

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF LAUREL

FRANKLIN COUNTY, INDIANA

January 1, 2010 to December 31, 2010



FILED
09/22/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Carlene Rayburn	01-01-08 to 05-25-13
	(Vacant)	05-26-13 to 05-29-13
	Linda Adams	05-30-13 to 12-31-15
President of the Town Council	William St. John	01-01-10 to 12-31-11
	Randy Blake	01-01-12 to 12-31-12
	Nora Hundley	01-01-13 to 12-31-14



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF LAUREL, FRANKLIN COUNTY, INDIANA

We have examined the accompanying financial statement of the Town of Laurel (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. The basis noted above is a different basis than that used in the prior year.

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, 2010.

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 a required part 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.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

March 19, 2014

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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 LAUREL
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	\$ 44,214	\$ 225,310	\$ 207,069	\$ 62,455
MVH	17,781	15,354	18,732	14,403
LRS	7,051	3,039	4,432	5,658
Accident And Firearms	239	-	-	239
LECE	1,949	1,195	1,173	1,971
Riverboat	15,964	16,693	6,000	26,657
CEDIT	6,121	9,126	6,023	9,224
Cumulative Capital Improvement	2,510	1,695	1,594	2,611
Payroll	(866)	88,894	89,204	(1,176)
Wastewater Utility-Operating	34,875	178,786	160,147	53,514
Wastewater Util-Bond And Interest	12,006	16,008	-	28,014
Wastewater Utility-Debt Service Reserve	17,249	12,936	-	30,185
Water Utility-Operating	8,730	113,943	116,235	6,438
Water Utility-Bond And Interest	17,342	26,970	25,985	18,327
Water Utility-Depreciation/Improvement	8,214	7,557	-	15,771
Water Utility-Customer Deposit	3,574	600	200	3,974
Totals	<u>\$ 196,953</u>	<u>\$ 718,106</u>	<u>\$ 636,794</u>	<u>\$ 278,265</u>

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

TOWN OF LAUREL
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 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, 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, food and beverage tax, boat and trailer excise tax and county adjusted gross income tax.

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, 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, park rental fees, ordinance violations, fines and fees.

TOWN OF LAUREL
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

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. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

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.

TOWN OF LAUREL
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

TOWN OF LAUREL
NOTES TO FINANCIAL STATEMENT
(Continued)

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. Cash Balance Deficits

The financial statement contains one fund with a deficit cash balance. This is a result of the Town remitting payroll taxes from the Payroll fund without being reimbursed from other Town funds.

Note 7. Restatements

For the year ended December 31, 2010, certain changes have been made to the financial statement to more appropriately reflect financial activity of the Town. The fund previously reported as the Infractions/Violations fund is now reported as the Accident and Firearms fund. The fund previously reported as the Water Utility-Debt Service Reserve is now reported as the Water Utility-Depreciation/Improvement.

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 LAUREL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2010

	General	MVH	LRS	Accident And Firearms	LECE	Riverboat
Cash and investments - beginning	\$ 44,214	\$ 17,781	\$ 7,051	\$ 239	\$ 1,949	\$ 15,964
Receipts:						
Taxes	-	-	-	-	-	-
Intergovernmental	170,914	15,354	2,939	-	-	16,693
Charges for services	-	-	100	-	-	-
Fines and forfeits	-	-	-	-	1,195	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	54,396	-	-	-	-	-
Total receipts	<u>225,310</u>	<u>15,354</u>	<u>3,039</u>	<u>-</u>	<u>1,195</u>	<u>16,693</u>
Disbursements:						
Personal services	42,241	4,310	-	-	-	6,000
Supplies	6,460	-	-	-	1,123	-
Other services and charges	144,520	2,762	4,432	-	50	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	13,848	11,660	-	-	-	-
Total disbursements	<u>207,069</u>	<u>18,732</u>	<u>4,432</u>	<u>-</u>	<u>1,173</u>	<u>6,000</u>
Excess (deficiency) of receipts over disbursements	<u>18,241</u>	<u>(3,378)</u>	<u>(1,393)</u>	<u>-</u>	<u>22</u>	<u>10,693</u>
Cash and investments - ending	<u>\$ 62,455</u>	<u>\$ 14,403</u>	<u>\$ 5,658</u>	<u>\$ 239</u>	<u>\$ 1,971</u>	<u>\$ 26,657</u>

