

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LAKEVILLE

ST. JOSEPH COUNTY, INDIANA

January 1, 2011 to December 31, 2014



FILED
10/24/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Darla Perkins (Faucett) Cindy McQueen	11-16-09 to 12-31-11 01-01-12 to 12-31-19
President of the Town Council	John Kuhn Martha Tyler Karen Iovino	01-01-11 to 12-31-11 01-01-12 to 10-04-15 10-05-15 to 12-31-15
Superintendent of Utilities	Marvin Martin Dan Casad	01-01-11 to 09-09-12 09-10-12 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF LAKEVILLE, ST. JOSEPH COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Lakeville (Town), for the period from January 1, 2011 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statements Examination Report of the Town, which provides our opinion on the Town's financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

December 15, 2015

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CLERK-TREASURER
TOWN OF LAKEVILLE

CLERK-TREASURER
TOWN OF LAKEVILLE
EXAMINATION RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

During the period of examination, the Town of Lakeville paid penalties, interest, and other charges to the Internal Revenue Service and the Indiana Department of Revenue totaling \$5,535.05 for tax liabilities incurred from 2009 through 2013 due to the late payment of various taxes. Of the total paid, \$5,281.70 was incurred and paid during the term of Darla Perkins, former Clerk-Treasurer. The years for which the liabilities were incurred and the amounts paid were as follows:

<u>Years of Tax Liability</u>	<u>Penalties, Interest, and Other Charges Paid</u>
2009	\$ 70.37
2010	1,858.97
2011	3,422.73
2012	7.51
2013	<u>175.47</u>
Total	<u>\$ 5,535.05</u>

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)

We requested that Darla Perkins, former Clerk-Treasurer, reimburse the Town of Lakeville \$5,281.70 for penalties, interest, and other charges incurred during her term in office from 2010 and 2011. (See Summary of Charges, page 15)

ANNUAL FINANCIAL REPORT

The Annual Financial Reports for 2011, 2012, and 2013 were not filed electronically until May 29, 2013, July 2, 2013, and March 5, 2014, respectively.

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."

CLERK-TREASURER
TOWN OF LAKEVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were attempted; however, variances were not investigated nor were necessary corrections made to the records. Our examination identified cumulative adjustments of \$36,548 that had to be made to the fund cash balances. After the adjustments, the fund cash balance exceeded the depository balance by \$51,495 at December 31, 2014.

An analysis for each year of the examination period identified varying differences as identified in the following schedule:

	12-31-2011	12-31-2012	12-31-2013	12-31-2014
Depository Balances	\$ 701,366	\$ 625,278	\$ 570,829	\$ 631,073
Less Outstanding Checks	<u>1,492</u>	<u>23,998</u>	<u>8,522</u>	<u>18,007</u>
Adjusted Depository Balances	<u>699,874</u>	<u>601,280</u>	<u>562,307</u>	<u>613,066</u>
Fund Report	971,266	646,861	649,904	701,109
Identified Reconciling Items and Adjustments	<u>14,367</u>	<u>19,411</u>	<u>(36,548)</u>	<u>(36,548)</u>
Adjusted Fund Report	<u>985,633</u>	<u>666,272</u>	<u>613,356</u>	<u>664,561</u>
Difference - Adjusted Depository Balances to Adjusted Fund Report	<u>\$ (285,759)</u>	<u>\$ (64,992)</u>	<u>\$ (51,049)</u>	<u>\$ (51,495)</u>

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

OVERDRAWN CASH BALANCES

The financial statements presented for the Town include the following funds with overdrawn cash balances at the year-end dates indicated:

Fund	Amount Overdrawn 12-31-11	Amount Overdrawn 12-31-12	Amount Overdrawn 12-31-13	Amount Overdrawn 12-31-14
Motor Vehicle Highway	\$ 12,139	\$ -	\$ -	\$ -
Police Block Grant	90	-	-	-
O.P.O. Grant	1,096	-	-	-
Payroll	-	77,102	77,102	491
Sewer Bond and Interest	19,734	-	-	-

CLERK-TREASURER
TOWN OF LAKEVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

APPROPRIATIONS

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

Fund	Year			
	2011	2012	2013	2014
General	\$ 23,696	\$ 59,314	\$ 8,614	\$ -
Local Road and Street	19,197	-	-	-
Motor Vehicle Highway	40,388	22,601	-	-
Cum Cap Development	-	-	877	8,408
Cum Cap Improvement	-	-	3,963	-

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."

TRAVEL CLAIMS

Of the travel claims tested, 17 percent did not have adequate supporting documentation.

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 . . ."

RECEIPTS AND DEPOSITS

Records presented for examination were incomplete. The records presented did not provide sufficient information to examine or establish the accuracy of some receipts and deposits or the accuracy or correctness of the transactions. The 2011 deposit tickets were not presented for examination. In addition, the receipts always listed the payment type as "checks" even when there was evidence of cash payments. Therefore, we were unable to determine if receipts were deposited intact.

CLERK-TREASURER
TOWN OF LAKEVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

We conducted a test designed to determine if Police Department receipts were remitted to the Clerk-Treasurer at least once per week, if they were deposited timely and intact, and if they were properly recorded in the Town's records. Of the receipts tested, 33 percent could not be traced to the Town's Funds Ledger; 50 percent of those receipts also could not be traced to a bank deposit because the 2011 deposit tickets were not presented for examination.

