

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

TOWN OF LAPAZ

MARSHALL COUNTY, INDIANA

January 1, 2010 to December 31, 2011



**FILED**  
05/01/2013



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jane Harris (Vacant) Susan Albert	01-01-08 to 10-14-11 10-15-11 to 10-27-11 10-28-11 to 12-31-14
President of the Town Council	Lorraine Dove Roger Ecker Lorraine Dove	01-01-10 to 12-31-11 01-01-12 to 12-31-12 01-01-13 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 LAPAZ, MARSHALL COUNTY, INDIANA

We have examined the accompanying financial statements of the Town of LaPaz (Town), for the period of January 1, 2010 to December 31, 2011. The financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on the financial statements 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 statements 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 statements 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 statements 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 period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statements referred to above do 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 period of January 1, 2010 to December 31, 2011.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the period of January 1, 2010 to December 31, 2011, 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 statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.

Bruce Hartman  
State Examiner

March 4, 2013

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## FINANCIAL STATEMENTS

The financial statements and accompanying notes were approved by management of the Town. The financial statements and notes are presented as intended by the Town.

TOWN OF LAPAZ  
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	\$ 70,498	\$ 210,999	\$ 216,099	\$ 65,398
Motor Vehicle	15,103	20,463	20,266	15,300
Local Road Street	20,198	2,422	-	22,620
Law Enforcement Ed	1,065	205	-	1,270
Police Grant	12	-	-	12
Park	3,815	1,346	544	4,617
Rainy Day Fund	52,727	4,763	-	57,490
Levy Excess	-	304	-	304
Investment CD	28,509	3,653	1,213	30,949
Cum Capital Improvement	10,018	1,432	-	11,450
Cum Capital Development	29,563	6,318	1,213	34,668
Payroll	3,728	144,389	143,966	4,151
Storm Drain	39,105	9,289	4,585	43,809
Sewer Utility Operation	169,924	272,472	343,471	98,925
Sant Bond & Interest	77,599	45,646	45,887	77,358
Depreciation	80,500	12,000	-	92,500
Debt Service	8,185	42,312	682	49,815
Totals	<u>\$ 610,549</u>	<u>\$ 778,013</u>	<u>\$ 777,926</u>	<u>\$ 610,636</u>

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

TOWN OF LAPAZ  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General Fund	\$ 65,398	\$ 165,537	\$ 178,573	\$ 52,362
Motor Vehicle	15,300	37,003	15,580	36,723
Local Road Street	22,620	2,869	-	25,489
Law Enforcement Ed Park	1,270	10	-	1,280
	4,617	316	584	4,349
Rainy Day Fund	57,490	7,000	-	64,490
Levy Excess	304	-	304	-
Cum Capital Improvement	11,450	877	-	12,327
Cum Capital Development	34,668	4,757	-	39,425
Police Grant	12	-	-	12
Investment CD	30,949	978	-	31,927
Payroll	4,151	109,451	112,227	1,375
Storm Drain	43,809	9,894	550	53,153
Sewer Utility Operation	98,925	253,822	236,367	116,380
Sant Bond & Interest	77,358	40,520	44,903	72,975
Depreciation	92,500	12,000	-	104,500
Debt Service	49,815	-	-	49,815
Totals	<u>\$ 610,636</u>	<u>\$ 645,034</u>	<u>\$ 589,088</u>	<u>\$ 666,582</u>

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

TOWN OF LAPAZ  
NOTES TO FINANCIAL STATEMENTS

**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, culture and recreation, public improvements, general administrative services, wastewater, storm water, and trash.

The accompanying financial statements present the financial information for the Town.

*B. Basis of Accounting*

The financial statements are 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 statements. The aggregate receipts may include, but are not limited to, 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,

TOWN OF LAPAZ  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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, 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.

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 statements. The aggregate disbursements may include, but are not limited to, 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.

TOWN OF LAPAZ  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

*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.

TOWN OF LAPAZ  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**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.

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

**Note 6. Pension Plan**

*Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is 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 Indiana Public Retirement System (INPRS) 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 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

TOWN OF LAPAZ  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*Funding Policy and Annual Pension Cost*

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

**Note 7. Subsequent Event**

The Town received a Community Development Block Grant in 2012 through the Indiana Office of Community and Rural Affairs for the reconstruction of its storm sewers in the amount of \$972,771. All federal grant money was received and expended in 2012.