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

	CEDIT	Cumulative Capital Improvement	Payroll	Wastewater Utility-Operating	Wastewater Util-Bond And Interest	Wastewater Utility-Debt Service Reserve
Cash and investments - beginning	\$ 6,121	\$ 2,510	\$ (866)	\$ 34,875	\$ 12,006	\$ 17,249
Receipts:						
Taxes	44	-	-	-	-	-
Intergovernmental	9,082	1,695	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	176,708	-	-
Other receipts	-	-	88,894	2,078	16,008	12,936
Total receipts	<u>9,126</u>	<u>1,695</u>	<u>88,894</u>	<u>178,786</u>	<u>16,008</u>	<u>12,936</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	1,594	-	-	-	-
Utility operating expenses	-	-	-	131,222	-	-
Other disbursements	6,023	-	89,204	28,925	-	-
Total disbursements	<u>6,023</u>	<u>1,594</u>	<u>89,204</u>	<u>160,147</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>3,103</u>	<u>101</u>	<u>(310)</u>	<u>18,639</u>	<u>16,008</u>	<u>12,936</u>
Cash and investments - ending	<u>\$ 9,224</u>	<u>\$ 2,611</u>	<u>\$ (1,176)</u>	<u>\$ 53,514</u>	<u>\$ 28,014</u>	<u>\$ 30,185</u>

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

	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility Depreciation/ Improvement	Water Utility-Customer Deposit	Totals
Cash and investments - beginning	\$ 8,730	\$ 17,342	\$ 8,214	\$ 3,574	\$ 196,953
Receipts:					
Taxes	-	-	-	-	44
Intergovernmental	-	-	-	-	216,677
Charges for services	-	-	-	-	100
Fines and forfeits	-	-	-	-	1,195
Utility fees	93,151	-	-	600	93,751
Penalties	-	-	-	-	176,708
Other receipts	20,792	26,970	7,557	-	229,631
Total receipts	113,943	26,970	7,557	600	718,106
Disbursements:					
Personal services	-	-	-	-	52,551
Supplies	-	-	-	-	7,583
Other services and charges	-	-	-	-	153,358
Utility operating expenses	71,037	25,985	-	200	228,444
Other disbursements	45,198	-	-	-	194,858
Total disbursements	116,235	25,985	-	200	636,794
Excess (deficiency) of receipts over disbursements	(2,292)	985	7,557	400	81,312
Cash and investments - ending	\$ 6,438	\$ 18,327	\$ 15,771	\$ 3,974	\$ 278,265

TOWN OF LAUREL
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN CASH BALANCE (Applies to Clerk-Treasurer)

The financial statement presented in this report included the Payroll fund that had an overdrawn cash balances at December 31, 2010, in the amount of \$1,176. This overdrawn cash balance was the result of the Town remitting payroll taxes from the Payroll fund without being reimbursed from other Town funds.

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)

SUPPORTING DOCUMENTATION - DEBIT CARDS (Applies to Clerk-Treasurer)

A total of \$4,147 of debit card purchases are made by the Town Marshal during the year 2010. However, no supporting documentation, such as invoices and paid receipts, were presented for examination. The Deputy Clerk-Treasurer stated the purchases were for the following purposes based on her familiarity of the vendors and the date of purchases:

Description	Amount	Notes
Lodging, gas, food for trip	\$ 698	(1)
Lodging, gas, food for trip	1,407	(2)
Supplies and services for K-9	1,543	
Local gas purchases	<u>499</u>	
	<u>\$ 4,147</u>	

Notes to Schedule:

- (1) Trip to Texas to pick up a K-9 for Marshal's Office.
- (2) Training class in Ohio.

TOWN OF LAUREL
EXAMINATION RESULTS AND COMMENTS
(Continued)

Accounts Payable Vouchers (Form 39) showing a certification by the Town Marshall that materials and services ordered were received was also not presented for examination. However, the Accounts Payable Voucher Register (Form 364) showed that the above payments were approved by the Clerk-Treasurer and the Town Council.

Supporting documentation such as 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)

PENALTIES AND INTEREST PAID (Applies to Clerk-Treasurer)

The Town paid penalties and interest to the Indiana Department of Revenue in the amount of \$920 because the Town did not remit utility receipt tax payments on a timely basis.

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 LAUREL
EXIT CONFERENCE

The contents of this report were discussed on March 19, 2014, with Linda Adams, Clerk-Treasurer, and Nora Hundley, President of the Town Council.