

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

TOWN OF CAYUGA

VERMILLION COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
11/28/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sami L. Dillon	01-01-08 to 12-31-15
President of the Town Council	Ronald Brink	01-01-10 to 12-31-12
Superintendent of Utilities	George Hinote	01-01-10 to 12-31-12



STATE OF INDIANA
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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 accompanying financial statements of the Town of Cayuga (Town), for the years ended December 31, 2010 and 2011. The financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on the financial statements 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 statements 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 statements 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 noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2010 and 2011, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the Town's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the examination procedures applied to the financial statements 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

September 26, 2012

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FINANCIAL STATEMENTS

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

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

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 216,147	\$ 302,124	\$ 269,290	\$ 248,981
Motor Vehicle Highway	75,582	61,396	45,901	91,077
Local Road And Street	17,722	7,914	23,575	2,061
Skate Park	9,594	4,868	6,784	7,678
Riverboat	5,889	6,941	4,744	8,086
Firehouse Community Center	40,645	10,431	51,076	-
Community Center Rent	-	325	75	250
Cumulative Fire	36,416	5,419	-	41,835
Continuing Education	7,688	157	226	7,619
Cumulative Capital Improvement	43,413	12,279	39,100	16,592
Park	28,587	35,659	32,849	31,397
Community Focus Fund Grant	30,034	292,132	321,396	770
Community Foundation Grant	-	2,000	1,925	75
Wastewater Utility-Operating	29,189	375,967	368,665	36,491
Wastewater Util-Bond And Interest	191,119	276,000	317,678	149,441
Wastewater Reserve	268,817	2,039	-	270,856
Water Operating	143,039	636,050	681,657	97,432
Water Utility-Bond And Interest	78,055	36,158	13,870	100,343
Water Utility-Depreciation/Improve	15,743	14,430	-	30,173
Water Utility-Customer Deposit	25,388	6,720	1,800	30,308
Water Meter Fund	18,796	8,435	-	27,231
Totals	<u>\$ 1,281,863</u>	<u>\$ 2,097,444</u>	<u>\$ 2,180,611</u>	<u>\$ 1,198,696</u>

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

TOWN OF CAYUGA
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	\$ 248,981	\$ 235,661	\$ 254,587	\$ 230,055
Motor Vehicle Fund	91,077	57,827	52,774	96,130
Local Road And Street	2,061	5,672	4,000	3,733
Skate Park	7,678	2,325	8,246	1,757
Community Focus Fund	770	-	770	-
Riverboat	8,086	6,940	13,325	1,701
Donation Fund	-	775	775	-
Cumulative Fire	41,835	3,995	-	45,830
Continuing Education	7,619	652	190	8,081
Community Foundation Grant	75	-	-	75
Cumulative Capital Improvement	16,592	3,185	14,625	5,152
Firehouse Community Center	250	1,350	1,260	340
Park	31,397	43,074	34,988	39,483
Wastewater Utility-Operating	36,491	359,212	348,258	47,445
Wastewater Util-Bond And Interest	149,441	276,000	258,208	167,233
Wastewater Reserve	270,856	2,039	-	272,895
Water Operating	97,432	929,897	1,005,055	22,274
Water Utility-Bond And Interest	100,343	36,130	13,825	122,648
Water Utility-Depreciation/Improve	30,173	14,051	28,590	15,634
Water Utility-Customer Deposit	30,308	6,655	2,336	34,627
Water Meter Fund	27,231	8,432	-	35,663
Totals	<u>\$ 1,198,696</u>	<u>\$ 1,993,872</u>	<u>\$ 2,041,812</u>	<u>\$ 1,150,756</u>

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

TOWN OF CAYUGA
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, general administrative services, water and wastewater.

The accompanying financial statements present the financial information for the Town.

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the 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 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), wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, and county adjusted gross income tax.

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, building and planning 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, local road and street distribution received from the state, financial institution tax

TOWN OF CAYUGA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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: gun permit applications, park rental fees, cable tv receipts, ordinance violations, fines and fees, and court receipts.

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 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.

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.

TOWN OF CAYUGA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Note 4. Deposits and Investments

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

TOWN OF CAYUGA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 any replacement items purchased.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 2010 Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

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 statements contained in this report and the financial information presented in the Annual Reports of the Town which are 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 approved by management of the Town. It is presented as intended by the Town.