## 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/](http://www.in.gov/itp/annual_reports/).

For additional financial information, the Town's Annual Report information for years 2011 and later can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Town which are 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 LAPAZ  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	General Fund	Motor Vehicle	Local Road Street	Law Enforcement Ed	Police Grant	Park	Rainy Day Fund	Levy Excess	Investment Cd
Cash and investments - beginning	\$ 70,498	\$ 15,103	\$ 20,198	\$ 1,065	\$ 12	\$ 3,815	\$ 52,727	\$ -	\$ 28,509
Receipts:									
Taxes	90,758	7,097	-	-	-	-	-	-	-
Intergovernmental	42,267	13,366	2,422	-	-	-	4,763	304	-
Charges for services	70,827	-	-	205	-	1,346	-	-	-
Fines and forfeits	959	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	6,188	-	-	-	-	-	-	-	3,653
Total receipts	210,999	20,463	2,422	205	-	1,346	4,763	304	3,653
Disbursements:									
Personal services	70,600	6,980	-	-	-	544	-	-	-
Supplies	51,246	11,817	-	-	-	-	-	-	-
Other services and charges	69,778	-	-	-	-	-	-	-	-
Capital outlay	24,475	1,469	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-	1,213
Total disbursements	216,099	20,266	-	-	-	544	-	-	1,213
Excess (deficiency) of receipts over disbursements	(5,100)	197	2,422	205	-	802	4,763	304	2,440
Cash and investments - ending	\$ 65,398	\$ 15,300	\$ 22,620	\$ 1,270	\$ 12	\$ 4,617	\$ 57,490	\$ 304	\$ 30,949

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

	Cum Capital Improvement	Cum Capital Development	Payroll	Storm Drain	Sewer Utility Operation	Sant Bond & Interest	Depreciation	Debt Service	Totals
Cash and investments - beginning	\$ 10,018	\$ 29,563	\$ 3,728	\$ 39,105	\$ 169,924	\$ 77,599	\$ 80,500	\$ 8,185	\$ 610,549
Receipts:									
Taxes	-	4,696	-	-	-	-	-	-	102,551
Intergovernmental	1,432	409	-	-	-	-	-	-	64,963
Charges for services	-	-	-	-	-	-	-	-	72,378
Fines and forfeits	-	-	-	-	-	-	-	-	959
Utility fees	-	-	-	-	243,506	-	-	-	243,506
Penalties	-	-	-	-	2,980	-	-	-	2,980
Other receipts	-	1,213	144,389	9,289	25,986	45,646	12,000	42,312	290,676
Total receipts	1,432	6,318	144,389	9,289	272,472	45,646	12,000	42,312	778,013
Disbursements:									
Personal services	-	1,213	-	-	-	-	-	-	79,337
Supplies	-	-	-	-	-	-	-	-	63,063
Other services and charges	-	-	-	-	-	-	-	-	69,778
Capital outlay	-	-	-	4,585	51,825	-	-	-	82,354
Utility operating expenses	-	-	-	-	209,070	-	-	-	209,070
Other disbursements	-	-	143,966	-	82,576	45,887	-	682	274,324
Total disbursements	-	1,213	143,966	4,585	343,471	45,887	-	682	777,926
Excess (deficiency) of receipts over disbursements	1,432	5,105	423	4,704	(70,999)	(241)	12,000	41,630	87
Cash and investments - ending	\$ 11,450	\$ 34,668	\$ 4,151	\$ 43,809	\$ 98,925	\$ 77,358	\$ 92,500	\$ 49,815	\$ 610,636

