

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

AUDIT REPORT

OF

TOWN OF LAFONTAINE

WABASH COUNTY, INDIANA

January 1, 2009 to December 31, 2010



FILED
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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Linda Harris	01-01-08 to 12-31-11
President of the Town Council	Dan Guenin	01-01-09 to 12-31-11
Superintendent of Utilities	Dennis Jones	01-01-09 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statements of the Town of LaFontaine (Town), for the years ended December 31, 2009 and 2010. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2009 and 2010, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated August 9, 2011, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming an opinion on the Town's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the Town's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town's management, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 9, 2011



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the Town of LaFontaine (Town), for the years ended December 31, 2009 and 2010, and have issued our report thereon dated August 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2010-1 to be material weaknesses.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Town's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 9, 2011

FINANCIAL STATEMENTS

TOWN OF LAFONTAINE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
General	\$ 78,867	\$ 194,071	\$ 197,670	\$ 75,268
Motor Vehicle Highway	31,121	52,978	53,262	30,837
Local Road and Street	20,491	4,295	-	24,786
Trash	(3,186)	31,788	28,787	(185)
Law Enforcement Continuing Education	1,476	412	120	1,768
Unsafe Building	11,500	-	-	11,500
Fire Protection	-	20,358	20,430	(72)
Rainy Day	8,922	3,843	-	12,765
Economic Development Income Tax	49,945	13,227	32,522	30,650
Cumulative Capital Drain	14,858	358	-	15,216
Cumulative Capital Improvement	11,964	2,759	5,420	9,303
Payroll	-	176,045	176,045	-
Wastewater Utility Operating	171,800	280,334	213,326	238,808
Wastewater Utility Bond and Interest	22,276	95,209	95,894	21,591
Wastewater Utility Depreciation	11,058	1,200	-	12,258
Wastewater Utility Bond Escrow (1967)	92,141	-	92,141	-
Water Utility Operating	15,529	121,924	107,518	29,935
Water Utility Bond and Interest	20,027	201	-	20,228
Water Utility Depreciation	13,484	11,552	6,679	18,357
Water Utility SRF Construction	-	173,269	173,269	-
Totals	<u>\$ 572,273</u>	<u>\$ 1,183,823</u>	<u>\$ 1,203,083</u>	<u>\$ 553,013</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF LAFONTAINE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 75,268	\$ 165,541	\$ 200,513	\$ 40,296
Motor Vehicle Highway	30,837	65,666	61,606	34,897
Local Road and Street	24,786	4,382	10,000	19,168
Donations	-	22,000	-	22,000
Unsafe Building	11,500	-	-	11,500
Trash	(185)	35,770	37,207	(1,622)
Law Enforcement Continuing Education	1,768	1,205	1,119	1,854
Fire Protection	(72)	35,201	33,444	1,685
Rainy Day	12,765	5,875	-	18,640
Economic Development Income Tax	30,650	14,480	2,520	42,610
Levy Excess	-	477	-	477
Cumulative Capital Improvement	9,303	2,636	6,000	5,939
Cumulative Fire	-	4,403	-	4,403
Cumulative Capital Drain	15,216	-	2,270	12,946
Payroll	-	177,281	177,281	-
Wastewater Utility Operating	238,808	186,301	266,342	158,767
Wastewater Utility Bond and Interest	21,591	99,847	96,453	24,985
Wastewater Utility Depreciation	12,258	1,200	-	13,458
Wastewater Utility Debt Reserve	-	58,000	-	58,000
Water Utility Operating	29,935	152,624	149,808	32,751
Water Utility Bond and Interest	20,228	113	-	20,341
Water Utility Depreciation	18,357	16,079	-	34,436
Water Utility SRF Construction	-	469,717	469,717	-
Water Utility SRF Bond and Interest	-	21,877	11,655	10,222
Water Utility SRF Debt Service Reserve	-	10,555	-	10,555
Water Utility Construction	-	534,623	534,623	-
Totals	<u>\$ 553,013</u>	<u>\$ 2,085,853</u>	<u>\$ 2,060,558</u>	<u>\$ 578,308</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF LAFONTAINE
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statements present the financial information for the Town (primary government), and does not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government).