TOWN OF CAYUGA
 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	Skate Park	Riverboat	Firehouse Community Center	Community Center Rent	Cumulative Fire
Cash and investments - beginning	\$ 216,147	\$ 75,582	\$ 17,722	\$ 9,594	\$ 5,889	\$ 40,645	\$ -	\$ 36,416
Receipts:								
Taxes	302,124	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	61,396	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	325	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	-	7,914	4,868	6,941	10,431	-	5,419
Total receipts	<u>302,124</u>	<u>61,396</u>	<u>7,914</u>	<u>4,868</u>	<u>6,941</u>	<u>10,431</u>	<u>325</u>	<u>5,419</u>
Disbursements:								
Personal services	269,290	45,901	-	-	-	-	-	-
Supplies	-	-	-	6,784	-	-	75	-
Other services and charges	-	-	23,575	-	4,744	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	51,076	-	-
Total disbursements	<u>269,290</u>	<u>45,901</u>	<u>23,575</u>	<u>6,784</u>	<u>4,744</u>	<u>51,076</u>	<u>75</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>32,834</u>	<u>15,495</u>	<u>(15,661)</u>	<u>(1,916)</u>	<u>2,197</u>	<u>(40,645)</u>	<u>250</u>	<u>5,419</u>
Cash and investments - ending	<u>\$ 248,981</u>	<u>\$ 91,077</u>	<u>\$ 2,061</u>	<u>\$ 7,678</u>	<u>\$ 8,086</u>	<u>\$ -</u>	<u>\$ 250</u>	<u>\$ 41,835</u>

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

	Continuing Education	Cumulative Capital Improvement	Park	Community Focus Fund Grant	Vermillion Co Community Foundation Grant	Wastewater Utility-Operating	Wastewater Util-Bond And Interest
Cash and investments - beginning	\$ 7,688	\$ 43,413	\$ 28,587	\$ 30,034	\$ -	\$ 29,189	\$ 191,119
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	157	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	35,659	-	-	-	-
Utility fees	-	-	-	-	-	375,967	276,000
Other receipts	-	12,279	-	292,132	2,000	-	-
Total receipts	157	12,279	35,659	292,132	2,000	375,967	276,000
Disbursements:							
Personal services	226	-	32,849	-	-	-	-
Supplies	-	-	-	-	1,925	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	368,665	-
Utility operating expenses	-	-	-	-	-	-	317,678
Other disbursements	-	39,100	-	321,396	-	-	-
Total disbursements	226	39,100	32,849	321,396	1,925	368,665	317,678
Excess (deficiency) of receipts over disbursements	(69)	(26,821)	2,810	(29,264)	75	7,302	(41,678)
Cash and investments - ending	\$ 7,619	\$ 16,592	\$ 31,397	\$ 770	\$ 75	\$ 36,491	\$ 149,441

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

	Wastewater Reserve	Water Operating	Water Utility-Bond And Interest	Water Utility-Depreciation/Improve	Water Utility-Customer Deposit	Water Meter Fund	Totals
Cash and investments - beginning	\$ 268,817	\$ 143,039	\$ 78,055	\$ 15,743	\$ 25,388	\$ 18,796	\$ 1,281,863
Receipts:							
Taxes	-	-	-	-	-	-	302,124
Licenses and permits	-	-	-	-	-	-	157
Intergovernmental	-	-	-	-	-	-	61,396
Charges for services	-	-	-	-	-	-	35,984
Utility fees	2,039	636,050	36,158	14,430	-	-	1,340,644
Other receipts	-	-	-	-	6,720	8,435	357,139
Total receipts	<u>2,039</u>	<u>636,050</u>	<u>36,158</u>	<u>14,430</u>	<u>6,720</u>	<u>8,435</u>	<u>2,097,444</u>
Disbursements:							
Personal services	-	-	-	-	-	-	348,266
Supplies	-	-	-	-	-	-	8,784
Other services and charges	-	-	-	-	-	-	28,319
Debt service - principal and interest	-	681,657	-	-	-	-	1,050,322
Utility operating expenses	-	-	13,870	-	1,800	-	333,348
Other disbursements	-	-	-	-	-	-	411,572
Total disbursements	<u>-</u>	<u>681,657</u>	<u>13,870</u>	<u>-</u>	<u>1,800</u>	<u>-</u>	<u>2,180,611</u>
Excess (deficiency) of receipts over disbursements	<u>2,039</u>	<u>(45,607)</u>	<u>22,288</u>	<u>14,430</u>	<u>4,920</u>	<u>8,435</u>	<u>(83,168)</u>
Cash and investments - ending	<u>\$ 270,856</u>	<u>\$ 97,432</u>	<u>\$ 100,343</u>	<u>\$ 30,173</u>	<u>\$ 30,308</u>	<u>\$ 27,231</u>	<u>\$ 1,198,696</u>

