

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, 2007 to December 31, 2009



FILED
12/20/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Amy Axtell Sami L. Dillon	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Town Council	Albert Clark Ron Brink	01-01-07 to 12-31-07 01-01-08 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2007 to December 31, 2009. 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, 2007, 2008, and 2009, 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

October 13, 2010

TOWN OF CAYUAGA
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2007, 2008, And 2009

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 54,755	\$ 190,656	\$ 195,001	\$ 50,410
Motor Vehicle Highway	68,977	52,880	42,511	79,346
Local Road and Street	38,639	6,482	12,736	32,385
Park and Recreation	32,940	78,408	75,140	36,208
Law Enforcement Continuing Education	7,955	430	721	7,664
Riverboat	786	6,993	-	7,779
Cumulative Capital Improvement	32,512	3,895	-	36,407
Cumulative Fire Fighting Equipment	37,314	3,705	-	41,019
Park #2	25,702	554	15,387	10,869
Fire Dept./Community Center	-	20,430	-	20,430
Proprietary Funds:				
Water Utility - Operating	218,726	523,119	519,233	222,612
Water Utility - Bond and Interest	33,000	36,193	35,755	33,438
Water Utility - Depreciation	81,537	14,972	-	96,509
Water Utility - Customer Deposit	15,115	1,650	2,170	14,595
Water Utility - Surcharge	2,290	8,424	-	10,714
Wastewater Utility - Operating	59,479	357,353	397,785	19,047
Wastewater Utility - Bond and Interest	92,209	276,000	260,529	107,680
Wastewater Utility - Depreciation	74,927	189,552	-	264,479
Totals	\$ 876,863	\$ 1,771,696	\$ 1,556,968	\$ 1,091,591
	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 50,410	\$ 298,482	\$ 195,033	\$ 153,859
Motor Vehicle Highway	79,346	39,882	47,155	72,073
Local Road and Street	32,385	6,003	26,354	12,034
Park and Recreation	36,208	65,337	67,341	34,204
Law Enforcement Continuing Education	7,664	146	165	7,645
Riverboat	7,779	6,957	6,050	8,686
Cumulative Capital Improvement	36,407	3,606	-	40,013
Cumulative Fire Fighting Equipment	41,019	6,228	-	47,247
Park #2	10,869	700	-	11,569
Fire Dept./Community Center	20,430	28,141	750	47,821
Proprietary Funds:				
Water Utility - Operating	222,612	567,904	649,154	141,362
Water Utility - Bond and Interest	33,438	36,301	13,960	55,779
Water Utility - Depreciation	96,509	14,833	-	111,342
Water Utility - Customer Deposit	14,595	6,150	1,350	19,395
Water Utility - Surcharge	10,714	8,432	8,779	10,367
Wastewater Utility - Operating	19,047	386,034	371,735	33,346
Wastewater Utility - Bond and Interest	107,680	276,000	261,411	122,269
Wastewater Utility - Depreciation	264,479	2,300	-	266,779
Totals	\$ 1,091,591	\$ 1,753,436	\$ 1,649,237	\$ 1,195,790
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 153,859	\$ 259,792	\$ 197,504	\$ 216,147
Motor Vehicle Highway	72,073	39,253	35,744	75,582
Local Road and Street	12,034	5,688	-	17,722
Park and Recreation	34,204	45,395	51,012	28,587
Law Enforcement Continuing Education	7,645	143	100	7,688
Riverboat	8,686	6,940	9,737	5,889
Cumulative Capital Improvement	40,013	3,400	-	43,413
Cumulative Fire Fighting Equipment	47,247	4,169	15,000	36,416
Park #2	11,569	900	2,875	9,594
Fire Dept./Community Center	47,821	85,496	92,672	40,645
CFF Grant	-	400,344	370,310	30,034
Proprietary Funds:				
Water Utility - Operating	141,362	533,400	531,723	143,039
Water Utility - Bond and Interest	55,779	36,191	13,915	78,055
Water Utility - Depreciation	111,342	14,431	110,030	15,743
Water Utility - Customer Deposit	19,395	7,955	1,962	25,388
Water Utility - Surcharge	10,367	8,429	-	18,796
Wastewater Utility - Operating	33,346	377,328	381,485	29,189
Wastewater Utility - Bond and Interest	122,269	276,000	207,150	191,119
Wastewater Utility - Depreciation	266,779	2,038	-	268,817
Totals	\$ 1,195,790	\$ 2,107,292	\$ 2,021,219	\$ 1,281,863

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, health and social services, culture and recreation, water, wastewater, 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.

