

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

ANNUAL FINANCIAL REPORT

2010

TOWN OF CHURUBUSCO

WHITLEY COUNTY, INDIANA



FILED
06/29/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Geraldine Johnson	01-01-08 to 12-31-11
President of the Town Council	Frank A. Kessler	01-01-10 to 12-31-11
Superintendent of Water Utility	Jeremy A. Hart	01-01-10 to 12-31-11
Superintendent of Wastewater Utility	Robert A. Hyatt	01-01-10 to 12-31-11



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENT
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statement of the Town of Churubusco (Town), for the year ended December 31, 2010. This financial statement is the responsibility of the Town's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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. The basis of accounting noted above is a different basis than that used in the prior year.

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, 2010, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated June 15, 2011, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENT
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement. The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of 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 federal awarding agencies and pass-through entities 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 15, 2011



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statement of the Town of Churubusco (Town), for the year ended December 31, 2010, and have issued our report thereon dated June 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Town's management, Town Council, and federal awarding agencies and pass-through entities 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 15, 2011

FINANCIAL STATEMENT(S)

TOWN OF CHURUBUSCO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 149,829	\$ 607,294	\$ 517,898	\$ 239,225
Motor Vehicle Highway	123,961	102,474	111,864	114,571
Local Road and Street	508	7,112	7,019	601
Law Enforcement Continuing Education	2,040	1,345	1,349	2,036
Park and Recreation	23,222	56,338	70,788	8,772
Solid Waste	30,115	118,087	104,022	44,180
Rainy Day	63,921	97,104	29,989	131,036
Excess Levy	-	1,097	-	1,097
Cumulative Capital Improvement	8,049	4,878	6,026	6,901
Economic Development Income Tax	268,425	95,091	34,149	329,367
Miscellaneous	591	866	588	869
Park and Recreation Gift	6,290	200	235	6,255
Police Donation	100	-	100	-
Payroll	-	608,507	608,507	-
All Utility	-	1,065,398	1,065,398	-
Sewage Operation and Maintenance	100,927	397,249	399,975	98,201
Sewage Bond and Interest	31,656	60,151	60,000	31,807
Sewage Improvement	80,788	59,202	52,078	87,912
Sewage Meter Deposits	1,930	4,680	1,040	5,570
Sewage Bond Money Bank of New York	55,397	60,023	56,480	58,940
Sewage Debt Service Reserve	63,335	-	-	63,335
Water Operation and Maintenance	155,642	286,079	260,871	180,850
Water Bond and Interest	66,349	49,920	56,840	59,429
Water Depreciation	513,289	127,580	78,827	562,042
Water Meter Deposits	4,605	4,615	2,810	6,410
Water Construction	-	430,312	430,312	-
Water Bond Money Bank of New York	22,898	56,850	14,223	65,525
Water Debt Service Reserve Bank of New York	9,367	18,730	-	28,097
Water Debt Service Reserve	1,561	18,731	18,732	1,560
Totals	<u>\$ 1,784,795</u>	<u>\$ 4,339,913</u>	<u>\$ 3,990,120</u>	<u>\$ 2,134,588</u>

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

TOWN OF CHURUBUSCO
NOTES TO FINANCIAL STATEMENT(S)

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, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement(s) present(s) the financial information for the Town (primary government), and does not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government).

B. Basis of Accounting

The financial statement(s) 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.

TOWN OF CHURUBUSCO
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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, 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 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.

TOWN OF CHURUBUSCO
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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.

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 CHURUBUSCO
NOTES TO FINANCIAL STATEMENT(S)
(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. These risks may also be mitigated by the Town by recording as a disbursement and replacement items purchased.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town of Churubusco's Annual Report(s) can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