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

	General	Motor Vehicle Fund	Local Road And Street	Skate Park	Community Focus Fund	Riverboat	Donation Fund	Cumulative Fire
Cash and investments - beginning	\$ 248,981	\$ 91,077	\$ 2,061	\$ 7,678	\$ 770	\$ 8,086	\$ -	\$ 41,835
Receipts:								
Taxes	177,550	-	-	-	-	-	-	3,995
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	4,852	57,827	5,672	-	-	6,940	-	-
Charges for services	53,259	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	-	-	2,325	-	-	775	-
Total receipts	<u>235,661</u>	<u>57,827</u>	<u>5,672</u>	<u>2,325</u>	<u>-</u>	<u>6,940</u>	<u>775</u>	<u>3,995</u>
Disbursements:								
Personal services	73,179	45,546	-	-	-	-	-	-
Supplies	177,236	7,228	-	8,246	-	-	-	-
Other services and charges	-	-	-	-	-	1,650	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	4,172	-	4,000	-	-	11,675	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	770	-	775	-
Total disbursements	<u>254,587</u>	<u>52,774</u>	<u>4,000</u>	<u>8,246</u>	<u>770</u>	<u>13,325</u>	<u>775</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(18,926)</u>	<u>5,053</u>	<u>1,672</u>	<u>(5,921)</u>	<u>(770)</u>	<u>(6,385)</u>	<u>-</u>	<u>3,995</u>
Cash and investments - ending	<u>\$ 230,055</u>	<u>\$ 96,130</u>	<u>\$ 3,733</u>	<u>\$ 1,757</u>	<u>\$ -</u>	<u>\$ 1,701</u>	<u>\$ -</u>	<u>\$ 45,830</u>

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

	Continuing Education	Community Foundation Grant	Cumulative Capital Improvement	Firehouse Community Center	Park	Wastewater Utility-Operating	Wastewater Util-Bond And Interest
Cash and investments - beginning	\$ 7,619	\$ 75	\$ 16,592	\$ 250	\$ 31,397	\$ 36,491	\$ 149,441
Receipts:							
Taxes	-	-	3,185	-	-	-	-
Licenses and permits	600	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	52	-	-	1,350	43,074	-	-
Utility fees	-	-	-	-	-	359,212	-
Other receipts	-	-	-	-	-	-	276,000
Total receipts	<u>652</u>	<u>-</u>	<u>3,185</u>	<u>1,350</u>	<u>43,074</u>	<u>359,212</u>	<u>276,000</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	34,988	-	-
Other services and charges	190	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	258,208
Capital outlay	-	-	14,625	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	1,260	-	348,258	-
Total disbursements	<u>190</u>	<u>-</u>	<u>14,625</u>	<u>1,260</u>	<u>34,988</u>	<u>348,258</u>	<u>258,208</u>
Excess (deficiency) of receipts over disbursements	<u>462</u>	<u>-</u>	<u>(11,440)</u>	<u>90</u>	<u>8,086</u>	<u>10,954</u>	<u>17,792</u>
Cash and investments - ending	<u>\$ 8,081</u>	<u>\$ 75</u>	<u>\$ 5,152</u>	<u>\$ 340</u>	<u>\$ 39,483</u>	<u>\$ 47,445</u>	<u>\$ 167,233</u>