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF LAFONTAINE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings, interfund loan activity, transfers authorized by statute, ordinance, resolution or court order, internal service receipts, and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

TOWN OF LAFONTAINE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

TOWN OF LAFONTAINE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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 5. Risk Management

The Town may be exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, job related illnesses or injuries to employees, medical benefits to employees, retirees, and dependents, and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement and replacement items purchased.

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 percent 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:

TOWN OF LAFONTAINE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town of LaFontaine's Annual Reports can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

TOWN OF LAFONTAINE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009

	General	Motor Vehicle Highway	Local Road and Street	Trash	Law Enforcement Continuing Education	Unsafe Building	Fire Protection
Cash and investments - beginning	\$ 78,867	\$ 31,121	\$ 20,491	\$ (3,186)	\$ 1,476	\$ 11,500	\$ -
Receipts:							
Taxes	107,917	24,756	-	-	-	-	17,243
Licenses and permits	-	-	-	-	390	-	-
Intergovernmental	83,224	28,222	4,295	-	-	-	3,115
Charges for services	1,850	-	-	31,788	22	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,080	-	-	-	-	-	-
Total receipts	<u>194,071</u>	<u>52,978</u>	<u>4,295</u>	<u>31,788</u>	<u>412</u>	<u>-</u>	<u>20,358</u>
Disbursements:							
Personal services	139,360	36,499	-	-	-	-	-
Supplies	5,833	6,267	-	-	-	-	-
Other services and charges	49,839	10,496	-	28,787	120	-	20,430
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	1,807	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	831	-	-	-	-	-	-
Total disbursements	<u>197,670</u>	<u>53,262</u>	<u>-</u>	<u>28,787</u>	<u>120</u>	<u>-</u>	<u>20,430</u>
Excess (deficiency) of receipts over disbursements	<u>(3,599)</u>	<u>(284)</u>	<u>4,295</u>	<u>3,001</u>	<u>292</u>	<u>-</u>	<u>(72)</u>
Cash and investments - ending	<u>\$ 75,268</u>	<u>\$ 30,837</u>	<u>\$ 24,786</u>	<u>\$ (185)</u>	<u>\$ 1,768</u>	<u>\$ 11,500</u>	<u>\$ (72)</u>

TOWN OF LAFONTAINE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	Rainy Day	Economic Development Income Tax	Cumulative Capital Drain	Cumulative Capital Improvement	Payroll	Wastewater Utility Operating	Wastewater Utility Bond and Interest
Cash and investments - beginning	\$ 8,922	\$ 49,945	\$ 14,858	\$ 11,964	\$ -	\$ 171,800	\$ 22,276
Receipts:							
Taxes	-	-	288	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	3,843	13,227	70	2,759	-	-	-
Charges for services	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	186,897	-
Other receipts	-	-	-	-	176,045	93,437	95,209
Total receipts	<u>3,843</u>	<u>13,227</u>	<u>358</u>	<u>2,759</u>	<u>176,045</u>	<u>280,334</u>	<u>95,209</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	28,955	-	5,420	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	95,894
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	116,916	-
Other disbursements	-	3,567	-	-	176,045	96,410	-
Total disbursements	<u>-</u>	<u>32,522</u>	<u>-</u>	<u>5,420</u>	<u>176,045</u>	<u>213,326</u>	<u>95,894</u>
Excess (deficiency) of receipts over disbursements	<u>3,843</u>	<u>(19,295)</u>	<u>358</u>	<u>(2,661)</u>	<u>-</u>	<u>67,008</u>	<u>(685)</u>
Cash and investments - ending	<u>\$ 12,765</u>	<u>\$ 30,650</u>	<u>\$ 15,216</u>	<u>\$ 9,303</u>	<u>\$ -</u>	<u>\$ 238,808</u>	<u>\$ 21,591</u>