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)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-15-6-3(f), concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Town. The records presented did not provide sufficient information to examine or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

The deficiencies included:

1. State and County distributions which were not recorded.
2. Payroll checks for the final 6 months of 2011 which were not recorded until 2012.
3. A \$60,000 transfer disbursement which was not recorded but the receipt was.
4. Water meter deposits of \$2,240 which were not recorded; primarily in 2011.
5. There were a number of checks written which were not recorded.

The prior examination report for the period November 1, 2009 to December 31, 2010, included a disclaimed opinion because the Town did not properly maintain accounting records. The ending fund balance for all funds reported as of December 31, 2010 was \$759,632. The beginning fund balance for all funds reported as of January 1, 2011 is \$913,723; a difference of \$154,091.

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)

CLERK-TREASURER
TOWN OF LAKEVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ELECTED OFFICIALS' SALARY ORDINANCE

A salary ordinance for 2011, which established the rate of pay for elected officials was not presented for examination.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEBIT CARD DISBURSEMENTS

Examination of bank statements identified debit card purchases totaling \$1,964.96, \$2,582.44, and \$7,342.61 in 2012, 2013, and 2014, respectively. These transactions were approved by the Town Council subsequent to the withdrawal of funds from the Town's bank account. No policy was presented to allow this type of transaction.

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)

Indiana Code 5-11-10-1.6(c) states in part:

". . . 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."

CLERK-TREASURER
TOWN OF LAKEVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Disbursements, other than proper petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BOND INFORMATION

The Town of Lakeville has purchased a public officials bond from American States Insurance Company in the amount of \$30,000 to cover Darla Perkins, Clerk-Treasurer, for the period November 16, 2009 through January 1, 2012.

Town of Lakeville
118 S Michigan St PO Box 137
Lakeville, IN 46536
Phone/Fax: 574.784.8311
cindy@townoflakeville.org

January 26, 2016

To Whom It May Concern:

I Cindy McQueen, Clerk-Treasurer for the Town of Lakeville am giving my response to the audit performed and ended on December 15, 2015.

Capital Assets: We are working on compiling a complete Asset Report that will have a complete inventory of each entity of the Town. Water/Wastewater/Streets/Police/Town Hall.

Customer Deposit Register: We have been working on a spreadsheet over the past 6 months to close the old Black Book. We have an overage in the Fund Account than what we have found on the Books. We will be done with the process by March 1, 2016 and will transfer any and all monies back to the Water operating.

Bank Reconciliations: The \$36,548.00 have been corrected. The Fund Balances are being worked on as the Clerk found some unposted checks that are being verified with the bank statements and will be adjusted to the appropriate Funds they were being taken out of. Also the \$60,000.00 had been debited from the appropriate funds.

Penalties, Interest, and Other Charges: Since 2012 these penalties and interest have been paid to the best of this Clerk's knowledge. Some charges were sent after that and also Sales Tax had to be repaid as the Town was overpaid \$1300.22 in 2011.

Appropriations: In 2012 and 2013 the General Account was paying for a deputy that should have been paid by a grant. When the monies were received that fixed that problem.

Debit Card Disbursements: The Town is now actively seeking to receive a Credit Card. The Town already has a credit card ordinance. The Town has been rejected by Elan as the former Clerk who banked with Key Bank used the Credit Card for personal reasons and that company had charged off \$9500.00 that was never paid by the Town for the credit card.

Overdrawn cash balances: This clerk inherited the payroll and over a period of 3 years has gotten this straightened out

Last but not least I Cindy want to comment on the Salary the Clerk was paid prior to my being elected into office. In 2010 the Ordinance was for the Clerk: annual \$16,422.00, 2011 we could not find a signed

Salary Ordinance. In 2012 when I was elected the salary was not raised and my annual Salary was \$16,422.00. In the 2 years prior to my election the Clerk, Darla Perkins paid herself 2010 \$17,471.82 and in 2011 \$17,514.12. In my term as the Clerk my annual Salary consisted of: 2012 \$16,421.85 2013: \$16,772.03 2014 \$ 16,772.13 and in 2015 I did not even reach her highest pay at \$17,275.16. What compensation does the current clerk receive as the Clerk-Treasurer's wages should never have been lowered and she, Darla overpaid herself?

A handwritten signature in cursive script that reads "Cindy McQueen". The signature is fluid and written in dark ink.

Cindy McQueen
Clerk-Treasurer

CLERK-TREASURER
TOWN OF LAKEVILLE
EXIT CONFERENCE

The contents of this report were discussed on December 15, 2015, with Cindy McQueen, Clerk-Treasurer; Debra Law, Council member; and Karen Iovino, President of the Town Council.

The contents of this report were sent on December 28, 2015, via certified mail to Darla Perkins (Faucett), former Clerk-Treasurer.

CLERK-TREASURER
TOWN OF LAKEVILLE
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Darla Perkins, former Clerk-Treasurer:			
Penalties, Interest, and Other Charges, page 6	\$ <u>5,281.70</u>	\$ <u>-</u>	\$ <u>5,281.70</u>

This report was forwarded to the Office of the Indiana Attorney General.

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AFFIDAVIT

STATE OF INDIANA)
)
St. Joseph COUNTY)

We, John W. Pajakowski, Kellie Manzuk, and Kenisha Gunn, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Clerk-Treasurer, Town of Lakeville, St. Joseph County, Indiana, for the period from January 1, 2011 to December 31, 2014, is true and correct to the best of our knowledge and belief.

[Signature]
[Signature]
[Signature]
Field Examiners

Subscribed and sworn to before me this 5th day of April, 2016

[Signature]
Notary Public

My Commission Expires: 7/12/2020
County of Residence: LaPorte

