

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF LAFONTAINE

WABASH COUNTY, INDIANA

January 1, 2011 to December 31, 2011



**FILED**  
09/20/2012



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Linda Harris Danielle Stouffer	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Town Council	Dan Guenin	01-01-11 to 12-31-12
Superintendent of Utilities	Dennis Jones	01-01-11 to 12-31-12



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial statement of the Town of LaFontaine (Town), for the period of January 1, 2011 to December 31, 2011. The Town's management is responsible for the financial statement. 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 statement 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 statement 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.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the year ended December 31, 2011, on the basis of accounting described in Note 1.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, 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 a required part of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town's management, Town Council, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 25, 2012

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## FINANCIAL STATEMENT

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

TOWN OF LAFONTAINE  
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	\$ 40,296	\$ 162,567	\$ 192,239	\$ 10,624
Motor Vehicle Highway	34,897	58,154	63,527	29,524
Local Road And Street	19,168	4,236	-	23,404
Building Demolition	11,500	-	-	11,500
Sanitation	(1,622)	38,735	37,445	(332)
Law Enforcement Continuing Ed	1,854	138	689	1,303
Firefighting	1,684	31,974	33,443	215
Rainy Day	18,641	-	7,490	11,151
CEDIT Special Revenue	42,610	11,578	22,369	31,819
Levy Excess	477	-	477	-
Cumulative Capital Improvement	5,938	2,585	-	8,523
Cumulative Fire	4,403	4,505	-	8,908
Cumulative Drainage	12,946	-	1,000	11,946
Donations	22,000	4,033	6,090	19,943
Payroll	-	179,678	179,678	-
Wastewater Utility-Operating	158,767	183,947	214,198	128,516
Wastewater Utility-Bond And Interest	24,985	95,872	95,387	25,470
Wastewater Utility-Depreciation/Improvement	13,458	1,200	-	14,658
Wastewater Utility-Debt Reserve	58,000	-	-	58,000
Water Utility SRF Construction	-	7,014	7,014	-
Water Utility SRF Bond and Interest	10,222	47,988	55,064	3,146
Water Utility SRF Debt Service Reserve	10,555	9,047	-	19,602
Water Utility Construction	-	44,918	44,918	-
Water Utility-Operating	32,751	142,274	159,686	15,339
Water Utility-Bond And Interest	20,341	100	6,351	14,090
Water Utility-Depreciation/Improvement	34,436	15,743	27,375	22,804
Totals	<u>\$ 578,307</u>	<u>\$ 1,046,286</u>	<u>\$ 1,154,440</u>	<u>\$ 470,153</u>

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



TOWN OF LAFONTAINE  
NOTES TO FINANCIAL STATEMENT

**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, water, wastewater, trash, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the Town.

*B. Basis of Accounting*

The financial statement is 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 statement. The aggregate receipts may include 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 LAFONTAINE  
NOTES TO FINANCIAL STATEMENT  
(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.

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 statement. The aggregate disbursements include 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.

Utility operating expenses which include all outflows for operating the utilities.

TOWN OF LAFONTAINE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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 LAFONTAINE  
NOTES TO FINANCIAL STATEMENT  
(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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement any replacement items purchased.

**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:

TOWN OF LAFONTAINE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

*Funding Policy and Annual Pension Cost*

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

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## SUPPLEMENTARY INFORMATION – UNAUDITED

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

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the Town which is 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 prepared and/or approved by management of the Town. It is presented as intended by the Town.