TOWN OF LAFONTAINE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	Wastewater Utility Depreciation	Wastewater Utility Bond Escrow (1967)	Water Utility Operating	Water Utility Bond and Interest	Water Utility Depreciation	Water Utility SRF Construction	Totals
Cash and investments - beginning	\$ 11,058	\$ 92,141	\$ 15,529	\$ 20,027	\$ 13,484	\$ -	\$ 572,273
Receipts:							
Taxes	-	-	-	-	-	-	150,204
Licenses and permits	-	-	-	-	-	-	390
Intergovernmental	-	-	-	-	-	-	138,755
Charges for services	-	-	-	-	-	-	33,660
Utility fees	-	-	113,785	-	-	-	300,682
Other receipts	1,200	-	8,139	201	11,552	173,269	560,132
Total receipts	<u>1,200</u>	<u>-</u>	<u>121,924</u>	<u>201</u>	<u>11,552</u>	<u>173,269</u>	<u>1,183,823</u>
Disbursements:							
Personal services	-	-	-	-	-	-	175,859
Supplies	-	-	-	-	-	-	12,100
Other services and charges	-	-	-	-	-	-	144,047
Debt service - principal and interest	-	-	13,752	-	-	-	109,646
Capital outlay	-	-	-	-	-	-	1,807
Utility operating expenses	-	-	81,443	-	6,679	-	205,038
Other disbursements	-	92,141	12,323	-	-	173,269	554,586
Total disbursements	<u>-</u>	<u>92,141</u>	<u>107,518</u>	<u>-</u>	<u>6,679</u>	<u>173,269</u>	<u>1,203,083</u>
Excess (deficiency) of receipts over disbursements	<u>1,200</u>	<u>(92,141)</u>	<u>14,406</u>	<u>201</u>	<u>4,873</u>	<u>-</u>	<u>(19,260)</u>
Cash and investments - ending	<u>\$ 12,258</u>	<u>\$ -</u>	<u>\$ 29,935</u>	<u>\$ 20,228</u>	<u>\$ 18,357</u>	<u>\$ -</u>	<u>\$ 553,013</u>

TOWN OF LAFONTAINE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road and Street	Donations	Unsafe Building	Trash	Law Enforcement Continuing Education
Cash and investments - beginning	\$ 75,268	\$ 30,837	\$ 24,786	\$ -	\$ 11,500	\$ (185)	\$ 1,768
Receipts:							
Taxes	65,042	35,607	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	1,150
Intergovernmental	87,480	29,956	4,382	-	-	-	-
Charges for services	262	-	-	-	-	35,770	13
Fines and forfeits	10,834	-	-	-	-	-	42
Utility fees	-	-	-	-	-	-	-
Other receipts	1,923	103	-	22,000	-	-	-
Total receipts	<u>165,541</u>	<u>65,666</u>	<u>4,382</u>	<u>22,000</u>	<u>-</u>	<u>35,770</u>	<u>1,205</u>
Disbursements:							
Personal services	140,364	36,506	-	-	-	-	-
Supplies	7,788	5,869	-	-	-	-	389
Other services and charges	48,663	19,141	10,000	-	-	37,207	160
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	3,652	90	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	46	-	-	-	-	-	570
Total disbursements	<u>200,513</u>	<u>61,606</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>37,207</u>	<u>1,119</u>
Excess (deficiency) of receipts over disbursements	<u>(34,972)</u>	<u>4,060</u>	<u>(5,618)</u>	<u>22,000</u>	<u>-</u>	<u>(1,437)</u>	<u>86</u>
Cash and investments - ending	<u>\$ 40,296</u>	<u>\$ 34,897</u>	<u>\$ 19,168</u>	<u>\$ 22,000</u>	<u>\$ 11,500</u>	<u>\$ (1,622)</u>	<u>\$ 1,854</u>

