

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF LACONIA

HARRISON COUNTY, INDIANA

January 1, 2010 to December 31, 2010



**FILED**  
11/28/2011



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Accountant's Report.....	3
Financial Statement:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis .....	6
Notes to Financial Statement.....	7-10
Supplementary Information:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis .....	12
Schedule of Capital Assets.....	13
Examination Results and Comments:	
Prescribed Forms .....	14
Official Bond .....	14
Appropriations.....	14-15
Deposits.....	15
Temporary Transfer of Funds.....	15
Exit Conference.....	16

OFFICIALS

Office

Official

Term

Clerk-Treasurer

Amy Watson  
Paige L. Baker

01-01-08 to 02-05-10  
02-06-10 to 12-31-11

President of the Town Council

Thomas L. Huckaby

01-01-10 to 12-31-11



**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 statement of the Town of Laconia (Town), for the period of January 1, 2010 to December 31, 2010. The Town's management is responsible for the financial statement. 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 statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statement 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 noted above is a different basis than that used in the prior year.

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

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Capital Assets as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town's management and the Town Council, 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

September 26, 2011

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## FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the Town. The financial statement and notes are presented as intended by the Town.

TOWN OF LACONIA  
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	\$ 2,251	\$ 10,759	\$ 7,330	\$ 5,680
Motor Vehicle Highway	7,518	765	-	8,283
Local Road And Street	2,452	181	-	2,633
Riverboat	75,808	24,115	18,937	80,986
County Economic Development Income Tax	3,382	216	-	3,598
Cumulative Capital Improvement	282	85	-	367
Wastewater Utility - Operating	2,349	16,667	16,169	2,847
Totals	<u>\$ 94,042</u>	<u>\$ 52,788</u>	<u>\$ 42,436</u>	<u>\$ 104,394</u>

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

TOWN OF LACONIA  
NOTES TO FINANCIAL STATEMENT

**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 the following services: public safety (fire), highways and streets, general administrative services, and wastewater.

*B. Basis of Accounting*

The financial statement is 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 statement. 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.

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.

TOWN OF LACONIA  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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 statement. 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.

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

TOWN OF LACONIA  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.

**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.

TOWN OF LACONIA  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Report can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the Town which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and/or approved by management of the Town. It is presented as intended by the Town.

TOWN OF LACONIA  
 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	Riverboat	County Economic Development Income Tax	Cumulative Capital Improvement	Wastewater Utility Operating	Totals
Cash and investments - beginning	\$ 2,251	\$ 7,518	\$ 2,452	\$ 75,808	\$ 3,382	\$ 282	\$ 2,349	\$ 94,042
Receipts:								
Intergovernmental	497	765	181	24,085	216	85	-	25,829
Charges for services	3,093	-	-	-	-	-	-	3,093
Utility fees	-	-	-	-	-	-	16,667	16,667
Other receipts	7,169	-	-	30	-	-	-	7,199
Total receipts	<u>10,759</u>	<u>765</u>	<u>181</u>	<u>24,115</u>	<u>216</u>	<u>85</u>	<u>16,667</u>	<u>52,788</u>
Disbursements:								
Personal services	1,888	-	-	-	-	-	-	1,888
Supplies	202	-	-	-	-	-	-	202
Other services and charges	5,240	-	-	4,850	-	-	-	10,090
Capital outlay	-	-	-	9,087	-	-	-	9,087
Utility operating expenses	-	-	-	-	-	-	16,169	16,169
Other disbursements	-	-	-	5,000	-	-	-	5,000
Total disbursements	<u>7,330</u>	<u>-</u>	<u>-</u>	<u>18,937</u>	<u>-</u>	<u>-</u>	<u>16,169</u>	<u>42,436</u>
Excess of receipts over disbursements	<u>3,429</u>	<u>765</u>	<u>181</u>	<u>5,178</u>	<u>216</u>	<u>85</u>	<u>498</u>	<u>10,352</u>
Cash and investments - ending	<u>\$ 5,680</u>	<u>\$ 8,283</u>	<u>\$ 2,633</u>	<u>\$ 80,986</u>	<u>\$ 3,598</u>	<u>\$ 367</u>	<u>\$ 2,847</u>	<u>\$ 104,394</u>

TOWN OF LACONIA  
 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.

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.

	Ending Balance
Other:	
Capital assets, not being depreciated:	
Infrastructure	\$ 72,877
Buildings	49,650
Improvements other than buildings	31,710
Machinery and equipment	135,000
Total other capital assets	289,237
Wastewater Utility:	
Capital assets, not being depreciated:	
Buildings	8,000
Improvements other than buildings	369,693
Machinery and equipment	17,000
Total Wastewater Utility capital assets	394,693
Total capital assets not being depreciated	\$ 683,930

TOWN OF LACONIA  
EXAMINATION RESULTS AND COMMENTS

**PRESCRIBED FORMS**

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

Prescribed form, Receipts Form 352 was not always used.

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)

**OFFICIAL BOND**

The Clerk-Treasurer's official bond was filed in the Office of the County Recorder for \$15,000 instead of the required amount of \$30,000.

Indiana Code 5-4-1-18(c) states in part:

"Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of . . . town clerk-treasurers, . . . (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee."

**APPROPRIATIONS**

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

Fund	Year	Excess Amount Expended
General	2010	\$ 1,448
Riverboat	2010	7,837
Total		\$ 9,285

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."

TOWN OF LACONIA  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

The following is a list of funds which require city/town council approval of an appropriation. Due to the nature of the funds, the Department of Local Government Finance does not require submission of an additional appropriation request before the local appropriation can be approved. . . . Riverboat Fund . . . (Cities and Towns Bulletin and Uniform Compliance Guidelines, June 2010)

**DEPOSITS**

As stated in the prior Report B38156, in numerous instances, receipts were deposited later than the next business day.

Indiana Code 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."

**TEMPORARY TRANSFER OF FUNDS (*Applies to Wastewater Utility*)**

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 repayments since the adoption of the ordinance totaling \$1,900, leaving a balance due of \$8,100 as of December 31, 2010.

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)

TOWN OF LACONIA  
EXIT CONFERENCE

The contents of this report were discussed on September 26, 2011, with Paige L. Baker, Clerk-Treasurer, and Thomas L. Huckaby, President of the Town Council. The officials concurred with our findings.