pumped out of the water plant. Approximately 19,348,169 gallons, which is 28% of the treated gallons pumped, could not be accounted for through customer billings or other sources. Accurate records were not maintained for water extracted from the Town's hydrants by the Fire Department, by the Town for flushing lines and other maintenance purposes, or direct sales (not billed through regular billing system). A similar comment appeared in prior Report B30182.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UTILITY RECEIPTS TAX

The Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue during the examination period. A similar comment appeared in prior Report B30182.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims and 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)

ORDINANCES AND RESOLUTIONS

The Wastewater Utility did not establish and make transfers to a Debt Service Reserve Fund. The Utility also did not make transfers to the Bond and Interest Fund. However, sufficient funds were available in the Bond and Interest Fund to make required debt payments.

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)

TOWN OF LAFONTAINE  
EXIT CONFERENCE

The contents of this report were discussed on November 3, 2009, with Linda Harris, Clerk-Treasurer; and Dan Guenin, President of the Town Council.