TOWN OF LAFONTAINE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Fire Protection	Rainy Day	Economic Development Income Tax	Levy Excess	Cumulative Capital Improvement	Cumulative Fire	Cumulative Capital Drain
Cash and investments - beginning	\$ (72)	\$ 12,765	\$ 30,650	\$ -	\$ 9,303	\$ -	\$ 15,216
Receipts:							
Taxes	29,786	-	-	-	-	3,735	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	5,415	5,875	14,480	477	2,636	668	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>35,201</u>	<u>5,875</u>	<u>14,480</u>	<u>477</u>	<u>2,636</u>	<u>4,403</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	20,187	-	2,520	-	6,000	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	13,257	-	-	-	-	-	2,270
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>33,444</u>	<u>-</u>	<u>2,520</u>	<u>-</u>	<u>6,000</u>	<u>-</u>	<u>2,270</u>
Excess (deficiency) of receipts over disbursements	<u>1,757</u>	<u>5,875</u>	<u>11,960</u>	<u>477</u>	<u>(3,364)</u>	<u>4,403</u>	<u>(2,270)</u>
Cash and investments - ending	<u>\$ 1,685</u>	<u>\$ 18,640</u>	<u>\$ 42,610</u>	<u>\$ 477</u>	<u>\$ 5,939</u>	<u>\$ 4,403</u>	<u>\$ 12,946</u>

TOWN OF LAFONTAINE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Payroll	Wastewater Utility Operating	Wastewater Utility Bond and Interest	Wastewater Utility Depreciation	Wastewater Utility Debt Reserve	Water Utility Operating	Water Utility Bond and Interest
Cash and investments - beginning	\$ -	\$ 238,808	\$ 21,591	\$ 12,258	\$ -	\$ 29,935	\$ 20,228
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	183,812	-	-	-	152,282	113
Other receipts	177,281	2,489	99,847	1,200	58,000	342	-
Total receipts	177,281	186,301	99,847	1,200	58,000	152,624	113
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	96,453	-	-	10,356	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	107,296	-	-	-	91,712	-
Other disbursements	177,281	159,046	-	-	-	47,740	-
Total disbursements	177,281	266,342	96,453	-	-	149,808	-
Excess (deficiency) of receipts over disbursements	-	(80,041)	3,394	1,200	58,000	2,816	113
Cash and investments - ending	\$ -	\$ 158,767	\$ 24,985	\$ 13,458	\$ 58,000	\$ 32,751	\$ 20,341

TOWN OF LAFONTAINE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Water Utility Depreciation	Water Utility SRF Construction	Water Utility SRF Bond and Interest	Water Utility SRF Debt Service Reserve	Water Utility Construction	Totals
Cash and investments - beginning	\$ 18,357	\$ -	\$ -	\$ -	\$ -	\$ 553,013
Receipts:						
Taxes	-	-	-	-	-	134,170
Licenses and permits	-	-	-	-	-	1,150
Intergovernmental	-	-	-	-	-	151,369
Charges for services	-	-	-	-	-	36,045
Fines and forfeits	-	-	-	-	-	10,876
Utility fees	-	-	-	-	-	336,207
Other receipts	<u>16,079</u>	<u>469,717</u>	<u>21,877</u>	<u>10,555</u>	<u>534,623</u>	<u>1,416,036</u>
Total receipts	<u>16,079</u>	<u>469,717</u>	<u>21,877</u>	<u>10,555</u>	<u>534,623</u>	<u>2,085,853</u>
Disbursements:						
Personal services	-	-	-	-	-	176,870
Supplies	-	-	-	-	-	14,046
Other services and charges	-	-	-	-	-	143,878
Debt service - principal and interest	-	-	11,655	-	-	118,464
Capital outlay	-	-	-	-	-	19,269
Utility operating expenses	-	-	-	-	-	199,008
Other disbursements	-	<u>469,717</u>	-	-	<u>534,623</u>	<u>1,389,023</u>
Total disbursements	<u>-</u>	<u>469,717</u>	<u>11,655</u>	<u>-</u>	<u>534,623</u>	<u>2,060,558</u>
Excess (deficiency) of receipts over disbursements	<u>16,079</u>	<u>-</u>	<u>10,222</u>	<u>10,555</u>	<u>-</u>	<u>25,295</u>
Cash and investments - ending	<u>\$ 34,436</u>	<u>\$ -</u>	<u>\$ 10,222</u>	<u>\$ 10,555</u>	<u>\$ -</u>	<u>\$ 578,308</u>

TOWN OF LAFONTAINE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2010

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.