TOWN OF LAPAZ  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011

	General Fund	Motor Vehicle	Local Road Street	Law Enforcement Ed	Park	Rainy Day Fund	Levy Excess	Cum Capital Improvement	Cum Capital Development
Cash and investments - beginning	\$ 65,398	\$ 15,300	\$ 22,620	\$ 1,270	\$ 4,617	\$ 57,490	\$ 304	\$ 11,450	\$ 34,668
Receipts:									
Taxes	73,537	23,344	-	-	-	-	-	-	4,609
Licenses and permits	-	-	-	10	-	-	-	-	-
Intergovernmental	32,108	13,659	2,869	-	-	-	-	877	148
Charges for services	55,452	-	-	-	316	-	-	-	-
Fines and forfeits	297	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	4,143	-	-	-	-	7,000	-	-	-
Total receipts	165,537	37,003	2,869	10	316	7,000	-	877	4,757
Disbursements:									
Personal services	25,125	6,817	-	-	-	-	-	-	-
Supplies	1,657	5,884	-	-	-	-	-	-	-
Other services and charges	29,385	2,879	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	122,406	-	-	-	584	-	304	-	-
Total disbursements	178,573	15,580	-	-	584	-	304	-	-
Excess (deficiency) of receipts over disbursements	(13,036)	21,423	2,869	10	(268)	7,000	(304)	877	4,757
Cash and investments - ending	\$ 52,362	\$ 36,723	\$ 25,489	\$ 1,280	\$ 4,349	\$ 64,490	\$ -	\$ 12,327	\$ 39,425

TOWN OF LAPAZ  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Police Grant	Investment CD	Payroll	Storm Drain	Sewer Utility Operation	Sant Bond & Interest	Depreciation	Debt Service	Totals
Cash and investments - beginning	\$ 12	\$ 30,949	\$ 4,151	\$ 43,809	\$ 98,925	\$ 77,358	\$ 92,500	\$ 49,815	\$ 610,636
Receipts:									
Taxes	-	-	-	-	-	-	-	-	101,490
Licenses and permits	-	-	-	-	-	-	-	-	10
Intergovernmental	-	-	-	-	-	-	-	-	49,661
Charges for services	-	-	-	-	-	-	-	-	55,768
Fines and forfeits	-	-	-	-	-	-	-	-	297
Utility fees	-	-	-	9,894	249,461	-	-	-	259,355
Penalties	-	-	-	-	3,928	-	-	-	3,928
Other receipts	-	978	109,451	-	433	40,520	12,000	-	174,525
Total receipts	-	978	109,451	9,894	253,822	40,520	12,000	-	645,034
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	31,942
Supplies	-	-	-	-	-	-	-	-	7,541
Other services and charges	-	-	-	-	-	-	-	-	32,264
Debt service - principal and interest	-	-	-	-	-	44,796	-	-	44,796
Capital outlay	-	-	-	-	10,466	-	-	-	10,466
Utility operating expenses	-	-	-	550	134,912	107	-	-	135,569
Other disbursements	-	-	112,227	-	90,989	-	-	-	326,510
Total disbursements	-	-	112,227	550	236,367	44,903	-	-	589,088
Excess (deficiency) of receipts over disbursements	-	978	(2,776)	9,344	17,455	(4,383)	12,000	-	55,946
Cash and investments - ending	\$ 12	\$ 31,927	\$ 1,375	\$ 53,153	\$ 116,380	\$ 72,975	\$ 104,500	\$ 49,815	\$ 666,582

TOWN OF LAPAZ  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2011

Government and Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 5,444	\$ -
Storm Water	-	571
Wastewater	13,463	11,775
Totals	\$ 18,907	\$ 12,346

TOWN OF LAPAZ  
 SCHEDULE OF LEASES AND DEBT  
 December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater:			
General obligation bonds	sewage works refunding bonds	<u>\$ 435,000</u>	<u>\$ 49,280</u>

TOWN OF LAPAZ  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2011

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 are not reported.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 109,600
Buildings	39,000
Machinery and equipment	66,000
Total governmental activities, capital assets not being depreciated	\$ 214,600

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 50,603
Buildings	106,318
Improvements other than buildings	3,761,429
Machinery and equipment	167,812
Total Wastewater Utility capital assets	\$ 4,086,162

TOWN OF LAPAZ  
EXAMINATION RESULTS AND COMMENTS

**WASTEWATER UTILITY PUBLIC RECORDS RETENTION AND WASTEWATER BILLINGS**

Many of the Wastewater Utility computer report records from the examination period were not available for audit. The reports include Billing Summary Reports, Billing Journals, and Cash Summary Reports.

The current Clerk-Treasurer was unable to explain how four of the wastewater billings tested were calculated. It could not be determined if those billings were charged according to the rate ordinance.

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."

