

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF HAUBSTADT

GIBSON COUNTY, INDIANA

January 1, 2010 to December 31, 2010



FILED
07/22/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Bonnie J. Wagner	01-01-08 to 12-31-15
President of the Town Council	Kenneth Reinbrecht	01-01-10 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF HAUBSTADT, GIBSON COUNTY, INDIANA

We have examined the accompanying financial statement of the Town of Haubstadt (Town), for the year ended December 31, 2010. The financial statement is the responsibility of the Town's management. Our responsibility is to express an opinion on the financial statement 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 effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the year ended December 31, 2011.

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.

Our examination was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, as listed in the Table of Contents, is presented for additional analysis and is not required parts of the financial statement. It has not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on it.

Bruce Hartman
State Examiner

June 13, 2013

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

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General Fund	\$ 154,723	\$ 268,136	\$ 332,449	\$ 90,410
Cash Drawer	100	-	-	100
Old School Property & Gym	1,267	10,594	3,892	7,969
Motor Vehicle Highway	23,303	67,861	44,825	46,339
Local Road & Street	6,586	6,296	7,000	5,882
Law Enforcement Training	6,110	1,805	1,679	6,236
Riverboat Fund	46,340	9,569	-	55,909
Park & Recreation	24,508	31,491	38,696	17,303
Fire Dept. Special Run Fund	6,833	753	-	7,586
Grant Fund	1,618	218,468	218,468	1,618
Rainy Day Fund	62,032	9,444	-	71,476
Levy Excess Fund	-	1,555	-	1,555
Fire Territory Operating Funds	496,677	336,550	464,168	369,059
Economic Development Income Tax	319,692	101,195	157,685	263,202
Cumulative Capital Development	21,075	5,092	-	26,167
Special Police Equipment & Training	2,583	-	208	2,375
Cumulative Capital Improvement	4,354	4,478	5,000	3,832
Cumulative Fire Fund	966	-	-	966
Fire Territory Equipment Replacement	263,637	81,702	212,661	132,678
Payroll Funds	2,184	356,979	357,781	1,382
Wastewater Utility Operating	1,219,775	640,191	610,104	1,249,862
Wastewater Bond & Interest	626,869	268,248	256,375	638,742
Wastewater Improvement Funds	29,685	24,000	25,650	28,035
Wastewater Capital Improvement	600,129	4,048	-	604,177
Water Utility Operating	100,271	336,546	300,351	136,466
Water Consumer Deposits	10,505	3,500	3,800	10,205
Totals	<u>\$ 4,031,822</u>	<u>\$ 2,788,501</u>	<u>\$ 3,040,792</u>	<u>\$ 3,779,531</u>

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

TOWN OF HAUBSTADT
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 provides the following services: public safety (police and fire), highways and streets, culture and recreation, planning and zoning, general administrative services, water, and wastewater.

The accompanying financial statement presents the financial information for the Town.

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 include 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.

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

TOWN OF HAUBSTADT
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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

Penalties which include fees received for late payments.

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 include 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.

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.

TOWN OF HAUBSTADT
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

TOWN OF HAUBSTADT
NOTES TO FINANCIAL STATEMENT
(Continued)

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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Holding Corporation

The Town has entered into a capital lease with the Haubstadt Building Corporation (the lessor). The lessor was organized as a not for profit corporation pursuant to state statute for the purpose of financing and constructing a fire station for lease to the Town. The lessor has been determined to be a related party of the Town. Lease payments during the year 2010 totaled \$42,500.00.

Note 7. Restatements

For the year ended December 31, 2010, certain changes have been made to some of the beginning balances of the financial statements to more appropriately reflect financial activity of the Town. The following schedule presents a summary of restated beginning balances.

Fund Name	Balance as of December 31, 2009	New Fund	Prior Period Adjustment	Balance as of January 1, 2010
Wastewater Bond & Interest	\$ 684,879		\$ (58,100)	\$ 626,869
Wastewater Capital Improvements	542,119		58,100	600,129

Note 8. Subsequent Event

In January 2011, the Town was awarded a \$600,000 Community Development Block Grant for a sewage improvement project.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Reports for years prior to 2011 can be found on the Indiana Transparency Portal website: 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 approved by management of the Town. It is presented as intended by the Town.

