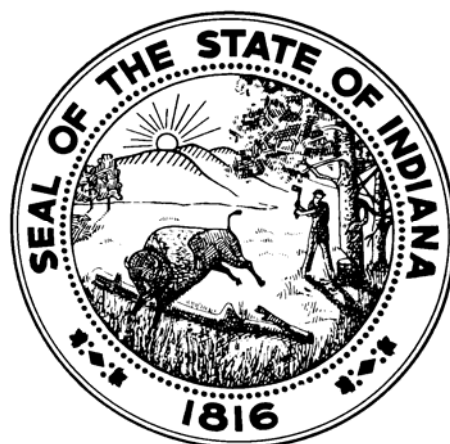


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

EXAMINATION REPORT  
OF  
TOWN OF LACONIA  
HARRISON COUNTY, INDIANA  
January 1, 2004 to December 31, 2005



**FILED**  
09/22/2006



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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Nancy McKellar

01-01-04 to 12-31-07

President of the Town Council

Joseph Kingsley

01-01-04 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF LACONIA, HARRISON COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Laconia (Town), for the period of January 1, 2004 to December 31, 2005. The Town's management is responsible for the schedules. 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 schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedules referred to above present fairly, in all material respects, the cash transactions of the Town for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

August 15, 2006

TOWN OF LACONIA  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES  
As Of And For The Years Ended December 31, 2004 And 2005

|  | Cash and<br>Investments<br>01-01-04 | Receipts         | Disbursements    | Cash and<br>Investments<br>12-31-04 |
|--|-------------------------------------|------------------|------------------|-------------------------------------|
| Governmental Funds:                    |                                     |                  |                  |                                     |
| General                                | \$ 13,439                           | \$ 5,414         | \$ 6,408         | \$ 12,445                           |
| Motor Vehicle Highway                  | 4,032                               | 911              | -                | 4,943                               |
| Local Road and Street                  | 1,266                               | 206              | -                | 1,472                               |
| Riverboat                              | 104,162                             | 67,751           | 58,259           | 113,654                             |
| Unsafe Building                        | -                                   | 225              | 225              | -                                   |
| Cumulative Capital Improvement         | 5,496                               | 108              | 2,500            | 3,104                               |
| County Economic Development Income Tax | 1,889                               | 336              | -                | 2,225                               |
| Proprietary Fund:                      |                                     |                  |                  |                                     |
| Wastewater Utility - Operating         | 5,219                               | 15,239           | 13,630           | 6,828                               |
| Totals                                 | <u>\$ 135,503</u>                   | <u>\$ 90,190</u> | <u>\$ 81,022</u> | <u>\$ 144,671</u>                   |

|  | Cash and<br>Investments<br>01-01-05 | Receipts         | Disbursements    | Cash and<br>Investments<br>12-31-05 |
|--|-------------------------------------|------------------|------------------|-------------------------------------|
| Governmental Funds:                    |                                     |                  |                  |                                     |
| General                                | \$ 12,445                           | \$ 11,437        | \$ 18,707        | \$ 5,175                            |
| Motor Vehicle Highway                  | 4,943                               | 892              | -                | 5,835                               |
| Local Road and Street                  | 1,472                               | 251              | -                | 1,723                               |
| Riverboat                              | 113,654                             | 29,460           | 21,341           | 121,773                             |
| Unsafe Building                        | -                                   | 505              | 505              | -                                   |
| Cumulative Capital Improvement         | 3,104                               | 90               | -                | 3,194                               |
| County Economic Development Income Tax | 2,225                               | 251              | -                | 2,476                               |
| Proprietary Fund:                      |                                     |                  |                  |                                     |
| Wastewater Utility - Operating         | 6,828                               | 22,882           | 26,806           | 2,904                               |
| Totals                                 | <u>\$ 144,671</u>                   | <u>\$ 65,768</u> | <u>\$ 67,359</u> | <u>\$ 143,080</u>                   |

The accompanying notes are an integral part of the schedules.

TOWN OF LACONIA  
NOTES TO SCHEDULES

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety (fire), highways and streets, general administrative services, and wastewater.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. 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% 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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes 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 LACONIA  
EXAMINATION RESULTS AND COMMENTS

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of Town employees was not certified to the Harrison County Treasurer.

Indiana Code 6-1.1-22-14(a) states, in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the name and address of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping were present during our period of audit:

- (1) Record balances were not reconciled to depository balances from July 2005 to December 2005.

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."

- (2) There were several posting errors. These errors included receipts not recorded, receipts not recorded for the proper amounts and receipts posted to the wrong fund. There was also an instance where two checks were issued for the same payment because payment was made based on the invoice and also from the statement; however, only one of the checks cleared the bank.

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)

TRANSFERS

Transfers from the Riverboat Fund to the Unsafe Building Fund of \$225 and \$505 were made in the years 2004 and 2005, respectively. The fiscal body did not approve the transfer in the form of a resolution or ordinance nor did they mention the transfers in the minutes of Town Council meetings.

A transfer from the CCI Fund to the General Fund of \$2,500 was made in the year 2004. The minutes of the Town Council indicated that the transfer was approved; however, a resolution or ordinance was not approved.

Indiana Code 36-5-4-13 states in part:

- (a) Except as provided in subsection (c), this subsection applies to a town with a population of five hundred (500) or less. Notwithstanding the provisions of any other statute, a town may transfer money from any town fund to another town fund after the passage of an ordinance or a resolution by the town legislative body specifying the:

TOWN OF LACONIA  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (1) amount of the transfer;
- (2) funds involved;
- (3) date of the transfer; and
- (4) general purpose of the transfer. . . ."

ERRORS ON CLAIMS

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

- (1) Claims were not prepared for all disbursements.
- (2) Claims were not adequately itemized.
- (3) All claims were not approved by the Clerk-Treasurer.
- (4) Claims or invoices did not have evidence to support receipt of goods or services.

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."

APPROPRIATIONS

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

TOWN OF LACONIA  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

| Fund            | Excess Amount<br>Expended |           |
|-----------------|---------------------------|-----------|
|                 | 2004                      | 2005      |
| General         | \$ -                      | \$ 803    |
| Riverboat       | 58,034                    | 10,836    |
| Unsafe Building | 225                       | 505       |
| Totals          | \$ 58,259                 | \$ 12,144 |

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."

CAPITAL ASSET RECORDS

The Town and Utility do not have records to support capital asset purchases, additions, and disposals.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger, City and Town Form 211, or properly approved form, as applicable. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PRESCRIBED FORMS

The following prescribed or approved forms were not in use:

- Ledger of Appropriations, Encumbrances, Disbursements and Balances, City and Town Form 209
- General Payroll Form 99
- Simplified Cash Journal Wastewater Utility - Class C Form 323
- Capital Asset Ledger, City and Town Form 211

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)

UTILITY LATE FEES

Instances were noted where 10% penalties were assessed on the entire unpaid balance on wastewater accounts each month.

It is our audit position that the 10% penalty on unpaid wastewater bills specified in IC 36-9-23-31 should be assessed one time and one time only. Subsequent billings should not include additional assessments on this penalty. Similarly, unless specifically directed by statute, ordinance, or other legal directives, penalties on late fees for municipal utilities organized under IC 8-1.5 should be charged only one time. Future late charges should not include additional charges added to the penalties on late fees. (Cities and Towns Bulletin and Uniform Compliance Guidelines, March 1999)

TOWN OF LACONIA  
EXIT CONFERENCE

The contents of this report were discussed on August 15, 2006, with Joseph Kingsley, President of the Town Council; and Nancy McKellar, Clerk-Treasurer. The officials concurred with our findings.