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)

**CONDITION OF RECORDS**

The following deficiencies were noted during our examination of the Town's records:

1. Record balances were not consistently reconciled to depository balances for the last three months of the two year period. Other procedures were performed by the auditor to offset the lack of reconcilements by the Town.
2. The check register and the postings to the ledger for the last three months of the two year period do not always agree with the actual checks written and the accounts payable vouchers. In some cases, accounts payable and payroll disbursements in the total amount of \$17,171 appear to be posted to the ledger twice. In other instances, the vendor and amount of three of the checks listed in the check register and ledger are different than the actual checks that cleared the bank. The checks cleared the bank for \$475 more than the amount listed in the Town's ledger. Two checks that cleared the bank were not posted to the Town's records. The checks total \$1,038. One bank charge for \$113 was not posted to the Town's records. One check for \$66 was entered into the Town's records using the same check number as a payroll check. The \$66 check did not clear the bank and appears to be a posting error. The official agreed with these adjustments.
3. The Commercial Vehicle Excise Tax distribution for December 2011 in the amount of \$90 was not posted to the ledger. A transfer between wastewater funds in the amount of \$1,000 was not posted to the ledger. The official agreed with this adjustment.
4. Interest earned on the Certificate of Deposit was not posted to the Investment CD fund for the last several years. Total interest that should have been posted through December 31, 2011, is \$3,417. The official agreed with this adjustment.
5. Receipt number 261 dated November 7, 2011, for wastewater collections from October 1, 2011 to October 11, 2011, was posted to the ledger in November 2011. The wastewater collections were also included on receipt number 254 dated October 31, 2011, and posted to the ledger on October 31, 2011. This resulted in the duplicate posting of \$7,848.11. The official agreed with this adjustment.

TOWN OF LAPAZ  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

6. Receipts, disbursements, and/or balances for two of the funds listed on the 2011 annual report do not agree with the Fund Report generated by the Town's general ledger software. Sewage Utility Operations receipts were overstated \$6,203 on the annual report. Depreciation disbursements were overstated \$12,000 on the annual report. The official agreed with these adjustments.

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."

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)

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)

#### **COMPENSATION AND BENEFITS**

The former Clerk-Treasurer received \$6,000 in compensation in 2010 for performing the billing function for Pretty Lake Conservancy District. The compensation was not included in the salary ordinance. According to the current Clerk-Treasurer, the 2010 salary ordinance will be amended and approved by the Town Council at the next Town Council board meeting.

The Sewer Superintendent received additional compensation for extra hours worked in 2010 and 2011. He received \$328 for extra duties in 2010 and \$360 for extra duties in 2011. The rate of pay for the additional duties was \$18 per hour. The hourly pay for additional work was not included in the salary ordinances. According to the current Clerk-Treasurer, the 2010 and 2011 salary ordinances will be amended and approved by the Town Council at the next Town Council board meeting.

The Sewer Maintenance person received compensation that exceeded the amount shown in the 2011 salary ordinance by \$19,890. The employee received the same amount of total compensation in 2011 as he did in 2010. The 2011 salary ordinance states he should receive \$765 every other week. The 2010 salary ordinance stated his pay is \$765 every week. According to the current Clerk-Treasurer and observation of prior salary ordinances, the employee is a full-time employee and was paid correctly in 2011. The phrase "every other week" is a typographical error in the 2011 salary ordinance. It will be corrected to say "every week" and approved by the Town Council at the next Town Council board meeting.

The Town Council members (other than the Town Council President) received compensation that exceeded the amount shown in the 2011 salary ordinance. The 2011 salary ordinance states the Council members pay (other than the Town Council President) is \$328 per month. The Council members (other than the Town Council President) were paid \$358 per month. The amount stated in the 2011 salary ordinance is less than the Council members (other than the Town Council President) received the last few years. The 2010 salary ordinance states the Council members pay (other than the Town Council President) is \$358 per month. According to the current Clerk-Treasurer and observation of prior salary ordinances, the 2011 salary ordinance should read \$358 per month. This typographical error will be corrected and approved by the Town Council at the next Town Council board meeting.

TOWN OF LAPAZ  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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)

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)

***DELINQUENT WASTEWATER ACCOUNTS***

The current Clerk-Treasurer, who was appointed to the Clerk-Treasurer's position effective October 28, 2011, filed and recorded liens once (March 15, 2012) since assuming her office. She has not filed or recorded any additional liens as of February 12, 2013.

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. . . ."

TOWN OF LAPAZ  
EXIT CONFERENCE

The contents of this report were discussed on March 4, 2013, with Susan Albert, Clerk-Treasurer, and Lorraine Dove, President of the Town Council. The officials concurred with our findings.