

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

EXAMINATION REPORT  
OF  
TOWN OF LACONIA  
HARRISON COUNTY, INDIANA  
January 1, 2008 to December 31, 2009



**FILED**  
12/29/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Amy Watson Paige L. Baker	01-01-08 to 02-05-09 02-06-09 to 12-31-11
President of the Town Council	Joseph Kingsley Thomas L. Huckaby	01-01-08 to 12-31-08 01-01-09 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 LACONIA, HARRISON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Laconia (Town), for the period of January 1, 2008 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, 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, 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

October 25, 2010

TOWN OF LACONIA  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES  
As Of And For The Years Ended December 31, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 3,386	\$ 3,981	\$ 4,231	\$ 3,136
Motor Vehicle Highway	5,956	789	-	6,745
Local Road and Street	2,086	189	-	2,275
Riverboat	109,903	19,750	42,786	86,867
Cumulative Capital Improvement	3,399	94	-	3,493
County Economic Development Income Tax	3,006	162	-	3,168
Proprietary Fund:				
Wastewater Utility - Operating	<u>7,282</u>	<u>12,632</u>	<u>19,589</u>	<u>325</u>
Totals	<u>\$ 135,018</u>	<u>\$ 37,597</u>	<u>\$ 66,606</u>	<u>\$ 106,009</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 3,136	\$ 3,960	\$ 4,845	\$ 2,251
Motor Vehicle Highway	6,745	773	-	7,518
Local Road and Street	2,275	177	-	2,452
Riverboat	86,867	21,937	32,996	75,808
Cumulative Capital Improvement	3,493	89	3,300	282
County Economic Development Income Tax	3,168	214	-	3,382
Proprietary Fund:				
Wastewater Utility - Operating	<u>325</u>	<u>18,377</u>	<u>16,353</u>	<u>2,349</u>
Totals	<u>\$ 106,009</u>	<u>\$ 45,527</u>	<u>\$ 57,494</u>	<u>\$ 94,042</u>

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

TOWN OF LACONIA  
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, 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.

Note 6. Subsequent Event

The Town adopted Ordinance 2010-1 for new Wastewater Utility rates to be effective August 1, 2010.

TOWN OF LACONIA  
 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 are included if acquired (purchased, constructed, or donated) after July 1, 1980, 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>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Infrastructure	\$ 72,083
Buildings	117,858
Improvements other than buildings	31,710
Machinery and equipment	<u>135,000</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u>356,651</u>
 Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Buildings	\$ 25,000
Improvements other than buildings	135,093
Machinery and equipment	<u>234,600</u>
 Total business-type activities, capital assets not being depreciated	 \$ <u>394,693</u>

TOWN OF LACONIA  
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping that were cited in the prior examination report, were again present during our period of examination:

- (1) Record balances were not reconciled to depository balances during the two year period for the Town and Utility.

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)

- (2) There were a considerable number of posting errors for the Town. These errors included: deposits and checks not recorded; checks not recorded for the proper amounts; a \$5,000 transfer in September 2009 that was posted twice from the Riverboat Fund; Utility bank activity recorded in both the Town and the Utility's ledgers; incorrectly carrying the prior year's ending balance to the subsequent year's beginning balance; and unauthorized bank withdrawals from the Town's checking account. The amounts noted below represent activity that did not appear to be the Town of Laconia's expenditures and were not subsequently reimbursed by the bank. Town officials are currently working with bank officials to recover these amounts.

Description	Date	Amount
Unauthorized Check 7600	01-13-06	\$ 528.49
Cumberland Electric	12-04-06	28.76
Cumberland Electric	01-12-07	30.83
Cumberland Electric	03-02-07	25.95
Unauthorized check	01-09-08	<u>416.00</u>
 Total		 <u>\$ 1,030.03</u>

There were a considerable number of posting errors for the Utility. These errors included: deposits and checks not recorded for the proper amounts; receipts that were subtracted from the balance; disbursements that were added to the balance; and incorrectly carrying the prior year's ending balance to the subsequent year's beginning balance.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF LACONIA  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (3) A check from the Harrison County Auditor for collection of delinquent sewer liens in the amount of \$488.43 was deposited into the Town's bank account and posted to the General Fund. The error was identified and Check 1583 was issued in May 2009 to correct the error. However, the check was deposited into the Town's bank account. The Town is to issue a check to the Laconia Wastewater Utility for \$488.43 and deposit it into the Wastewater Utility's bank account.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

Fund	Excess Amount Expended	
	2008	2009
Riverboat	\$ 20,986	\$ 25,996

IC 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

TEMPORARY TRANSFER OF FUNDS

The Town adopted Ordinance 2005-6 on November 4, 2005, for a \$10,000 loan from the Riverboat Fund to the Wastewater Utility. The loan was to be repaid on a regular monthly basis. There have been six (6) repayments since the adoption of the ordinance totaling \$1,900, leaving a balance due of \$8,100 as of December 31, 2009.

Since the temporary loan provisions of Indiana Code 36-1-8-4 would not apply to funds of a municipally owned utility and there are no statutes authorizing or prohibiting loans from a city or town fund to a municipally owned utility, a home rule ordinance could be adopted authorizing such loans. Such ordinance should list the amount and term of the loan and interest rate, if interest is to be charged.

Please note that recurring cash flow problems experienced by a municipally owned utility could indicate a need for an increase in utility rates. Indiana Code 8-1.5-3-8 and Indiana Code 36-9-23-25 require the boards over municipally owned utilities and wastewater utilities to set rates in an amount which will ensure sound fiscal condition for the utilities. (Cities and Towns Bulletin and Uniform Compliance Guidelines December 2001, Page 6)

TOWN OF LACONIA  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

RAINY DAY FUND

The Town received supplemental distributions of CAGIT and CEDIT under Indiana Code 6-3.5-1.1-21.1 and recorded them in the General and EDIT Fund, respectively. The Town has not established a Rainy Day Fund.

Public Law 267, Acts of 2003, changed the method of distributing CAGIT, COIT, and CEDIT revenue. Indiana Code 6-3.5-1.1-21.1, Indiana Code 6-3.5-6-17.3 and Indiana Code 6-3.5-7-17.3 state that if the Department of Revenue determines that an excess of the amounts required to make distributions of CAGIT, COIT, or CEDIT exists, such excess shall be distributed in a supplemental distribution in January of the ensuing budget year. Any supplemental distributions received shall be deposited in the city or town's rainy day fund. (Cities and Towns Bulletin and Uniform Compliance Guidelines, December 2003, Page 4)

The fund should be established by ordinance and the ordinance should state the purposes and sources of funding for the fund (Indiana Code 36-1-8-5). (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 3)

FUND SOURCES AND USES

A property tax settlement receipt dated March 20, 2009, for \$276.76 was incorrectly recorded in the Riverboat Fund, it should have been recorded in the General Fund.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSITS

The December 2009 customer collections were posted to the consumer ledger on December 15, 2009, and deposited into the Utility's bank account on January 15, 2010.

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."

PRESCRIBED FORMS

Prescribed City and Town Form 209, Ledger of Appropriations, Encumbrances, Disbursements and Balances, was not in use.

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 LACONIA  
EXIT CONFERENCE

The contents of this report were discussed on October 25, 2010, with Paige L. Baker, Clerk-Treasurer; Thomas L. Huckaby, President of the Town Council; and Amy Watson, former Clerk-Treasurer. The officials concurred with our findings.