<u>Primary Government</u>	<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>233,011</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 345,909</u>
Business-Type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 2,102
Buildings	16,345
Improvements other than buildings	1,841,544
Machinery and equipment	<u>49,787</u>
Total Water Utility capital assets	<u>1,909,778</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	13,926
Buildings	29,550
Improvements other than buildings	2,261,995
Machinery and equipment	<u>108,879</u>
Total Wastewater Utility capital assets	<u>2,414,350</u>
Total business-type activities, capital assets	<u>\$ 4,324,128</u>

TOWN OF LAFONTAINE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

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		
Loan payable:		
State Revolving Fund	\$ 642,986	\$ - *
Supplemental Fund	<u>23,224</u>	<u>- *</u>
Total Water Utility	<u>666,210</u>	<u>-</u>
Wastewater Utility		
Loan payable:		
State Revolving Fund	967,595	- *
Revenue Bonds:		
2005 Refunding revenue bonds	<u>163,000</u>	<u>5,827</u>
Total Wastewater Utility	<u>1,130,595</u>	<u>5,827</u>
Total business-type activities debt	<u>\$ 1,796,805</u>	<u>\$ 5,827</u>

* Project not completed, amortization schedule not available.

TOWN OF LAFONTAINE
AUDIT RESULTS AND COMMENTS

ANNUAL REPORT

An Annual Report was not filed with the State Examiner in a timely manner for the years 2009 and 2010. The annual report for 2010 did not include transactions of the State Revolving Funds (construction, bond and interest, and debt service reserve). A similar comment appeared in prior Report B35365.

Indiana Code 5-11-1-4(a) 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)

OVERDRAWN CASH BALANCES

The cash balance of the Trash Fund was overdrawn at December 31, 2009 and 2010, by \$185 and \$1,622, respectively. The Town pays the trash collection contractor an amount that is generally more than collected from the Town's customers. A similar comment appeared in prior Report B35365.

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)

TRANSACTION RECORDING

A check written on March 1, 2010, by the Auditor of State in the amount of \$6,800 for easements on a highway bridge project was not receipted in the Town's records. Instead, the State's check was endorsed by the Clerk-Treasurer and forwarded to one of its project vendors on July 28, 2010.

A Water Utility Bond and Interest certificate of deposit and transactions pertaining to State Revolving Funds were not recorded in the records of the Town.

Some General Fund disbursements were not correctly posted to appropriation ledgers.

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)

UTILITY RECEIPTS TAX

The Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue during the audit period. A similar comment appeared in prior Report B35365.

TOWN OF LAFONTAINE
AUDIT RESULTS AND COMMENTS
(Continued)

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 Indiana Code 6-8.1-15. However, gross receipts received by a political subdivision of 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 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)

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 B35365.

Indiana Code 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
AUDIT RESULTS AND COMMENTS
(Continued)

APPROPRIATIONS

The expenditures of the Fire Fighting Fund were in excess of budgeted appropriations by \$965 and \$407 during 2009 and 2010, respectively.

Indiana Code 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."

LOST WATER

During 2009 and 2010, the Water Utility reported a total of 77,753,000 gallons of treated water pumped out of the water plant. Approximately 34,900,000 gallons, 45 percent of the treated gallons pumped, could not be accounted for through customer billings or other sources. A similar comment appeared in prior Report B35365.

