

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

EXAMINATION REPORT  
OF  
TOWN OF LAUREL  
FRANKLIN COUNTY, INDIANA  
January 1, 2008 to December 31, 2009



**FILED**  
01/06/2011



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Carlene Rayburn	01-01-08 to 12-31-11
President of the Town Council	Jay Davidson Barry Vanover William St. John	01-01-08 to 12-31-08 01-01-09 to 03-19-09 03-20-09 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 LAUREL, FRANKLIN COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Laurel (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 present 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 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

November 29, 2010

TOWN OF LAUREL  
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, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
<b>Governmental Funds:</b>				
General	\$ 12,902	\$ 83,305	\$ 72,676	\$ 23,531
Motor Vehicle Highway	5,133	16,228	11,069	10,292
Local Road and Street	3,144	3,124	361	5,907
Riverboat	3,651	17,552	5,675	15,528
Cumulative Capital Improvement	4,156	1,883	-	6,039
County Economic Development Income Tax	816	8,525	6,020	3,321
Infractions/Violations	391	-	152	239
Law Enforcement Continuing Education	84	1,339	536	887
Matching Grant/Loan	2,825	-	2,825	-
<b>Proprietary Funds:</b>				
Water Utility - Operating	11,226	96,254	94,764	12,716
Water Utility - Bond and Interest	3,857	-	-	3,857
Water Utility - Debt Service Reserve	4,435	-	-	4,435
Water Utility - Customer Deposit	7,379	-	-	7,379
Wastewater Utility - Operating	5,454	138,091	108,912	34,633
Wastewater Utility - Bond and Interest	6,646	3,987	10,633	-
Wastewater Utility - Debt Service Reserve	8,625	-	-	8,625
<b>Fiduciary Fund:</b>				
Payroll	-	79,440	83,757	(4,317)
<b>Totals</b>	<u>\$ 80,724</u>	<u>\$ 449,728</u>	<u>\$ 397,380</u>	<u>\$ 133,072</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
<b>Governmental Funds:</b>				
General	\$ 23,531	\$ 77,554	\$ 56,871	\$ 44,214
Motor Vehicle Highway	10,292	15,324	7,835	17,781
Local Road and Street	5,907	2,941	1,797	7,051
Riverboat	15,528	16,693	16,257	15,964
Cumulative Capital Improvement	6,039	1,775	5,304	2,510
County Economic Development Income Tax	3,321	8,823	6,023	6,121
Infractions/Violations	239	-	-	239
Law Enforcement Continuing Education	887	1,485	423	1,949
<b>Proprietary Funds:</b>				
Water Utility - Operating	12,716	112,706	116,692	8,730
Water Utility - Bond and Interest	3,857	13,485	-	17,342
Water Utility - Debt Service Reserve	4,435	3,779	-	8,214
Water Utility - Customer Deposit	7,379	150	3,955	3,574
Wastewater Utility - Operating	34,633	165,655	165,413	34,875
Wastewater Utility - Bond and Interest	-	12,006	-	12,006
Wastewater Utility - Debt Service Reserve	8,625	8,624	-	17,249
<b>Fiduciary Fund:</b>				
Payroll	(4,317)	93,350	89,899	(866)
<b>Totals</b>	<u>\$ 133,072</u>	<u>\$ 534,350</u>	<u>\$ 470,469</u>	<u>\$ 196,953</u>

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

TOWN OF LAUREL  
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, economic development, health and social services, culture and recreation, water and wastewater utilities, 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.

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 LAUREL  
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:		
Notes and loans payable:		
Main Source Bank, 10 year loan:		
Firehouse, Town Hall, and Police Station	\$ 27,602	\$ 6,001
Business-type activities:		
Water Utility:		
Notes and loans payable:		
Main Source Bank, 10 year loan:		
Firehouse, Town Hall, and Police Station	\$ 27,602	\$ 6,001
Revenue bonds:		
Water Revenue Bonds of 1990	25,000	25,985
Build Indiana Fund loan	27,854	2,782
Total Water Utility	80,456	34,768
Wastewater Utility:		
Notes and loans payable:		
Main Source Bank, 10 year loan:		
Firehouse, Town Hall, and Police Station	27,602	6,001
Matching CDBG Grant Loan	13,936	6,805
Revenue bonds:		
Wastewater Revenue Bond of 1976	93,000	15,650
Total Wastewater Utility	134,538	28,456
Total business-type activities debt	\$ 214,994	\$ 63,224

TOWN OF LAUREL  
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

An annual report for 2008 was not presented for examination. The 2009 Annual Report was not filed until June 21, 2010.

