

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

EXAMINATION REPORT  
OF  
TOWN OF LANESVILLE  
HARRISON COUNTY, INDIANA  
January 1, 2007 to December 31, 2009



**FILED**  
10/22/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Linda L. Smith	01-01-04 to 12-31-11
President of the Town Council	Herbert L. Schneider Kim Greer Herbert L. Schneider	01-01-07 to 12-31-07 01-01-08 to 12-31-08 01-01-09 to 12-31-10
Superintendent of Utilities	Russell Sizemore	01-01-07 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF LANESVILLE, HARRISON COUNTY, INDIANA

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

Except as discussed in the following paragraph, 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.

We were unable to verify the Town's cash and investment balances by fund at December 31, 2009 since the Town did not post receipts to the funds ledger from May 2009 to December 31, 2009. In addition, the Town did not submit Annual Financial Reports for 2008 and 2009, and actual transaction activity for 2009 could not be verified.

In our opinion, except for the effects of such adjustments, if any as might have been determined to be necessary had we been able to verify the bank reconciliations, annual report, and account balances of the various funds for 2009, 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 Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part 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

July 26, 2010

TOWN OF LANESVILLE  
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
<b>Governmental Funds:</b>				
General	\$ 47,350	\$ 57,873	\$ 65,687	\$ 39,536
Motor Vehicle Highway	41,146	22,174	9,271	54,049
Local Road and Street	15,368	4,032	2,000	17,400
Riverboat	248,487	124,588	200,663	172,412
Law Enforcement Continuing Education	552	357	69	840
Police	2,161	147	1,030	1,278
FEMA	430	-	-	430
County Economic Development Income Tax	56,358	5,540	-	61,898
Cumulative Capital Improvement	10,963	2,157	-	13,120
Trash	10,080	29,826	25,026	14,880
<b>Proprietary Funds:</b>				
Water Utility - Operating	53,147	264,293	306,530	10,910
Water Utility - Bond and Interest	14,445	87,302	73,709	28,038
Water Utility - Depreciation	6,698	3,116	-	9,814
Water Utility - Customer Deposit	17,237	6,164	3,991	19,410
Water Utility - Construction	24,470	17,992	42,462	-
Water Utility - Tap Fees	8,500	2,000	-	10,500
Wastewater Utility - Operating	74,576	167,586	148,858	93,304
Wastewater Utility - Depreciation	60,755	3,935	-	64,690
Wastewater Utility - Customer Deposit	18,664	4,887	5,175	18,376
Wastewater Utility - Tap Fees	63,000	10,000	-	73,000
<b>Fiduciary Fund:</b>				
Payroll	(916)	161,583	163,437	(2,770)
<b>Totals</b>	<b>\$ 773,471</b>	<b>\$ 975,552</b>	<b>\$ 1,047,908</b>	<b>\$ 701,115</b>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
<b>Governmental Funds:</b>				
General	\$ 39,536	\$ 68,846	\$ 57,343	\$ 51,039
Motor Vehicle Highway	54,049	17,667	15,548	56,168
Local Road and Street	17,400	3,756	2,000	19,156
Riverboat	172,412	79,099	154,643	96,868
Law Enforcement Continuing Education	840	699	1,104	435
Police	1,278	1,304	1,918	664
FEMA	430	-	-	430
County Economic Development Income Tax	61,898	6,707	-	68,605
Cumulative Capital Improvement	13,120	1,996	-	15,116
Trash	14,880	31,380	26,849	19,411
<b>Proprietary Funds:</b>				
Water Utility - Operating	10,910	277,203	273,842	14,271
Water Utility - Bond and Interest	28,038	75,043	73,938	29,143
Water Utility - Depreciation	9,814	2,588	-	12,402
Water Utility - Customer Deposit	19,410	2,819	2,324	19,905
Water Utility - Tap Fees	10,500	1,000	-	11,500
Wastewater Utility - Operating	93,304	166,803	149,395	110,712
Wastewater Utility - Depreciation	64,690	3,935	-	68,625
Wastewater Utility - Customer Deposit	18,376	4,748	3,711	19,413
Wastewater Utility - Tap Fees	73,000	4,000	-	77,000
<b>Fiduciary Fund:</b>				
Payroll	(2,770)	153,675	156,457	(5,552)
<b>Totals</b>	<b>\$ 701,115</b>	<b>\$ 903,268</b>	<b>\$ 919,072</b>	<b>\$ 685,311</b>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
<b>Governmental Funds:</b>				
General	\$ 51,039	\$ 82,256	\$ 74,197	\$ 59,098
Motor Vehicle Highway	56,168	19,206	12,143	63,231
Local Road and Street	19,156	3,520	-	22,676
Riverboat	96,868	124,078	70,360	150,586
Law Enforcement Continuing Education	435	952	1,144	243
Police	664	13,376	1,953	12,087
FEMA	430	29,359	9,976	19,813
County Economic Development Income Tax	68,605	3,746	24,000	48,351
Cumulative Capital Improvement	15,116	1,883	-	16,999
Trash	19,411	35,077	25,632	28,856
<b>Proprietary Funds:</b>				
Water Utility - Operating	14,271	294,909	288,496	20,684
Water Utility - Bond and Interest	29,143	56,357	73,247	12,253
Water Utility - Depreciation	12,402	2,920	-	15,322
Water Utility - Customer Deposit	19,905	5,640	4,999	20,546
Water Utility - Tap Fees	11,500	1,085	-	12,585
Wastewater Utility - Operating	110,712	182,423	161,958	131,177
Wastewater Utility - Depreciation	68,625	3,934	-	72,559
Wastewater Utility - Customer Deposit	19,413	2,703	3,657	18,459
Wastewater Utility - Tap Fees	77,000	7,789	-	84,789
<b>Fiduciary Fund:</b>				
Payroll	(5,552)	153,402	159,870	(12,020)
<b>Totals</b>	<b>\$ 685,311</b>	<b>\$ 1,024,615</b>	<b>\$ 911,632</b>	<b>\$ 798,294</b>