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
 December 31, 2009

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Water Utility:		
Revenue bonds:		
2001 Water Utility Improvement Project	\$ 286,000	\$ 27,695
Total Water Utility	<u>286,000</u>	<u>27,695</u>
Wastewater Utility:		
Revenue bonds:		
1997 Wastewater Treatment Plant	3,790,000	264,944
Loan Payable:		
Loan Reserve	<u>27,438</u>	<u>27,751</u>
Total Wastewater Utility	<u>3,817,438</u>	<u>292,695</u>
Total business-type activities debt	<u>\$ 4,103,438</u>	<u>\$ 320,390</u>

TOWN OF CAYUGA
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

Annual reports for 2007, 2008, and 2009 were not presented for examination.

IC 5-3-1-3(a) states in part:

"Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for each month of the examination.

IC 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."

At all times, the manual and/or 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)

APPROPRIATIONS

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

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Motor Vehicle Highway	2009	\$ 28,744
Park and Recreation	2009	11,674
Cumulative Fire Fighting Equipment	2009	5,000

IC 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."

TOWN OF CAYUGA
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

Capital asset records were not maintained for the Town and the Utilities.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ERRORS ON CLAIMS

As stated in prior Reports B26359 and B30572, we noted several instances in which claims were not adequately itemized. In the test of disbursements, three claims did not have any documentation attached. Claims should have attached documentation showing exactly what was purchased.

IC 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."

PENALTIES, INTEREST, AND OTHER CHARGES

Payments were made to the Internal Revenue Service on April 10, 2010, for the periods June 2009 through December 2009. An inquiry to the Department of Treasury has been initiated to determine if penalty and interest was paid. For the period June 2009 through December 2009, reports were not submitted and payments were not made for amounts withheld for Indiana and local income tax.

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.

TOWN OF CAYUGA
EXAMINATION RESULTS AND COMMENTS
(Continued)

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.

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)

OVERPAYMENT COLLECTIONS

Payroll overpayments of \$594.19 and \$494.54 were made to the Town Marshal and the Clerk-Treasurer, respectfully for the year 2009. The 2009 approved salary ordinance amounts were divided by 52 and these computed amounts were the gross pays for each week to be paid on each Friday. The year 2009 had 53 Fridays, resulting in each receiving 1 extra pay based on 52 weeks. The Town Marshal had the overpayment subtracted from his October 15, 2010, paycheck. The Clerk-Treasurer is having the overpayment evenly subtracted from the last 12 pays of 2010.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the Water Utility simplified journal. The simplified journal shows a balance of \$25,388.44 and the customer deposit register shows a balance \$16,175.

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

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Town did not comply with directives of the Indiana Department of Revenue and the Internal Revenue Service. The Town has not submitted payment or the monthly state and local payroll withholding forms for the months of June to December 2009. The Town also failed to make federal payroll tax deposits for the period from June to December 2009. A lump sum payment of \$26,010.00 was made to the Department of the Treasury on April 10, 2010, for the Town's outstanding 2009 federal payroll tax liability. The payment exceeded the calculated federal payroll tax liability by \$3,309.58.

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

TOWN OF CAYUGA
EXAMINATION RESULTS AND COMMENTS
(Continued)

PAYROLL DEDUCTIONS

As stated in prior Report B30572, payments were made to some 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)

DONATIONS

As stated in prior Report B30572, the Town made donations to the Vermillion County Community Foundation and North Vermillion High School.

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)

UTILITY RECEIPTS TAX

The Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue during the examination period.

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)

TOWN OF CAYUGA
EXIT CONFERENCE

The contents of this report were discussed on October 13, 2010, with Sami L. Dillon, Clerk-Treasurer, and Ron Brink, President of the Town Council. The officials concurred with our findings.