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

	Wastewater Reserve	Water Operating	Water Utility-Bond And Interest	Water Utility-Depreciation/Improve	Water Utility-Customer Deposit	Water Meter Fund	Totals
Cash and investments - beginning	\$ 270,856	\$ 97,432	\$ 100,343	\$ 30,173	\$ 30,308	\$ 27,231	\$ 1,198,696
Receipts:							
Taxes	-	-	-	-	-	-	184,730
Licenses and permits	-	-	-	-	-	-	600
Intergovernmental	-	-	-	-	-	-	75,291
Charges for services	-	-	-	-	-	-	97,735
Utility fees	-	929,897	-	-	6,655	-	1,295,764
Other receipts	2,039	-	36,130	14,051	-	8,432	339,752
Total receipts	2,039	929,897	36,130	14,051	6,655	8,432	1,993,872
Disbursements:							
Personal services	-	-	-	-	-	-	118,725
Supplies	-	-	-	-	-	-	227,698
Other services and charges	-	-	-	-	-	-	1,840
Debt service - principal and interest	-	-	-	-	-	-	258,208
Capital outlay	-	310,020	-	-	-	-	344,492
Utility operating expenses	-	607,114	13,825	28,590	-	-	649,529
Other disbursements	-	87,921	-	-	2,336	-	441,320
Total disbursements	-	1,005,055	13,825	28,590	2,336	-	2,041,812
Excess (deficiency) of receipts over disbursements	2,039	(75,158)	22,305	(14,539)	4,319	8,432	(47,940)
Cash and investments - ending	\$ 272,895	\$ 22,274	\$ 122,648	\$ 15,634	\$ 34,627	\$ 35,663	\$ 1,150,756

TOWN OF CAYUGA
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2011

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 907	\$ -
Wastewater	130	94,355
Water	379	22,572
Totals	\$ 1,416	\$ 116,927

TOWN OF CAYUGA
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Notes and loans payable	First Financial Bank	\$ 21,979	\$ 5,562
Wastewater:			
Revenue bonds	State Revolving Fund	3,480,000	210,477
Water:			
Revenue bonds	Water Utility Improvements	284,000	27,515
Totals		<u>\$ 3,785,979</u>	<u>\$ 243,554</u>

TOWN OF CAYUGA
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>Ending Balance</u>
Governmental activities:	
Land	\$ 350,000
Infrastructure	500,000
Buildings	250,000
Machinery, equipment and vehicles	<u>50,000</u>
Total governmental activities	<u>1,150,000</u>
Wastewater:	
Land	350,000
Infrastructure	200,000
Machinery, equipment and vehicles	<u>25,000</u>
Total Wastewater	<u>575,000</u>
Water:	
Land	350,000
Infrastructure	150,000
Buildings	50,000
Machinery, equipment and vehicles	<u>15,000</u>
Total Water	<u>565,000</u>
Total capital assets	<u><u>\$ 2,290,000</u></u>

TOWN OF CAYUGA
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

The following annual report deficiencies were noted:

1. An annual report for 2010 was presented, but it was submitted more than 60 days late.
2. The receipts, disbursements, and balances reported could not be traced to the ledger until the Clerk-treasurer posted and reconciled her ledgers.
3. The annual report did not include a list of contributions made to nongovernmental entities (Schedule 20).
4. The capital asset schedule was based on insured property values and not on records maintained by the Town.
5. One loan for the purchase of a police vehicle was not on the debt schedule.
6. The Town had payables and receivables to report but the schedule was not completed before submitting.

Indiana Code 5-11-1-4(a) states in part:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year."

APPROPRIATIONS

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

Fund	Year	Excess Amount Expended
Local Road and Street	2010	\$ 14,196
Cumulative Capital Improvement	2010	38,476

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."

CAPITAL ASSET RECORDS

As previously reported, capital asset records are not maintained for the Town and the Utilities. Both the Water Utility and the Wastewater Utility are paying on revenue bond issues for large improvements but the historical costs have not been recorded for those utility improvements. In 2010, the Town traded land and a building with the Lions Club but a record of those exchanges was not recorded.

TOWN OF CAYUGA
EXAMINATION RESULTS AND COMMENTS
(Continued)

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 form. 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)

COLLECTION OF AMOUNTS DUE - LOCAL GUN PERMIT FEES

In 2010, twenty individuals were issued gun permits but the records show only 11 percent of local gun permit fees were collected. Six individuals receiving a permit and having a receipt with their name recorded did not pay the correct amount. Four individuals receiving permits and not having a receipt on record were contacted. They admitted they never paid a local fee.

Indiana Code 35-47-2-3(b) states in part:

"The law enforcement agency which accepts an application for a handgun license shall collect the following application fees:

- (1) From a person applying for a four (4) year handgun license, a ten dollar (\$10) application fee, five dollars (\$5) of which shall be refunded if the license is not issued.
- (2) From a person applying for a lifetime handgun license who does not currently possess a valid Indiana handgun license, a fifty dollar (\$50) application fee, thirty dollars (\$30) of which shall be refunded if the license is not issued.
- (3) From a person applying for a lifetime handgun license who currently possesses a valid Indiana handgun license, a forty dollar (\$40) application fee, thirty dollars (\$30) of which shall be refunded if the license is not issued."

