

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

EXAMINATION REPORT
OF
TOWN OF CAYUGA
VERMILLION COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
09/27/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information.....	5
Supplementary Information:	
Schedule of Long-Term Debt.....	6
Examination Results and Comments:	
Advance Salary Payments.....	7
Appropriations.....	7
Customer Deposit Register.....	7
Donations.....	7
Errors on Claims	8
Park Remittances	8
Payroll Deductions.....	8
Revenue Bond Requirements.....	9
Service Records	9
Exit Conference.....	10

OFFICIALS

Office

Official

Term

Clerk-Treasurer

Amy Axtell

01-01-04 to 12-31-07

President of the Town Council

Albert Clark

01-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF CAYUGA, VERMILLION COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Cayuga (Town), for the period of January 1, 2005 to December 31, 2006. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

August 7, 2007

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

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 25,251	\$ 249,379	\$ 218,957	\$ 55,673
Motor Vehicle Highway	30,344	53,605	43,721	40,228
Local Road and Street	3,930	29,820	447	33,303
Park and Recreation	27,660	61,168	60,577	28,251
Law Enforcement Continuing Education	5,819	2,011	508	7,322
Riverboat	-	20,999	-	20,999
Cumulative Fire Fighting Equipment	15,805	20,321	3,000	33,126
Cumulative Capital Improvement	25,122	3,428	-	28,550
Park Nonreverting	1,625	4,333	-	5,958
Proprietary Funds:				
Water Utility - Operating	138,354	628,337	592,451	174,240
Water Utility - Bond and Interest	26,336	36,138	32,095	30,379
Water Utility - Depreciation	69,464	16,784	-	86,248
Water Utility - Customer Deposit	14,035	480	-	14,515
Water Utility - Surcharge	3,101	8,420	8,665	2,856
Wastewater Utility - Operating	141,335	432,199	434,724	138,810
Wastewater Utility - Bond and Interest	3,399	72,326	-	75,725
Wastewater Utility - Depreciation	2,513	14,889	-	17,402
Totals	<u>\$ 534,093</u>	<u>\$ 1,654,637</u>	<u>\$ 1,395,145</u>	<u>\$ 793,585</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 55,673	\$ 217,516	\$ 218,434	\$ 54,755
Motor Vehicle Highway	40,228	59,367	30,618	68,977
Local Road and Street	33,303	6,459	1,123	38,639
Park and Recreation	28,251	36,577	31,888	32,940
Law Enforcement Continuing Education	7,322	1,082	449	7,955
Riverboat	20,999	6,978	27,191	786
Cumulative Fire Fighting Equipment	33,126	4,188	-	37,314
Cumulative Capital Improvement	28,550	3,962	-	32,512
Park Nonreverting	5,958	-	5,958	-
Park Number 2	-	25,855	153	25,702
Proprietary Funds:				
Water Utility - Operating	174,240	542,165	497,679	218,726
Water Utility - Bond and Interest	30,379	39,171	36,550	33,000
Water Utility - Depreciation	86,248	15,571	20,282	81,537
Water Utility - Customer Deposit	14,515	600	-	15,115
Water Utility - Surcharge	2,856	9,747	10,313	2,290
Wastewater Utility - Operating	138,810	365,220	444,551	59,479
Wastewater Utility - Bond and Interest	75,725	276,000	259,516	92,209
Wastewater Utility - Depreciation	17,402	57,525	-	74,927
Totals	<u>\$ 793,585</u>	<u>\$ 1,667,983</u>	<u>\$ 1,584,705</u>	<u>\$ 876,863</u>

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

TOWN OF CAYUGA
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, culture and recreation, and general administrative services.

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

TOWN OF CAYUGA
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Business-type Activities:		
Water Utility		
Revenue bonds:		
1974 Water Utility Improvement Project	\$ 135,000	\$ 15,000
2001 Water Utility Improvement Project	<u>289,000</u>	<u>2,000</u>
Total Water Utility	<u>424,000</u>	<u>17,000</u>
Wastewater Utility		
Revenue bonds:		
1997 Wastewater Treatment Plant	<u>4,225,000</u>	<u>140,000</u>
Total Wastewater Utility	<u>4,225,000</u>	<u>140,000</u>
Total business-type activities long-term debt:	<u>\$ 4,649,000</u>	<u>\$ 157,000</u>

TOWN OF CAYUGA
EXAMINATION RESULTS AND COMMENTS

ADVANCE SALARY PAYMENTS (Town and Utilities)

Dates of transactions indicate that several paychecks were issued to the Clerk-Treasurer up to three weeks in advance, and one paycheck was issued to the former Town Marshal one week prior to the scheduled pay date. Paychecks should not be issued until the hours have been worked.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS (Town)

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Motor Vehicle Highway	2005	\$ 3,321
Park and Recreation	2005	17,577

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."

CUSTOMER DEPOSIT REGISTER (Water Utility)

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the control ledger. The control ledger shows \$670 more than the detail.

The detailed customer deposit register was not maintained from 1990 to 2004. The Clerk-Treasurer has reconstructed some detail from 2002 to 2004, but was not able to locate the older records. The customer deposit register has been maintained from 2005 to the present.

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

DONATIONS (Town)

The Park Department made various donations totaling \$700 during the examination period.

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF CAYUGA
EXAMINATION RESULTS AND COMMENTS
(Continued)

ERRORS ON CLAIMS (Town and Utilities)

As stated in prior Report B26359, we noted several instances in which claims were not adequately itemized. In the sample of disbursements tested, six claims had no documentation attached and three claims had a monthly statement from the vendor attached instead of the itemized invoices. Claims should have documentation attached showing exactly what was purchased.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

PARK REMITTANCES (Town)

In numerous instances, receipts collected at the Park were remitted to the Clerk-Treasurer later than the next business day. We observed several receipts that were remitted and deposited up to 20 days after the receipt date.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

PAYROLL DEDUCTIONS (Town and Utilities)

During 2006, some payments were made to employees without payroll deductions for taxes.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF CAYUGA
EXAMINATION RESULTS AND COMMENTS
(Continued)

REVENUE BOND REQUIREMENTS (Wastewater Utility)

The Wastewater Utility has not achieved the required level of funding in the Wastewater Depreciation Fund.

This may have a negative impact on the ability of the Wastewater Utility to obtain loans or bonds for future expansion or maintenance.

Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SERVICE RECORDS (Town and Utilities)

Employee Service Record, Form 99A, was not maintained in the manner prescribed.

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)

TOWN OF CAYUGA
EXIT CONFERENCE

The contents of this report were discussed on August 7, 2007, with Amy Axtell, Clerk-Treasurer; Albert Clark, President of the Town Council; and Charley Craft, Council member. The officials concurred with our findings.