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

	General	Motor Vehicle Highway	Local Road and Street	Law Enforcement Continuing Education	Park and Recreation	Solid Waste
Cash and investments - beginning	\$ 149,829	\$ 123,961	\$ 508	\$ 2,040	\$ 23,222	\$ 30,115
Receipts:						
Taxes	260,244	40,965	-	-	27,163	-
Intergovernmental	299,364	60,413	7,112	-	5,697	-
Charges for services	10,397	-	-	1,345	6,425	118,087
Fines and forfeits	70	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	37,219	1,096	-	-	17,053	-
Total receipts	<u>607,294</u>	<u>102,474</u>	<u>7,112</u>	<u>1,345</u>	<u>56,338</u>	<u>118,087</u>
Disbursements:						
Personal services	319,925	29,099	-	-	32,988	-
Supplies	29,867	18,132	-	-	4,233	366
Other services and charges	95,334	54,652	-	630	23,785	103,656
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	72,024	9,981	7,019	719	9,782	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	748	-	-	-	-	-
Total disbursements	<u>517,898</u>	<u>111,864</u>	<u>7,019</u>	<u>1,349</u>	<u>70,788</u>	<u>104,022</u>
Excess (deficiency) of receipts over disbursements	<u>89,396</u>	<u>(9,390)</u>	<u>93</u>	<u>(4)</u>	<u>(14,450)</u>	<u>14,065</u>
Cash and investments - ending	<u>\$ 239,225</u>	<u>\$ 114,571</u>	<u>\$ 601</u>	<u>\$ 2,036</u>	<u>\$ 8,772</u>	<u>\$ 44,180</u>

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

	Rainy Day	Excess Levy	Cumulative Capital Improvement	Economic Development Income Tax	Miscellaneous	Park and Recreation Gift
Cash and investments - beginning	\$ 63,921	\$ -	\$ 8,049	\$ 268,425	\$ 591	\$ 6,290
Receipts:						
Taxes	-	-	-	-	-	-
Intergovernmental	97,104	-	4,878	95,091	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	1,097	-	-	866	200
Total receipts	<u>97,104</u>	<u>1,097</u>	<u>4,878</u>	<u>95,091</u>	<u>866</u>	<u>200</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	29,989	-	6,026	34,149	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	588	235
Total disbursements	<u>29,989</u>	<u>-</u>	<u>6,026</u>	<u>34,149</u>	<u>588</u>	<u>235</u>
Excess (deficiency) of receipts over disbursements	<u>67,115</u>	<u>1,097</u>	<u>(1,148)</u>	<u>60,942</u>	<u>278</u>	<u>(35)</u>
Cash and investments - ending	<u>\$ 131,036</u>	<u>\$ 1,097</u>	<u>\$ 6,901</u>	<u>\$ 329,367</u>	<u>\$ 869</u>	<u>\$ 6,255</u>

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

	Police Donation	Payroll	All Utility	Sewage Operation and Maintenance	Sewage Bond and Interest	Sewage Improvement
Cash and investments - beginning	\$ 100	\$ -	\$ -	\$ 100,927	\$ 31,656	\$ 80,788
Receipts:						
Taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	391,423	-	-
Other receipts	-	608,507	1,065,398	5,826	60,151	59,202
Total receipts	<u>-</u>	<u>608,507</u>	<u>1,065,398</u>	<u>397,249</u>	<u>60,151</u>	<u>59,202</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	100	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	1,998	-	52,078
Utility operating expenses	-	-	-	392,220	-	-
Other disbursements	-	608,507	1,065,398	5,757	60,000	-
Total disbursements	<u>100</u>	<u>608,507</u>	<u>1,065,398</u>	<u>399,975</u>	<u>60,000</u>	<u>52,078</u>
Excess (deficiency) of receipts over disbursements	<u>(100)</u>	<u>-</u>	<u>-</u>	<u>(2,726)</u>	<u>151</u>	<u>7,124</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,201</u>	<u>\$ 31,807</u>	<u>\$ 87,912</u>

