

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

EXAMINATION REPORT

OF

TOWN OF LAGRO

WABASH COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED
10/25/2007

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

V. Maxine Baker

01-01-04 to 12-31-07

President of the Town Council

John Hecox
Alan Tribbett

01-01-05 to 02-06-06
02-07-06 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF LAGRO, WABASH COUNTY, INDIANA

We have examined the financial information presented herein of the Town of LaGro (Town), for the period of January 1, 2005 to December 31, 2006. The Town's management is responsible for the financial information presented herein. 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 information presented herein 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 financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 6, 2007

TOWN OF LAGRO
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 149,885	\$ 63,399	\$ 88,498	\$ 124,786
Motor Vehicle Highway	30,815	34,750	34,072	31,493
Local Road and Street	8,453	3,257	8,000	3,710
Park and Recreation	10,793	10,102	13,312	7,583
Library Grant	8,564	456	3,935	5,085
Trash Disposal	(647)	14,092	13,312	133
Rainy Day	1,457	-	-	1,457
Cumulative Capital Improvement	5,282	1,403	5,000	1,685
Cumulative Fire Fighting	10,167	139	-	10,306
Economic Development Income Tax	20,705	10,621	11,102	20,224
Cumulative Capital Development	5,677	1,930	5,600	2,007
Proprietary Funds:				
Water Utility - Operating	15,030	78,776	80,335	13,471
Water Utility - Bond and Interest and Debt Service Reserve	6,201	21,039	16,927	10,313
Water Utility - Depreciation	9,427	6,000	-	15,427
Water Utility - Customer Deposit	4,427	500	940	3,987
Water Utility - Improvement Project Escrow	53,221	3,504	56,725	-
Wastewater Utility - Operating	41,191	68,622	94,306	15,507
Wastewater Utility - Bond and Interest	10,935	20,458	21,950	9,443
Wastewater Utility - Depreciation and Improvement	9,407	7,200	-	16,607
Wastewater Utility - Reserve	8,400	-	-	8,400
Wastewater Utility - Debt Service Reserve	-	10,804	-	10,804
Fiduciary Funds:				
Park and Recreation Donation	1,367	686	758	1,295
Good Ole Days Festival	1,791	5,869	6,718	942
Payroll	1,231	57,461	57,966	726
Totals	\$ 413,779	\$ 421,068	\$ 519,456	\$ 315,391

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 124,786	\$ 102,198	\$ 119,983	\$ 107,001
Motor Vehicle Highway	31,493	40,605	28,809	43,289
Local Road and Street	3,710	3,116	-	6,826
Park and Recreation	7,583	13,045	14,452	6,176
Library Grant	5,085	23	1,790	3,318
Trash Disposal	133	13,589	13,229	493
Rainy Day	1,457	-	-	1,457
Riverboat	-	2,857	-	2,857
Cumulative Capital Improvement	1,685	1,622	-	3,307
Cumulative Fire Fighting	10,306	248	-	10,554
Economic Development Income Tax	20,224	7,560	15,137	12,647
Cumulative Capital Development	2,007	2,620	153	4,474
Levy Excess	-	5,171	-	5,171
Proprietary Funds:				
Water Utility - Operating	13,471	61,868	63,420	11,919
Water Utility - Bond and Interest and Debt Service Reserve	10,313	21,039	18,722	12,630
Water Utility - Depreciation	15,427	6,000	8,330	13,097
Water Utility - Customer Deposit	3,987	591	436	4,142
Wastewater Utility - Operating	15,507	72,829	88,499	(163)
Wastewater Utility - Bond and Interest	9,443	22,250	21,591	10,102
Wastewater Utility - Depreciation and Improvement	16,607	7,200	22,607	1,200
Wastewater Utility - Reserve	8,400	-	5,155	3,245
Wastewater Utility - Debt Service Reserve	10,804	2,274	-	13,078
Fiduciary Funds:				
Park and Recreation Donation	1,295	789	629	1,455
Good Ole Days Festival	942	9,698	8,525	2,115
Payroll	726	60,257	61,241	(258)
Totals	\$ 315,391	\$ 457,449	\$ 492,708	\$ 280,132

The accompanying notes are an integral part of the financial information.

