

B37326

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

EXAMINATION REPORT

OF

TOWN OF LAPEL

MADISON COUNTY, INDIANA

January 1, 2007 to December 31, 2009



FILED
08/11/2010

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Thomas G. Tudor

01-01-04 to 12-31-11

President of the
Town Council

Gary Shuck

01-01-07 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF LAPEL, MADISON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Lapel (Town), for the period of January 1, 2007 to December 31, 2009. 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, 2008 and 2009, 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

July 1, 2010

TOWN OF LAPEL
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, 2008 And 2009

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 44,993	\$ 545,849	\$ 593,241	\$ (2,399)
Motor Vehicle Highway	17,298	77,198	86,646	7,850
Local Road and Street	7,519	18,833	707	25,645
Law Enforcement Continuing Education	1,594	5,306	994	5,906
Park and Recreation	12,215	5,131	17,064	282
Park Donation Fund	420	4,651	4,300	771
Rainy Day	-	7,890	7,439	451
Food and Beverage	76,661	3,259	25,000	54,920
Cumulative Capital Improvement	44,031	7,880	4,510	47,401
Cumulative Fire Fighting	86,729	1,266	80,299	7,696
Local Volunteer Fire Department	23,640	9,388	4,584	28,444
Star Development - IHFA	-	68,012	68,012	-
Ambulance Replacement	48,766	10,140	-	58,906
Levy Excess	-	14,537	3,658	10,879
Proprietary Funds:				
Water Utility - Operating	45,148	337,666	340,558	42,256
Water Utility - Bond and Interest	145,050	61,530	74,940	131,640
Water Utility - Construction	-	7,988	7,988	-
Water Utility - Depreciation	18,575	11,746	-	30,321
Water Utility - Water Tower Maintenance	34,444	35,710	29,056	41,098
Water Utility - Water Meter Replacement	76,898	10,983	-	87,881
Water Utility - Water Well Maintenance	8,702	6,281	-	14,983
Water Utility - Water Impact Fee	62,273	10,832	-	73,105
Water Utility - Customer Deposit	15,120	2,145	1,680	15,585
Wastewater Utility - Operating	217,178	670,764	670,170	217,772
Wastewater Utility - Bond and Interest	284,969	264,740	222,893	326,816
Wastewater Utility - Construction	-	21,306	21,306	-
Wastewater Utility - Depreciation	49,200	27,253	-	76,453
Wastewater Utility - Sewer Impact Fee	64,386	10,724	-	75,110
Wastewater Utility - Customer Deposit	5,740	164	164	5,740
Wastewater Utility - Sewer Cash Reserve	-	92,236	87,241	4,995
Gas Utility - Operating	199,885	563,464	791,310	(27,961)
Gas Utility - Construction	-	55,463	58,903	(3,440)
Gas Utility - Gas Meter Replacement	-	1,100	-	1,100
Gas Utility - Customer Deposit	35,130	5,210	4,043	36,297
Gas Utility - Gas Cash Reserve	75,908	181,117	254,880	2,145
Fiduciary Fund:				
Payroll	6,524	533,884	533,688	6,720
Totals	<u>\$ 1,708,996</u>	<u>\$ 3,691,646</u>	<u>\$ 3,995,274</u>	<u>\$ 1,405,368</u>

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

TOWN OF LAPEL
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, 2008 And 2009
(Continued)

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ (2,399)	\$ 856,598	\$ 825,348	\$ 28,851
Motor Vehicle Highway	7,850	57,524	57,359	8,015
Local Road and Street	25,645	18,464	28,207	15,902
Law Enforcement Continuing Education	5,906	6,482	6,940	5,448
Park and Recreation	282	16,960	15,446	1,796
Park Donation Fund	771	1,000	1,183	588
Rainy Day	451	3,098	-	3,549
Food and Beverage	54,920	16,743	-	71,663
Cumulative Capital Improvement	47,401	11,103	6,442	52,062
Cumulative Fire Fighting	7,696	10,825	-	18,521
Local Volunteer Fire Department	28,444	19,376	43,609	4,211
Star Development - IHFA	-	50,938	50,938	-
Ambulance Replacement	58,906	2,614	5,893	55,627
Levy Excess	10,879	-	10,879	-
Farmers Market	-	335	259	76
Proprietary Funds:				
Water Utility - Operating	42,256	429,125	423,564	47,817
Water Utility - Bond and Interest	131,640	83,743	75,553	139,830
Water Utility - Construction	-	89,862	89,862	-
Water Utility - Depreciation	30,321	11,865	41,745	441
Water Utility - Water Tower Maintenance	41,098	6,504	-	47,602
Water Utility - Water Meter Replacement	87,881	11,348	342	98,887
Water Utility - Water Well Maintenance	14,983	6,521	3,690	17,814
Water Utility - Water Impact Fee	73,105	6,238	-	79,343
Water Utility - Customer Deposit	15,585	2,355	1,890	16,050
Wastewater Utility - Operating	217,772	664,643	785,420	96,995
Wastewater Utility - Bond and Interest	326,816	320,807	224,587	423,036
Wastewater Utility - Construction	-	10,000	10,000	-
Wastewater Utility - Depreciation	76,453	28,715	6,965	98,203
Wastewater Utility - Sewer Impact Fee	75,110	2,364	72,974	4,500
Wastewater Utility - Customer Deposit	5,740	164	82	5,822
Wastewater Utility - Sewer Cash Reserve	4,995	290,490	335,951	(40,466)
Gas Utility - Operating	(27,961)	981,353	785,380	168,012
Gas Utility - Construction	(3,440)	35,429	31,931	58
Gas Utility - Gas Meter Replacement	1,100	6,050	6,329	821
Gas Utility - Customer Deposit	36,297	6,210	5,406	37,101
Gas Utility - Gas Cash Reserve	2,145	297,498	297,985	1,658
Fiduciary Fund:				
Payroll	6,720	541,064	540,601	7,183
Totals	<u>\$ 1,405,368</u>	<u>\$ 4,904,408</u>	<u>\$ 4,792,760</u>	<u>\$ 1,517,016</u>