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

	General	Motor Vehicle Highway	Local Road And Street	Building Demolition	Sanitation	Law Enforcement Continuing Ed	Firefighting
Cash and investments - beginning	\$ 40,296	\$ 34,897	\$ 19,168	\$ 11,500	\$ (1,622)	\$ 1,854	\$ 1,684
Receipts:							
Taxes	77,790	29,162	-	-	-	-	27,253
Licenses and permits	-	-	-	-	-	100	-
Intergovernmental	74,433	28,781	4,236	-	-	-	4,721
Charges for services	214	-	-	-	38,735	11	-
Fines and forfeits	9,176	211	-	-	-	27	-
Utility fees	-	-	-	-	-	-	-
Other receipts	954	-	-	-	-	-	-
Total receipts	<u>162,567</u>	<u>58,154</u>	<u>4,236</u>	<u>-</u>	<u>38,735</u>	<u>138</u>	<u>31,974</u>
Disbursements:							
Personal services	150,102	37,553	-	-	-	-	-
Supplies	6,562	12,664	-	-	-	689	-
Other services and charges	35,468	9,710	-	-	37,445	-	20,186
Debt service - principal and interest	-	-	-	-	-	-	13,257
Capital outlay	106	3,600	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1	-	-	-	-	-	-
Total disbursements	<u>192,239</u>	<u>63,527</u>	<u>-</u>	<u>-</u>	<u>37,445</u>	<u>689</u>	<u>33,443</u>
Excess (deficiency) of receipts over disbursements	<u>(29,672)</u>	<u>(5,373)</u>	<u>4,236</u>	<u>-</u>	<u>1,290</u>	<u>(551)</u>	<u>(1,469)</u>
Cash and investments - ending	<u>\$ 10,624</u>	<u>\$ 29,524</u>	<u>\$ 23,404</u>	<u>\$ 11,500</u>	<u>\$ (332)</u>	<u>\$ 1,303</u>	<u>\$ 215</u>



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

	Rainy Day	CEDIT Special Revenue	Levy Excess	Cumulative Capital Improvement	Cumulative Fire	Cumulative Drainage	Donations
Cash and investments - beginning	\$ 18,641	\$ 42,610	\$ 477	\$ 5,938	\$ 4,403	\$ 12,946	\$ 22,000
Receipts:							
Taxes	-	-	-	-	3,840	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	11,578	-	2,585	665	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	4,033
Total receipts	-	11,578	-	2,585	4,505	-	4,033
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	11,776	-	-	-	-	-
Other services and charges	7,490	3,240	-	-	-	1,000	-
Debt service - principal and interest	-	7,353	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	6,090
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	477	-	-	-	-
Total disbursements	7,490	22,369	477	-	-	1,000	6,090
Excess (deficiency) of receipts over disbursements	(7,490)	(10,791)	(477)	2,585	4,505	(1,000)	(2,057)
Cash and investments - ending	<u>\$ 11,151</u>	<u>\$ 31,819</u>	<u>\$ -</u>	<u>\$ 8,523</u>	<u>\$ 8,908</u>	<u>\$ 11,946</u>	<u>\$ 19,943</u>

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

	Payroll	Wastewater Utility - Operating	Wastewater Utility-Bond And Interest	Wastewater Utility - Depreciation/ Improvement	Wastewater Utility-Debt Reserve	Water Utility SRF Construction	Water Utility SRF Bond and Interest
Cash and investments - beginning	\$ -	\$ 158,767	\$ 24,985	\$ 13,458	\$ 58,000	\$ -	\$ 10,222
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	183,248	-	-	-	-	-
Other receipts	179,678	699	95,872	1,200	-	7,014	47,988
Total receipts	179,678	183,947	95,872	1,200	-	7,014	47,988
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	7,825	95,387	-	-	-	55,064
Capital outlay	-	-	-	-	-	7,014	-
Utility operating expenses	-	109,301	-	-	-	-	-
Other disbursements	179,678	97,072	-	-	-	-	-
Total disbursements	179,678	214,198	95,387	-	-	7,014	55,064
Excess (deficiency) of receipts over disbursements	-	(30,251)	485	1,200	-	-	(7,076)
Cash and investments - ending	\$ -	\$ 128,516	\$ 25,470	\$ 14,658	\$ 58,000	\$ -	\$ 3,146

