

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

TOWN OF LARWILL

WHITLEY COUNTY, INDIANA

January 1, 2015 to December 31, 2018



**FILED**  
11/20/2019



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Accountant's Review Report .....	3-4
Financial Statements and Accompanying Notes:	
Statements of Receipts, Disbursements, and Cash and Investment	
Balances - Regulatory Basis .....	6-7
Notes to Financial Statements.....	8-11
Review Results and Comments:	
Adoption and Training of Internal Controls.....	12
Certification on Internal Control Standards .....	12
Exit Conference.....	13

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Renee S. Sills	01-01-12 to 12-31-19
President of the Town Council	Richard L. Hobbs Lore Wolfe	01-01-15 to 12-31-15 01-01-16 to 12-31-19



## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF THE TOWN OF LARWILL, WHITLEY COUNTY, INDIANA

We have reviewed the accompanying financial statements of the Town of Larwill (Town), for the period of January 1, 2015 to December 31, 2018. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Town's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with a regulatory basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana 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. This includes determining that the basis of accounting the Town uses is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error.

### ***Accountant's Responsibility***

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.


INDEPENDENT ACCOUNTANT'S REVIEW REPORT  
(Continued)

***Accountant's Conclusion***

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the prescribed basis of accounting described in Note 1.

***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana 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. Our conclusion is not modified with respect to this matter.

  
Paul D. Joyce, CPA  
State Examiner

October 22, 2019

## FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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 LARWILL  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Years Ended December 31, 2015 and 2016

Fund	Cash and Investments			Cash and Investments			Cash and Investments		
	01-01-15	Receipts	Disbursements	12-31-15	Receipts	Disbursements	12-31-16		
General	\$ 117,740	\$ 31,737	\$ 24,896	\$ 124,581	\$ 29,528	\$ 26,755	\$ 127,354		
Motor Vehicle Highway	42,607	25,920	11,412	57,115	25,052	14,056	68,111		
Local Road And Street	2,650	1,669	935	3,384	1,650	1,231	3,803		
Garbage	7,135	11,080	10,406	7,809	10,491	10,616	7,684		
IHFA	7,424	-	4,100	3,324	550	18	3,856		
Rainy Day	6,711	-	-	6,711	630	405	6,936		
Cumulative Capl Imprv Cigarette Tax	2,340	711	-	3,051	2,761	447	5,365		
Cumulative Capital Development	10,862	674	571	10,965	1,370	1,003	11,332		
Co Economic Development Income Tax	23,009	11,015	2,622	31,402	12,236	10,202	33,436		
Public Safety	-	-	-	-	5,018	-	5,018		
Rental Fee	239	300	339	200	100	75	225		
Gazebo	662	-	129	533	-	205	328		
Sewer Operation	174,630	76,953	55,901	195,682	72,810	60,780	207,712		
Sewer Reserves	19,965	-	-	19,965	-	-	19,965		
Sewer Sinking	9,424	20,400	18,660	11,164	20,400	19,275	12,289		
Totals	<u>\$ 425,398</u>	<u>\$ 180,459</u>	<u>\$ 129,971</u>	<u>\$ 475,886</u>	<u>\$ 182,596</u>	<u>\$ 145,068</u>	<u>\$ 513,414</u>		

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

TOWN OF LARWILL  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Years Ended December 31, 2017 and 2018

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17	Receipts	Disbursements	Cash and Investments 12-31-18
General	\$ 127,354	\$ 32,388	\$ 29,292	\$ 130,450	\$ 38,631	\$ 30,076	\$ 139,005
Motor Vehicle Highway	68,111	26,510	16,915	77,706	28,374	14,294	91,786
Local Road And Street	3,803	2,080	1,381	4,502	2,858	2,047	5,313
Garbage	7,684	10,648	10,672	7,660	11,333	11,713	7,280
IHFA	3,856	550	-	4,406	650	-	5,056
Rainy Day	6,936	-	-	6,936	-	759	6,177
Cumulative Capl Imprv Cigarette Tax	5,365	3,770	760	8,375	662	-	9,037
Cumulative Capital Development	11,332	581	3,800	8,113	510	1,479	7,144
Co Economic Development Income Tax	33,436	13,429	11,446	35,419	14,659	2,622	47,456
Public Safety	5,018	5,099	1,500	8,617	5,746	1,500	12,863
Rental Fee	225	-	-	225	-	-	225
Gazebo	328	-	91	237	-	163	74
Storm Drain	-	-	-	-	3,000	-	3,000
Sewer Operation	207,712	71,513	63,726	215,499	73,699	64,321	224,877
Sewer Reserves	19,965	-	-	19,965	-	-	19,965
Sewer Sinking	12,289	20,400	18,835	13,854	20,400	18,395	15,859
Totals	<u>\$ 513,414</u>	<u>\$ 186,968</u>	<u>\$ 158,418</u>	<u>\$ 541,964</u>	<u>\$ 200,522</u>	<u>\$ 147,369</u>	<u>\$ 595,117</u>

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

TOWN OF LARWILL  
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, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, wastewater, trash, and urban redevelopment and housing.

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 Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 include the following sources:

*Taxes.* Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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.

*Intergovernmental receipts.* Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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.

TOWN OF LARWILL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*Charges for services.* Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines 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.* Amounts received 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.* Amounts received from charges for current services.

*Other receipts.* Amounts received from various sources, including, but 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 include the following uses:

*Personal services.* Amounts disbursed 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.* Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

*Other services and charges.* Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

*Debt service - principal and interest.* Amounts disbursed for 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.* Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

*Utility operating expenses.* Amounts disbursed for operating the utilities.

*Other disbursements.* Amounts disbursed for various other purposes including, but 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.

TOWN OF LARWILL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*F. Interfund Transfers*

The Town may, from time to time, make transfers 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 amounts 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 amounts 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 December 31 of the year preceding the budget year or January 15 of the budget year if the Town is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. 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.

TOWN OF LARWILL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

State statutes authorize the Town to invest in securities including, but not limited to, the following: 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. Subsequent Events**

On January 24, 2019, the Town Council approved to pay off their USDA loan of \$189,000 and to enter into a line of credit with Crossroads Bank of \$250,000 due to better interest rates.

On March 14, 2019, the Town Council awarded the Hammontree Street Project to Niblock, the lowest bidder, of \$171,243.

TOWN OF LARWILL  
REVIEW RESULTS AND COMMENTS

***ADOPTION AND TRAINING OF INTERNAL CONTROLS***

The Town Council had not adopted the minimum level of internal controls as required by statute. The Town Council did not provide training to personnel concerning internal control standards and procedures during the audit period.

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

***CERTIFICATION ON INTERNAL CONTROL STANDARDS***

The Clerk-Treasurer incorrectly certified on the Annual Financial Report (AFR) for 2017 and 2018 that the required internal control standards had been adopted and training had been provided to personnel. However, the Town had not adopted the internal control standards as required by Indiana Code 5-11-1-27(g), nor had personnel been trained.

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](#)."

TOWN OF LARWILL  
EXIT CONFERENCE

The contents of this report were discussed on October 22, 2019, with Renee S. Sills, Clerk-Treasurer, and Jessica Wallace, Town Council member.