IC 5-3-1-3(a) states in part:

"Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Cumulative Capital Improvement	2009	<u>\$ 3,568</u>

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."

POLICE DEPARTMENT RECEIPTS AND FEES

No gun permit receipts and fees collected by the Police Department were remitted to the Clerk-Treasurer from at least January 1, 2008 to December 31, 2009 (a total of \$80). Following the examination, \$80 was remitted to the Clerk-Treasurer for gun permit fees collected during 2008 and 2009.

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)

HANDGUN APPLICATION FEE

The Laurel Police Department did not always collect the proper amount for handgun application fees during 2008 and 2009.

IC 35-47-2-3(b) states in part:

"The law enforcement agency which accepts an application for a handgun license shall collect the following application fees:

TOWN OF LAUREL  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (1) From a person applying for a four (4) year handgun license, a ten dollar (\$10) application fee, five dollars (\$5) of which shall be refunded if the license is not issued.
- (2) From a person applying for a lifetime handgun license who does not currently possess a valid Indiana handgun license, a fifty dollar (\$50) application fee, thirty dollars (\$30) of which shall be refunded if the license is not issued.
- (3) From a person applying for a lifetime handgun license who currently possesses a valid Indiana handgun license, a forty dollar (\$40) application fee, thirty dollars (\$30) of which shall be refunded if the license is not issued."

SALES TAX

Sales tax was paid on some purchases.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PRESCRIBED FORMS

The following prescribed or approved forms were not always in use:

Accounts Payable Voucher (Town Form 39)

Mileage Claim Form (General Form 101)

Payroll Schedule and Voucher (General Form 99)

Employee's Service Record (General Form 99A)

Employee's Earnings Record (General Form 99B)

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)

ORDINANCES AND RESOLUTIONS

The Town approved Ordinance No. 2008-5 concerning the monthly charge for sewer services. However, the Town did not charge customers based on the rates in this ordinance. Ordinance 2008-5 states sewer rates shall be subject to an additional increase of 30% to begin June 1, 2009. The Town did not raise the sewer rates to comply with this ordinance.

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 LAUREL  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

CUSTOMER DEPOSIT REGISTER

The Customer Deposit Register was not in balance with the Water Utility Meter Deposit Fund's cash balance. A similar comment was in the previous Report B33823.

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)

PAYROLL TAXES

Payments for Federal tax, Social Security tax, and Medicare tax to the Internal Revenue Service were not always correct.

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)

CAPITAL ASSET RECORDS

The capital asset records maintained by the Town were incomplete. A similar comment was in the previous Report B33823.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERFUND TRANSFERS NOT REPAID (WATER UTILITY)

As stated in the previous five reports, covering the periods 1994-1995, 1996-1997, 1998-2001, 2002-2005 (Report B29057), and 2006-2007 (Report B33823), the Water Utility still has temporary loans and transfers that are required to be repaid. At December 31, 2009, the Water Utility owed the following:

TOWN OF LAUREL  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Due To	Amount
Town General	\$ 7,942
Town CCI	2,000
Town MVH	11,892
Wastewater Utility	29,277
Total	\$ 51,111

IC 36-1-8-4 concerning temporary loans states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs; (4) The amount transferred must be returned to the other fund at the end of the prescribed period . . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
  - (A) A statement that the fiscal body has determined that an emergency exists.
  - (B) A brief description of the grounds for the emergency.
  - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and department of local government finance."

UTILITY RECEIPTS TAX

The Laurel Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue during the examination period.

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.

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)

TOWN OF LAUREL  
EXIT CONFERENCE

The contents of this report were discussed on November 29, 2010, with Carlene Rayburn, Clerk-Treasurer; Barry Vanover, Vice-President of the Town Council; and Donna Fait, Deputy Clerk. The officials concurred with our findings.