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

TOWN OF LANESVILLE  
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, public improvements, planning and zoning, general administrative services, water, wastewater, and trash services, and urban redevelopment and housing.

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.

Note 6. Subsequent Event

In October 2009, the Town was awarded a Community Development Block Grant in the amount of \$994,975 for the construction of a new storm drainage system. This project was started in 2010.

TOWN OF LANESVILLE  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended December 31, 2009

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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Infrastructure	\$ 250,971
Buildings	7,300
Machinery and equipment	<u>62,548</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 320,819</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 16,500
Improvements other than buildings	2,336,951
Machinery and equipment	<u>135,378</u>
Total Water Utility capital assets	<u>2,488,829</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	30,000
Buildings	899,026
Improvements other than buildings	1,230,938
Machinery and equipment	<u>192,034</u>
Total Wastewater Utility capital assets	<u>2,351,998</u>
Total business-type activities capital assets	<u>\$ 4,840,827</u>

TOWN OF LANESVILLE  
 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
Business-type activities:		
Water Utility		
Revenue bonds:		
2005 Water improvement revenue bonds	\$ 1,331,000	\$ 73,568
Loan payable	<u>68,898</u>	<u>10,775</u>
Total Water Utility	<u>1,399,898</u>	<u>84,343</u>
Wastewater Utility:		
Loan payable	<u>313,866</u>	<u>49,085</u>
Total business-type activities debt	<u>\$ 1,713,764</u>	<u>\$ 133,428</u>

TOWN OF LANESVILLE  
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Town of Lanesville. The records presented did not provide sufficient information to examine or establish receipts for 2009, and ending balances as of December 31, 2009, or the accuracy or correctness of the transactions. In addition, the following recordkeeping deficiencies were noted during the examination period:

Bank Account Reconcilements

Depository reconciliations of the fund balances to the bank account balances were incorrect at December 31, 2009, and could not be reconciled to the ledger. At December 31, 2009, the net adjusted bank balances total \$10,653.75 more than what is being reported in the financial records.

IC 5-13-6-1(e) states: "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)

Transaction Recording

The Clerk-Treasurer did not post receipts to the computerized records from May 2009 to December 2009. A review of financial records to date revealed that ledgers for the year 2010 were incomplete and not reconciled to depository balances.

There were a considerable number of posting and depositing errors. CEDIT distributions from the County in the amount of \$3,334.50 for the months of April, May, and June 2009 were posted to the General Fund on the Clerk-Treasurer's monthly worksheets. These receipts should be properly posted to the CEDIT fund. In August 2009, the Town received its share of City and Town Court Costs from the County in the amount of \$10,900. This receipt was posted to the Police Fund on the Clerk-Treasurer's monthly worksheets. This receipt should be posted to the Town General Fund.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Annual Financial Reports

Annual Financial Reports for 2008 and 2009 were not presented for examination.

TOWN OF LANESVILLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

IC 5-11-1-4 states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

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)

FINANCIAL REPORT OPINION MODIFICATIONS

Accurate financial records and bank reconciliations for the year 2009 were not presented for examination. In addition, Annual Financial Reports were not available for examination for the years 2008 and 2009. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Auditors' Report for the financial statements.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

HYDRANT RENTAL PAYABLE

The Town of Lanesville owes the Water Utility hydrant rental of \$80,611.28, as of December 31, 2009, pursuant to Rate Ordinance 04-2005-03 passed by the Town Council on November 14, 2005. The annual amount that is to be paid for hydrant rental is \$22,713.61. Hydrant rental was only paid one time, in the amount of \$24,000, during the three years examined.

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)

OVERDRAWN FUND BALANCES

The Payroll Fund was overdrawn at December 31, 2007, 2008, and 2009 in the amounts of \$2,770, \$5,552, and \$12,020, respectively.

The fund 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)

TOWN OF LANESVILLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

SUPPORTING DOCUMENTATION

Several payments were observed which were not supported by adequate 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. In addition, it was noticed that claims paid between Town Council meetings were not placed on the register to be approved by the Town Council at the next meeting.

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)

CUSTOMER DEPOSIT REGISTER

Customer Deposit Registers have not been reconciled with the ledgers during the period examined. Customer Deposit Registers continue to be posted, but the financial ledgers are incomplete which prevents them from being reconciled.

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)

SERVICE AND TIME RECORDS

Employee service records were not maintained and presented for examination.

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 LANESVILLE  
EXIT CONFERENCE

The contents of this report were discussed on July 26, 2010, with Herbert L. Schneider, President of the Town Council; and Linda L. Smith, Clerk-Treasurer. The officials concurred with our findings.