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

	Water Utility SRF Debt Service Reserve	Water Utility Construction	Water Utility - Operating	Water Utility-Bond And Interest	Water Utility - Depreciation/ Improvement	Totals
Cash and investments - beginning	\$ 10,555	\$ -	\$ 32,751	\$ 20,341	\$ 34,436	\$ 578,307
Receipts:						
Taxes	-	-	-	-	-	138,045
Licenses and permits	-	-	-	-	-	100
Intergovernmental	-	-	-	-	-	126,999
Charges for services	-	-	-	-	-	38,960
Fines and forfeits	-	-	-	-	-	9,414
Utility fees	-	-	142,121	-	-	325,369
Other receipts	9,047	44,918	153	100	15,743	407,399
Total receipts	<u>9,047</u>	<u>44,918</u>	<u>142,274</u>	<u>100</u>	<u>15,743</u>	<u>1,046,286</u>
Disbursements:						
Personal services	-	-	-	-	-	187,655
Supplies	-	-	-	-	-	31,691
Other services and charges	-	-	-	-	-	114,539
Debt service - principal and interest	-	-	1,956	-	-	180,842
Capital outlay	-	44,918	-	-	-	61,728
Utility operating expenses	-	-	84,952	-	27,375	221,628
Other disbursements	-	-	72,778	6,351	-	356,357
Total disbursements	<u>-</u>	<u>44,918</u>	<u>159,686</u>	<u>6,351</u>	<u>27,375</u>	<u>1,154,440</u>
Excess (deficiency) of receipts over disbursements	<u>9,047</u>	<u>-</u>	<u>(17,412)</u>	<u>(6,251)</u>	<u>(11,632)</u>	<u>(108,154)</u>
Cash and investments - ending	<u>\$ 19,602</u>	<u>\$ -</u>	<u>\$ 15,339</u>	<u>\$ 14,090</u>	<u>\$ 22,804</u>	<u>\$ 470,153</u>

TOWN OF LAFONTAINE  
 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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 12,001
Infrastructure	39,887
Buildings	59,000
Improvements other than buildings	2,010
Machinery and equipment	<u>235,657</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 348,555</u>
Business-Type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 2,102
Buildings	16,345
Improvements other than buildings	1,841,544
Machinery and equipment	<u>49,787</u>
 Total Water Utility capital assets	 <u>1,909,778</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	13,926
Buildings	29,550
Improvements other than buildings	2,261,995
Machinery and equipment	<u>108,879</u>
 Total Wastewater Utility capital assets	 <u>2,414,350</u>
 Total business-type activities, capital assets	 <u>\$ 4,324,128</u>

TOWN OF LAFONTAINE  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT  
December 31, 2011

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital Lease:		
Police car	\$ 13,387	\$ 7,353
Business-type Activities:		
Water Utility:		
Capital Lease:		
Utility Truck	5,172	1,956
Loan Payable:		
State Revolving Fund	627,000	8,809
Supplemental Fund	18,687	232
Total Water Utility	<u>650,859</u>	<u>10,997</u>
Wastewater Utility:		
Capital Lease:		
Utility Truck	20,687	7,825
Loan Payable:		
State Revolving Fund	946,344	*
Revenue Bonds:		
2005 Refunding revenue bonds	134,755	4,817
Total Wastewater Utility	<u>1,101,786</u>	<u>12,642</u>
Total business-type activities debt	<u>\$ 1,752,645</u>	<u>\$ 23,639</u>

\*Project not completed, amortization schedule not available.

TOWN OF LAFONTAINE  
EXAMINATION RESULTS AND COMMENTS

***UNIDENTIFIED COLLECTION***

A utility collection deposit on December 30, 2011 included a personal check in the amount of \$3,712 from Linda Harris, former Clerk-Treasurer. During an interview the former Clerk-Treasurer stated: "I paid some utility bills." A review of Linda Harris' personal utility account indicates that she pays for trash collection only, approximately \$123 per year.