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

	General Fund	Cash Drawer	Old School Property & Gym	Motor Vehicle Highway	Local Road & Street	Law Enforcement Training	Riverboat Fund
Cash and investments - beginning	\$ 154,723	\$ 100	\$ 1,267	\$ 23,303	\$ 6,586	\$ 6,110	\$ 46,340
Receipts:							
Taxes	224,247	-	-	131	-	-	-
Licenses and permits	2,340	-	-	-	-	970	-
Intergovernmental	5,379	-	-	49,276	6,296	-	9,569
Charges for services	6,810	-	-	18,454	-	10	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	29,360	-	10,594	-	-	825	-
Total receipts	<u>268,136</u>	<u>-</u>	<u>10,594</u>	<u>67,861</u>	<u>6,296</u>	<u>1,805</u>	<u>9,569</u>
Disbursements:							
Personal services	167,238	-	-	15,938	-	-	-
Supplies	24,863	-	-	2,656	-	1,679	-
Other services and charges	131,982	-	-	22,731	7,000	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	3,500	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	8,366	-	3,892	-	-	-	-
Total disbursements	<u>332,449</u>	<u>-</u>	<u>3,892</u>	<u>44,825</u>	<u>7,000</u>	<u>1,679</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(64,313)</u>	<u>-</u>	<u>6,702</u>	<u>23,036</u>	<u>(704)</u>	<u>126</u>	<u>9,569</u>
Cash and investments - ending	<u>\$ 90,410</u>	<u>\$ 100</u>	<u>\$ 7,969</u>	<u>\$ 46,339</u>	<u>\$ 5,882</u>	<u>\$ 6,236</u>	<u>\$ 55,909</u>

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

	Park & Recreation	Fire Dept. Special Run Fund	Grant Fund	Rainy Day Fund	Levy Excess Fund	Fire Territory Operating Funds	Economic Development Income Tax
Cash and investments - beginning	\$ 24,508	\$ 6,833	\$ 1,618	\$ 62,032	\$ -	\$ 496,677	\$ 319,692
Receipts:							
Taxes	21,747	-	-	-	1,555	286,982	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	31	-	-	9,444	-	752	101,195
Charges for services	9,047	753	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	666	-	218,468	-	-	48,816	-
Total receipts	<u>31,491</u>	<u>753</u>	<u>218,468</u>	<u>9,444</u>	<u>1,555</u>	<u>336,550</u>	<u>101,195</u>
Disbursements:							
Personal services	15,645	-	-	-	-	16,780	-
Supplies	1,626	-	-	-	-	17,979	-
Other services and charges	21,425	-	-	-	-	86,613	-
Debt service - principal and interest	-	-	-	-	-	42,500	-
Capital outlay	-	-	218,468	-	-	283,396	157,685
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	16,900	-
Total disbursements	<u>38,696</u>	<u>-</u>	<u>218,468</u>	<u>-</u>	<u>-</u>	<u>464,168</u>	<u>157,685</u>
Excess (deficiency) of receipts over disbursements	<u>(7,205)</u>	<u>753</u>	<u>-</u>	<u>9,444</u>	<u>1,555</u>	<u>(127,618)</u>	<u>(56,490)</u>
Cash and investments - ending	<u>\$ 17,303</u>	<u>\$ 7,586</u>	<u>\$ 1,618</u>	<u>\$ 71,476</u>	<u>\$ 1,555</u>	<u>\$ 369,059</u>	<u>\$ 263,202</u>