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

TOWN OF LAPEL
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, 2008 And 2009
(Continued)

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 28,851	\$ 942,873	\$ 992,908	\$ (21,184)
Motor Vehicle Highway	8,015	85,121	66,955	26,181
Local Road and Street	15,902	16,786	31,873	815
Law Enforcement Continuing Education	5,448	7,054	4,964	7,538
Park and Recreation	1,796	13,869	16,261	(596)
Park Donation Fund	588	-	-	588
Rainy Day	3,549	35,530	-	39,079
Food and Beverage	71,663	980	72,643	-
Cumulative Capital Improvement	52,062	6,788	7,548	51,302
Cumulative Fire Fighting	18,521	6,234	-	24,755
Local Volunteer Fire Department	4,211	-	4,211	-
Ambulance Replacement	55,627	2,489	58,116	-
Farmers Market	76	150	66	160
Proprietary Funds:				
Water Utility - Operating	47,817	316,237	345,900	18,154
Water Utility - Bond and Interest	139,830	82,500	74,940	147,390
Water Utility - Construction	-	7,997	7,997	-
Water Utility - Depreciation	441	12,162	-	12,603
Water Utility - Water Tower Maintenance	47,602	6,675	-	54,277
Water Utility - Water Meter Replacement	98,887	4,945	45,820	58,012
Water Utility - Water Well Maintenance	17,814	6,779	-	24,593
Water Utility - Water Impact Fee	79,343	1,449	-	80,792
Water Utility - Customer Deposit	16,050	1,890	1,760	16,180
Wastewater Utility - Operating	96,995	458,907	518,311	37,591
Wastewater Utility - Bond and Interest	423,036	224,916	224,772	423,180
Wastewater Utility - Depreciation	98,203	28,527	-	126,730
Wastewater Utility - Sewer Impact Fee	4,500	124	-	4,624
Wastewater Utility - Customer Deposit	5,822	82	-	5,904
Wastewater Utility - Sewer Cash Reserve	(40,466)	292,401	251,671	264
Gas Utility - Operating	168,012	650,760	747,550	71,222
Gas Utility - Construction	58	159,149	159,207	-
Gas Utility - Gas Meter Replacement	821	6,600	2,990	4,431
Gas Utility - Customer Deposit	37,101	5,430	4,604	37,927
Gas Utility - Gas Cash Reserve	1,658	274,550	172,394	103,814
Fiduciary Fund:				
Payroll	7,183	539,887	540,870	6,200
Totals	<u>\$ 1,517,016</u>	<u>\$ 4,199,841</u>	<u>\$ 4,354,331</u>	<u>\$ 1,362,526</u>

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

TOWN OF LAPEL
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, highway and streets, culture and recreation, public improvements, planning and zoning, general administrative services, gas, water, 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.

TOWN OF LAPEL
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 LAPEL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
2007 Fire Truck Lease	\$ 143,524	\$ 23,251
Business-type activities:		
Water Utility:		
Revenue bonds:		
Rural Development	1,201,000	75,048
Wastewater Utility:		
Revenue bonds:		
GMAC	178,000	30,900
2000 Rural Development	1,573,000	97,718
Fishersburg	53,100	3,190
2005 Rural Development	1,716,000	92,785
Total Wastewater Utility	3,520,100	224,593
Total business-type activities debt	\$ 4,864,624	\$ 322,892

TOWN OF LAPEL
EXAMINATION RESULTS AND COMMENTS

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

The Town does not have a written policy documenting the procedures for writing off bad debt for the utility accounts receivable.

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)

DEPOSITS (Police Department)

The police department receipts were deposited timely. We noted two instances where three to five months lapsed between the police department receipts and the bank deposit.

Receipts and fees collected by a police department should be remitted to the clerk-treasurer or city controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

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."

TOWN OF LAPEL
EXIT CONFERENCE

The contents of this report were discussed on July 1, 2010, with Thomas G. Tudor, Clerk-Treasurer; Gary Shuck, President of the Town Council. The officials concurred with our findings.