TOWN OF LAGRO
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, highways and streets, culture and recreation, general administrative services, water 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 LAGRO
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

TOWN OF LAGRO
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2006

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 completed in the current years have been reported.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 5,500
Buildings	196,103
Machinery and equipment	<u>90,140</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u>291,743</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 47,177
Buildings	2,304
Improvements other than buildings	939,882
Machinery and equipment	<u>48,990</u>
 Total Water Utility capital assets	 <u>1,038,353</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Improvements other than buildings	2,675,880
Machinery and equipment	<u>16,200</u>
 Total Wastewater Utility capital assets	 <u>2,692,080</u>
 Total business-type activities capital assets	 \$ <u>3,730,433</u>

TOWN OF LAGRO
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

December 31, 2006

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Fire station	\$ 6,079	\$ 6,079
Business-type Activities:		
Water Utility		
Loan:		
State revolving loan payable	\$ 223,865	\$ 5,000
Wastewater Utility		
Revenue bonds:		
\$209,000 1995 Sewage works expansion	162,000	6,000
\$150,000 2001 Sewage works expansion	136,000	3,000
Total Wastewater Utility	298,000	9,000
Total business-type activities long-term debt	\$ 521,865	\$ 14,000

TOWN OF LAGRO
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were incorrect. A similar comment appeared in prior Report B25430.

Indiana Code 5-13-6-1(e) states in part: "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."

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping that were cited in the prior Report B25430, were again present during our period of examination:

1. There were a considerable number of posting errors. These errors included items posted to the control page, but not posted to an appropriation or expense category.

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)

2. There were a considerable number of math errors. Monthly and yearly totals were not always correct.

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)

APPROPRIATIONS

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

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Motor Vehicle Highway	2005	\$ 2,156
Local Road and Street	2005	4,000
Park and Recreation	2005	312
Cumulative Capital Improvement	2005	2,500
Cumulative Capital Development	2005	1,600
General	2006	3,290
Park and Recreation	2006	452

On several occasions, unexpended balances of appropriations at year end were carried over to the subsequent year's appropriation without a pending invoice or contract. A pending invoice or contract must be present to "encumber" appropriations to the next year. The improper carry over of appropriations created expenditures in excess of the current year budgeted appropriations.

TOWN OF LAGRO
EXAMINATION RESULTS AND COMMENTS
(Continued)

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."

Unexpended balances of appropriations, for other than encumbrances by contract or purchase order, shall lapse at the close of each year. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property. A similar comment appeared in prior Report B25430.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) A description of the premises, as shown by the records of the county auditor; and
 - (C) The amount of the delinquent fees, together with the penalty; or
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May"

CUSTOMER TRANSACTION RECORDING

Some adjustments to Water and Wastewater Utility customer accounts were never posted to the computer system.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF LAGRO
EXAMINATION RESULTS AND COMMENTS
(Continued)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit balance recorded in the Simplified Cash Journal. A similar comment appeared in prior Report B25430.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

W-2's were not issued to Town Council members, the Library Coordinator or for part-time summer help. A similar comment appeared in prior Report B25430.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PAYROLL WITHHOLDINGS

Employees' payroll withholdings are accounted for in the Payroll Fund. The Clerk-Treasurer did not reconcile the withholdings balances to subsequent payments. This resulted in an unidentified balance in the Payroll Fund. A similar comment appeared in prior Report B25430.

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)

PENALTIES ON WATER UTILITY BILLINGS

Penalties were incorrectly calculated on delinquent Water Utility billings. The penalties were calculated at 10% of the first \$3 and 3% of the excess over \$3. The penalties should have been calculated at 10% of the first \$5 and 3% of the excess over \$5.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF LAGRO
EXIT CONFERENCE

The contents of this report were discussed on September 6, 2007, with V. Maxine Baker, Clerk-Treasurer; and Alan Tribbett, President of the Town Council. The officials concurred with our findings.