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

	Cumulative Capital Development	Special Police Equipment & Training	Cumulative Capital Improvement	Cumulative Fire Fund	Fire Territory Equipment Replacement	Payroll Funds	Wastewater Utility Operating
Cash and investments - beginning	\$ 21,075	\$ 2,583	\$ 4,354	\$ 966	\$ 263,637	\$ 2,184	\$ 1,219,775
Receipts:							
Taxes	5,057	-	-	-	64,633	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	35	-	-	-	169	-	-
Charges for services	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	612,421
Penalties	-	-	-	-	-	-	7,495
Other receipts	-	-	4,478	-	16,900	356,979	20,275
Total receipts	<u>5,092</u>	<u>-</u>	<u>4,478</u>	<u>-</u>	<u>81,702</u>	<u>356,979</u>	<u>640,191</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	212,661	-	29,025
Utility operating expenses	-	-	-	-	-	-	197,096
Other disbursements	-	208	5,000	-	-	357,781	383,983
Total disbursements	<u>-</u>	<u>208</u>	<u>5,000</u>	<u>-</u>	<u>212,661</u>	<u>357,781</u>	<u>610,104</u>
Excess (deficiency) of receipts over disbursements	<u>5,092</u>	<u>(208)</u>	<u>(522)</u>	<u>-</u>	<u>(130,959)</u>	<u>(802)</u>	<u>30,087</u>
Cash and investments - ending	<u>\$ 26,167</u>	<u>\$ 2,375</u>	<u>\$ 3,832</u>	<u>\$ 966</u>	<u>\$ 132,678</u>	<u>\$ 1,382</u>	<u>\$ 1,249,862</u>

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

	Wastewater Bond & Interest	Wastewater Improvement Funds	Wastewater Capital Improvement	Water Utility Operating	Water Consumer Deposits	Totals
Cash and investments - beginning	\$ 626,869	\$ 29,685	\$ 600,129	\$ 100,271	\$ 10,505	\$ 4,031,822
Receipts:						
Taxes	-	-	-	-	-	604,352
Licenses and permits	-	-	-	-	-	3,310
Intergovernmental	-	-	-	-	-	182,146
Charges for services	-	-	-	-	-	35,074
Utility fees	-	-	-	1,329	-	613,750
Penalties	-	-	-	18,640	-	26,135
Other receipts	<u>268,248</u>	<u>24,000</u>	<u>4,048</u>	<u>316,577</u>	<u>3,500</u>	<u>1,323,734</u>
Total receipts	<u>268,248</u>	<u>24,000</u>	<u>4,048</u>	<u>336,546</u>	<u>3,500</u>	<u>2,788,501</u>
Disbursements:						
Personal services	-	-	-	-	-	215,601
Supplies	-	-	-	-	-	48,803
Other services and charges	-	-	-	-	-	269,751
Debt service - principal and interest	175,000	-	-	-	-	217,500
Capital outlay	81,375	25,650	-	2,899	-	1,014,659
Utility operating expenses	-	-	-	264,306	3,800	465,202
Other disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,146</u>	<u>-</u>	<u>809,276</u>
Total disbursements	<u>256,375</u>	<u>25,650</u>	<u>-</u>	<u>300,351</u>	<u>3,800</u>	<u>3,040,792</u>
Excess (deficiency) of receipts over disbursements	<u>11,873</u>	<u>(1,650)</u>	<u>4,048</u>	<u>36,195</u>	<u>(300)</u>	<u>(252,291)</u>
Cash and investments - ending	<u>\$ 638,742</u>	<u>\$ 28,035</u>	<u>\$ 604,177</u>	<u>\$ 136,466</u>	<u>\$ 10,205</u>	<u>\$ 3,779,531</u>

TOWN OF HAUBSTADT
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT – (Applies to Town)

The annual report for 2010 contained three immaterial errors that were not corrected from the prior examination, and therefore, did not properly reflect certain cash balances of the Town of Haubstadt. However, the overall net effect on the total cash balance was zero.

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 in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

APPROPRIATIONS – (Applies to Town)

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

Fund	Year	Excess Amount Expended
Fire Territory Operating Funds	2010	\$ 105,295
Fire Territory Equipment Replacement	2010	2,661

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 HAUBSTADT
EXIT CONFERENCE

The contents of this report were discussed on June 13, 2013, with Bonnie J. Wagner, Clerk-Treasurer, and C. Michael Ballard, Town Council member. The officials concurred with our findings.