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)

CONDITION OF RECORDS

Deficiencies, relating to the recordkeeping that were cited in the prior examination report, were again present during our period of examination:

1. The Park Board President collects campsite fees and issues the camper a receipt. The beginning and ending receipt number in each deposit is not clearly marked, making it impossible to test for timely deposit and intact deposit. Total deposits at the bank exceed the receipts written.
2. The Town had a Community Focus Fund Grant balance of \$30,034 at the beginning of 2010 and in 2010 the Town received a \$2,000 grant from the Vermillion County Community Foundation. Financial activities for these two funds were not included on the annual report. The Community Focus Fund grant was not tracked in the ledger. All financial transactions should be posted to the ledger.

TOWN OF CAYUGA
EXAMINATION RESULTS AND COMMENTS
(Continued)

3. The Clerk-Treasurer did not post the Water Simplified Classified Journal or the Ledger of Receipts, Disbursements and Balances for the Town until the audit started.
4. The Clerk-Treasurer did not reconcile bank accounts until the audit started.

Indiana Code 5-13-6-1(e) states: "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."

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)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the Water Utility Simplified Cash Journal. The Water Utility Simplified Cash Journal shows a balance of \$34,627 and the detailed deposit register shows a balance of \$28,320. The Clerk-Treasurer is not properly posting customer deposit activity. When a deposit is paid, it should be recorded in the journal and in the deposit register. When the consumer discontinues service, the total on deposit should be removed from their account. This should be done by applying the balance on deposit to the bill or by giving a refund; the activity should be posted both in the journal and in the deposit register.

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

The Town made donations to the Vermillion County Foundation (\$300), Relay-for-Life (\$300), Mike Wright Benefit (\$100), and to the Lincoln Park Theatre Company (\$50).

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)

ERRORS ON CLAIMS

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

1. The Clerk-Treasurer did not sign two of the 128 claims tested
2. Two of the twenty-four claims registers signed by the Council were not on file. The Council's approval for the payment of eight claims could not be verified.
3. Four claims were not properly divided as an expense of the Town and the Utilities.

TOWN OF CAYUGA
EXAMINATION RESULTS AND COMMENTS
(Continued)

4 Four claims were not properly supported by invoices.

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."

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Park Board members received \$800 compensation in 2010 but social security and Medicare were not withheld from their wages. The Park Board members were issued 1099 Miscellaneous Income Statements instead of W-2 Earnings Statements.

The Cayuga Water Utility makes a timely payment of sales tax each month; however the calculations are not correct for the amount to be paid. The Clerk-Treasurer has been including sales tax received when payments are made by the consumers in her sales figures, which results in her paying sales tax on sales tax. The overpayments for 2010 and 2011 were \$680 and \$769, respectively.

As reported in the previous examination, the Clerk-Treasurer has not submitted utility receipts tax. The underpayments for 2010 and 2011 were \$2,006 and \$1,953, respectively.

The Clerk-Treasurer did not submit federal taxes withheld from employee paychecks in July, August, September, and October of 2011. On payments that were made for the year, the Clerk-Treasurer made the employer payment match the employee payment for social security which is an underpayment of 2 percent for the employer. The employee and employer federal taxes were underpaid \$24,613 in 2011.

The Clerk-Treasurer did not submit state and county taxes withheld from employee paychecks in July, August, September, and October of 2011. The Indiana Department of Revenue was underpaid \$2,342 in 2011.

TOWN OF CAYUGA
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

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. 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)

OLD OUTSTANDING CHECKS

Our review of the bank reconciliements as of December 31, 2011, revealed eight checks totaling \$1,467 outstanding in excess of two years.

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

Indiana Code 5-11-10.5-3 states in part:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the board of finance of the political subdivision or the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

TOWN OF CAYUGA
EXAMINATION RESULTS AND COMMENTS
(Continued)

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

ORDINANCES AND RESOLUTIONS

The Water Utility has an ordinance concerning disconnection of service for customers with delinquent water bills. The Clerk-Treasurer's water has not been disconnected even though her bill is over 90 days past due.

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)

TOWN OF CAYUGA
EXIT CONFERENCE

The contents of this report were discussed on September 26, 2011, with Ronald Brink, President of the Town Council, and Sami L. Dillon, Clerk-Treasurer. The officials concurred with our findings.