The "Cash Entry Batch List" is a printout of the utility account collections for each day. The December 30, 2011 printout totaled \$8,186.88. The deposit for that day was \$8,186.88; however, the breakdown between cash and checks on the printout did not agree with the cash and checks as actually deposited. There were 28 utility customer accounts credited for that day's collections, which did not include any accounts for Linda Harris. The personal check from Linda Harris could not be identified to any specific customer account or accounts.

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)

***HYDRANT RENTAL RECEIVABLE***

The Town of LaFontaine owes the Water Utility \$22,586 for unpaid hydrant rental for the years 2010 and 2011, pursuant to Rate Ordinance 9-2009. A similar comment appeared in prior Report B39090.

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)

***BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS***

The Utilities do not have a written policy for writing off bad debts, uncollectible accounts receivable, or any adjustments to record balances. Various amounts of old accounts receivable were deleted from the records during the examination period without approval of the governing body. Additionally, documentation was not presented concerning unsuccessful collection procedures on these old balances. The percentage of accounts receivable balances that were inactive or were ninety days and older could not be determined because Aged Trial Balance Reports were not available for examination. A similar comment appeared in prior Report B39090.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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***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 B39090.

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.
  - (C) The amount of the delinquent fees, together with the penalty.
- (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. . . ."

***UTILITY RECEIPTS TAX***

A check for \$8,250 was issued to the Indiana Department of Revenue in January 2012 and posted to the records in December 2011 to pay Utility Receipts Tax on water sales and services for the years of 2005 through 2010. No penalties or interest were included in this payment. This amount was paid from the Wastewater Utility instead of the Water Utility.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

TOWN OF LAFONTAINE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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)

**OVERDRAWN CASH BALANCES**

The cash balance of the Sanitation Fund was overdrawn at December 31, 2011, by \$332. The Town pays the trash collection contractor an amount that is generally more than what is collected from the Town's customers. A similar comment appeared in prior Report B39090.

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)

**TRANSACTION RECORDING**

A check written on February 1, 2011, by the Indiana Insurance Company in the amount of \$3,350 for a damaged snow plow was not receipted in the Town's records. Instead, the check was endorsed by the Clerk-Treasurer and forwarded to the vendor replacing the snow plow. A similar comment appeared in prior Report B39090.

Some General Fund disbursements were not correctly posted to the General Ledger or the Appropriation Ledger. A similar comment appeared in prior Report B39090.

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)

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 expenditures of the Rainy Day Fund were in excess of budgeted appropriations by \$5,490 during 2011. A similar comment appeared in prior Report B39090.

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."

**BOARD MINUTES**

Minutes of meetings of the Town Council for September, November, and December 2011 were not available for examination. Minutes of meetings of the Town Council for October 2011 were available for audit but were not signed by the preparer or members of the Town Council.



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Indiana Code 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) An additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

***SERVICE AND TIME RECORDS***

Service records provided for examination were incomplete. Leave balances at the beginning and end of the year and leave earned during the year were not posted to the service records. A record of hours worked was not maintained for all employees. Two differing Town Policies were being observed in reference to vacation days allowed.

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)

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)

***ERRORS ON CLAIMS***

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

1. Claims were not always adequately itemized. Some claims did not include invoices.
2. Claims either did not have proper Town Council approval or were approved after payment.

A similar comment appeared in prior Report B39090.

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;

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EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (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."

***LATE PAYMENTS***

In some cases, amounts paid to a vendor for trash services were not being paid until three months after the invoice dates.

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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***COLLECTION OF AMOUNTS DUE***

Some utility customers were not billed during the examination period.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF LAFONTAINE  
EXIT CONFERENCE

The contents of this report were discussed on June 18, 2012, with Danielle Stouffer, Clerk-Treasurer; and Dan Guenin, President of the Town Council.

The contents of this report were discussed on June 25, 2012, with Linda Harris, former Clerk-Treasurer.