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)

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

The Utilities do not have a written policy for writing off bad debts, uncollectible accounts receivable, or any adjustments to record balances. Various amounts of old accounts receivable due to the Utilities were deleted from the records during the audit period without approval of the governing body. Additionally, documentation was not presented concerning unsuccessful collection procedures on these old balances. The percentage of accounts receivable balances that were inactive or were ninety days and older could not be determined because Aged Trial Balance Reports were not available for audit. A similar comment appeared in prior Report B35365.

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)

COMPUTER OUTPUT

Aged trial balance reports for the years 2009 and 2010, penalty reports for July and August 2010, and all adjustment reports for May 2010 were not presented for audit. Billings Reports for April 2009 and April 2010 could not be verified, as no totals were included on the reports.

TOWN OF LAFONTAINE
AUDIT RESULTS AND COMMENTS
(Continued)

Public records, financial statement information and supporting information generated through a computer system should be printed out on paper, printed to disk or maintained on-line at the end of each reporting year and retained for audit. Information must be maintained in a manner that will allow access for audit and public inquiry on equipment of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-15-6-3(d) states:

"No financial records or records relating thereto shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the State Board of Accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced as described in subsection (e)."

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)

HYDRANT RENTAL RECEIVABLE

The Town overpaid hydrant rental during 2009 and underpaid hydrant rental during 2010, resulting in a net underpayment of \$5,262.

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)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties of \$385 were paid to the Old National Bank on August 24, 2009, for late remittance of principal and interest due July 1, 2009.

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)

TOWN OF LAFONTAINE
AUDIT RESULTS AND COMMENTS
(Continued)

SERVICE RECORDS

Employee service records included paid leave earned and used, but balances (beginning or ending) were not maintained.

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)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

1. Claims were not adequately itemized for all disbursements.
2. Some claims were not presented for audit.
3. All claims did not have proper board approval or were approved after payment.
4. Some claims dockets were not presented for audit.
5. Some claims were posted for an amount different than the cleared check.
6. Certification by the Clerk-Treasurer was not dated.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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
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Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Town of LaFontaine (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the years ended December 31, 2009 and 2010. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2009 and 2010.

Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Town's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Town's management, Town Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 9, 2011

TOWN OF LAFONTAINE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2009 and 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-09	Total Federal Awards Expended 12-31-10
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Office of Community and Rural Affairs CDBG - State Administered Small Cities Program Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	DR2-09-004	\$ -	\$ 534,623
Total for federal grantor agency			-	534,623
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Pass-Through Indiana Finance Authority Capitalization Grants for Drinking Water State Revolving Funds	66.468	DW 08098501	67,991	210,363
Total for federal grantor agency			67,991	210,363
Total federal awards expended			\$ 67,991	\$ 744,986

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF LAFONTAINE
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of LaFontaine (Town) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1 et seq.), audits of Towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF LAFONTAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Programs:

Name of Federal Program or Cluster

CDBG - State Administered Small Cities Program Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
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TOWN OF LAFONTAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings

FINDING 2010-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiency constitutes a material weakness:

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts, utility billings and collections, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

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.

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)

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF LAFONTAINE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

Town of LaFontaine

Linda Harris

Clerk/Treasure

13 W. Branson St. · LaFontaine, In. 46940
Ph: (765) 981-4591 · Fax: (765) 981-45

JULY 12 2011

CORRECTIVE ACTION PLAN
TOWN OF LAFONTAINE

THE TOWN IS A SMALL GOVERNMENT UNIT. ALL BANKING AND BANK RECONCILIATIONS ARE DONE BY THE CLERK.

IN THE FUTURE THE BANK STATEMENTS AND THE RECONCILIATIONS WILL BE GIVEN TO THE COUNCIL MEMBERS TO REVIEW.
ALSO THE OFFICIALS WILL WORK CLOSER WITH COUNCIL MEMBERS.

DATE July 12 2011

Dan Guenin
DAN GUENIN

Linda Harris
LINDA HARRIS

TOWN OF LAFONTAINE
EXIT CONFERENCE

The contents of this report were discussed on August 9, 2011, with Linda Harris, Clerk-Treasurer; Gary Henderson, Town Council member; and Dan Guenin, President of the Town Council.