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

	Sewage Meter Deposits	Sewage Bond Money Bank of New York	Sewage Debt Service Reserve	Water Operation and Maintenance	Water Bond and Interest	Water Depreciation
Cash and investments - beginning	\$ 1,930	\$ 55,397	\$ 63,335	\$ 155,642	\$ 66,349	\$ 513,289
Receipts:						
Taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	279,300	-	123,674
Other receipts	4,680	60,023	-	6,779	49,920	3,906
Total receipts	<u>4,680</u>	<u>60,023</u>	<u>-</u>	<u>286,079</u>	<u>49,920</u>	<u>127,580</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	56,480	-	-	-	-
Capital outlay	-	-	-	3,162	-	78,827
Utility operating expenses	1,040	-	-	257,709	-	-
Other disbursements	-	-	-	-	56,840	-
Total disbursements	<u>1,040</u>	<u>56,480</u>	<u>-</u>	<u>260,871</u>	<u>56,840</u>	<u>78,827</u>
Excess (deficiency) of receipts over disbursements	<u>3,640</u>	<u>3,543</u>	<u>-</u>	<u>25,208</u>	<u>(6,920)</u>	<u>48,753</u>
Cash and investments - ending	<u>\$ 5,570</u>	<u>\$ 58,940</u>	<u>\$ 63,335</u>	<u>\$ 180,850</u>	<u>\$ 59,429</u>	<u>\$ 562,042</u>

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

	Water Meter Deposits	Water Construction	Water Bond Money Bank of New York	Water Debt Service Reserve Bank of New York	Water Debt Service Reserve	Totals
Cash and investments - beginning	\$ 4,605	\$ -	\$ 22,898	\$ 9,367	\$ 1,561	\$ 1,784,795
Receipts:						
Taxes	-	-	-	-	-	328,372
Intergovernmental	-	430,312	-	-	-	999,971
Charges for services	-	-	-	-	-	136,254
Fines and forfeits	-	-	-	-	-	70
Utility fees	-	-	-	-	-	794,397
Other receipts	4,615	-	56,850	18,730	18,731	2,080,849
Total receipts	<u>4,615</u>	<u>430,312</u>	<u>56,850</u>	<u>18,730</u>	<u>18,731</u>	<u>4,339,913</u>
Disbursements:						
Personal services	-	-	-	-	-	382,012
Supplies	-	-	-	-	-	52,598
Other services and charges	-	-	-	-	-	278,157
Debt service - principal and interest	-	-	14,223	-	-	70,703
Capital outlay	-	430,312	-	-	-	736,066
Utility operating expenses	2,810	-	-	-	-	653,779
Other disbursements	-	-	-	-	18,732	1,816,805
Total disbursements	<u>2,810</u>	<u>430,312</u>	<u>14,223</u>	<u>-</u>	<u>18,732</u>	<u>3,990,120</u>
Excess (deficiency) of receipts over disbursements	<u>1,805</u>	<u>-</u>	<u>42,627</u>	<u>18,730</u>	<u>(1)</u>	<u>349,793</u>
Cash and investments - ending	<u>\$ 6,410</u>	<u>\$ -</u>	<u>\$ 65,525</u>	<u>\$ 28,097</u>	<u>\$ 1,560</u>	<u>\$ 2,134,588</u>

TOWN OF CHURUBUSCO
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

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:		
Loan payable:		
Water improvement project of 2009	\$ 871,685	\$ - *
Wastewater Utility:		
Loan payable:		
Wastewater expansion project of 2006	700,041	55,902
Total business-type activities debt	<u>\$ 1,571,726</u>	<u>\$ 55,902</u>

*Project not completed, amortization schedule not available.

TOWN OF CHURUBUSCO
AUDIT RESULT(S) AND COMMENT(S)

CAPITAL ASSET RECORDS

The Town does not maintain sufficient detailed records of capital assets for the Town or the Utilities. Capital asset purchases and disposals have not been recorded for numerous years. A similar comment appeared in prior Report B37137.

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 applicable 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)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$572 were paid to the Indiana Department of Revenue on February 4, 2010, for late remittance of Water Utility sales taxes billed November and December of 2009.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. 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)

FLAT RATE WASTEWATER TREATMENT FEES

Approximately 90 customers (Blue Lake residents that do not have Churubusco water service) are paying \$51.82 for monthly flat rate sewage treatment to the Town of Churubusco Wastewater Utility. Ordinance 2006-03, amending sewer rates and charges, does not establish a flat rate fee for these customers.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UTILITY RECEIPTS TAX FORM URT-1

The Water Utility did not file their year end URT-1 for 2010 with the Indiana Department of Revenue. Quarterly estimated payments were made to the Indiana Department of Revenue, but were not timely.

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)

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)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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 AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Town of Churubusco (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2010. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2010-1.

Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Town's management, Town Council, others within the entity, federal awarding agencies, and pass-through entities 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 15, 2011

TOWN OF CHURUBUSCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Office of Community and Rural Affairs State Administered Small Cities Program Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CF-08-201	\$ <u>382,298</u>
Total for federal grantor agency			<u>382,298</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority ARRA - Capitalization Grants for Drinking Water State Revolving Funds	66.468	2F-00E72901-0	456,918
Capitalization Grants for Drinking Water State Revolving Funds	66.468	2F-00E72901-0	<u>261,277</u>
Total for federal grantor agency			<u>718,195</u>
Total federal awards expended			<u>\$ 1,100,493</u>

The accompanying note(s) are an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF CHURUBUSCO
NOTE(S) TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Churubusco and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

TOWN OF CHURUBUSCO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.468	State Administered Small Cities Program Cluster ARRA – Capitalization Grants for Drinking Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

TOWN OF CHURUBUSCO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-1 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grant/State's Program
and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number: CF-08-201

Pass-Through Entity: Indiana Office of Community and Rural Affairs

Federal Agency: U.S. Environmental Protection Agency

Federal Programs: Capitalization Grants for Drinking Water State Revolving Funds

CFDA Number: 66.468

Federal Award Number: 2F-00E72901-0

Pass-Through Entity: Indiana Finance Authority

The Town of Churubusco and enterprise funds (Water and Wastewater Utilities) do not maintain records for construction in progress and equipment or property purchased with Federal funds. No system exists to provide separated identification for items acquired with Federal and non-Federal funds. Without adequate records, periodic physical inventories cannot be compared to property records.

The Town and Utilities capital asset records have not been updated in several years. During 2010, \$382,298 of Community Development Block Grant funds and \$718,195 of Capitalization Grants for Drinking Water State Revolving Funds were used to pay for construction, which should have been accounted for in the Town's capital asset records.

Pursuant to 24 CFR 84.34 (f) (1) through (3):

"(f) The recipient's property management standards for equipment acquired with Federal funds and federally-owned equipment shall include all of the following.

- (1) Equipment records shall be maintained accurately and shall include the following information.
 - (i) A description of the equipment.
 - (ii) Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number.
 - (iii) Source of the equipment, including the award number.
 - (iv) Whether title vests in the recipient or the Federal Government.
 - (v) Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost.
 - (vi) Information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government).
 - (vii) Location and condition of the equipment and the date the information was reported.

TOWN OF CHURUBUSCO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (viii) Unit acquisition cost.
 - (ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates HUD for its share.
- (2) Equipment owned by the Federal Government shall be identified to indicate Federal ownership.
- (3) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment."

Pursuant to 40 CFR 31.32 (d) (1) through (3): "*Management requirements*. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated."

Failure to maintain detailed and accurate equipment and property records and to reconcile physical inventory could result in assets being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time.

We recommended that the Town design and properly monitor procedures that would ensure accurate detailed capital asset records are maintained and that inventories of property and equipment and construction in progress are conducted at least every two years and reconciled to the detailed capital assets ledger. Any significant differences should be investigated and the appropriate adjustments made to the records. Also, any assets acquired with Federal funds must be designated as such so that they are not disposed of improperly.

TOWN OF CHURUBUSCO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF CHURUBUSCO

530 S. MAIN STREET
CHURUBUSCO, IN. 46723

PHONE: 260-693- 9350

FAX: 260-693-1799

June 14, 2011

TO WHOM IT MAY CONCERN:

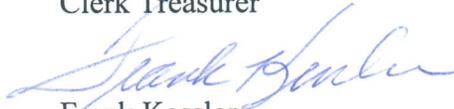
IN RE: CORRECTIVE PLAN OF ACTION

The State Board of Accounts has asked for a corrective plan of action concerning issues that is deficient. The Fixed Assets of the Town needs to be updated. I will be doing Spread Sheets to formulate a Capital Asset Record.

Yours Truly,



Gerri Johnson
Clerk Treasurer



Frank Kessler
Council President

TOWN OF CHURUBUSCO
EXIT CONFERENCE

The contents of this report were discussed on June 15, 2011, with Geraldine Johnson, Clerk-Treasurer, and Frank A. Kessler, President of the Town Council. The officials concurred with our audit findings.