

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT

OF

TOWN OF CORUNNA

DEKALB COUNTY, INDIANA

January 1, 2004 to December 31, 2005



FILED
7/31/06

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OFFICIALS

Clerk-Treasurer

Cassandra Lynch

01-01-04 to 12-31-07

President of the Town Council

Lynn McDonald
Chatman Christian

01-01-04 to 12-31-04
01-01-05 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF CORUNNA, DEKALB COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Corunna (Town), for the period of January 1, 2004 to December 31, 2005. The Town's management is responsible for the schedules. 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 schedule of receipts, disbursements, and cash and investment balances 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 schedules referred to above present fairly, in all material respects, the cash transactions of the Town for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

July 5, 2006

TOWN OF CORUNNA
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2004 And 2005

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ 118,508	\$ 135,558	\$ 95,305	\$ 158,761
Motor Vehicle Highway	32,663	14,881	2,123	45,421
Local Road and Street	3,845	2,076	2,600	3,321
Hospital Aid Foundation	1,426	-	-	1,426
Cumulative Capital Improvement	8,839	1,735	-	10,574
Cumulative Capital Development	9,725	2,921	-	12,646
County Economic Development Income Tax	-	7,578	-	7,578
Fire Station Replacement	196,245	-	6,034	190,211
Proprietary Funds:				
Water Utility:				
Operating	23,194	52,027	46,181	29,040
Bond and Interest	2,672	9,600	9,819	2,453
Depreciation	11,300	1,200	-	12,500
Debt Service Reserve	9,944	1,056	-	11,000
Customer Deposit	1,160	100	-	1,260
Wastewater Utility:				
Operating	12,657	28,098	38,507	2,248
Bond and Interest	7,224	10,600	9,250	8,574
Debt Service Reserve	24,670	-	-	24,670
Fiduciary Fund:				
Payroll	272	23,698	23,970	-
Totals	<u>\$ 464,344</u>	<u>\$ 291,128</u>	<u>\$ 233,789</u>	<u>\$ 521,683</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 158,761	\$ 94,893	\$ 93,456	\$ 160,198
Motor Vehicle Highway	45,421	63,989	59,745	49,665
Local Road and Street	3,321	1,602	4,923	-
Hospital Aid Foundation	1,426	-	-	1,426
Cumulative Capital Improvement	10,574	785	-	11,359
Cumulative Capital Development	12,646	1,316	-	13,962
County Economic Development Income Tax	7,578	6,204	-	13,782
Fire Station Replacement	190,211	147,607	202,093	135,725
Proprietary Funds:				
Water Utility:				
Operating	29,040	50,352	44,304	35,088
Bond and Interest	2,453	9,600	9,706	2,347
Depreciation	12,500	1,200	-	13,700
Debt Service Reserve	11,000	1,056	-	12,056
Customer Deposit	1,260	300	-	1,560
Wastewater Utility:				
Operating	2,248	45,222	28,827	18,643
Bond and Interest	8,574	10,600	9,100	10,074
Debt Service Reserve	24,670	-	-	24,670
Customer Deposit	-	50	-	50
Construction	-	155,186	101,877	53,309
Fiduciary Fund:				
Payroll	-	34,132	33,722	410
Totals	<u>\$ 521,683</u>	<u>\$ 624,094</u>	<u>\$ 587,753</u>	<u>\$ 558,024</u>

The accompanying notes are an integral part of the schedules.

TOWN OF CORUNNA
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
BY SOURCES AND USES - PROPRIETARY FUNDS
As Of And For The Years Ended December 31, 2004 And 2005

	Water Utility		Wastewater Utility	
	2004	2005	2004	2005
Operating receipts:				
Metered receipts	\$ 35,590	\$ 43,340	\$ -	\$ -
Unmetered receipts	-	-	27,760	44,488
Fire protection receipts	5,691	6,723	-	-
Connection receipts	1,500	-	-	-
Total operating receipts	42,781	50,063	27,760	44,488
Operating disbursements:				
Capital improvements	-	-	-	80,319
Salaries and wages	10,854	12,197	10,020	10,885
Employee pensions and benefits	514	729	488	732
Purchased power	-	3,474	-	-
Material and supplies	2,253	1,573	1,353	32
Contractual services	10,486	3,200	13,987	4,364
Other	4,021	3,011	2,059	2,215
Total operating disbursements	28,128	24,184	27,907	98,547
Excess (deficiency) of operating receipts over (under) operating disbursements	14,653	25,879	(147)	(54,059)
Nonoperating receipts (disbursements):				
Bond and loan proceeds	9,000	-	-	155,186
Bond issuance costs	-	-	-	(18,267)
Interest and investment receipts	247	289	338	734
Debt service principal	(5,477)	(6,788)	(3,000)	(3,000)
Interest and investment disbursement	(10,540)	(11,182)	(6,250)	(9,390)
Miscellaneous receipts	100	300	-	50
Total nonoperating receipts and disbursements	(6,670)	(17,381)	(8,912)	125,313
Excess (deficiency) of receipts over (under) disbursements and nonoperating receipts and disbursements	7,983	8,498	(9,059)	71,254
Cash basis fund balance - beginning	48,270	56,253	44,551	35,492
Cash basis fund balance - ending	\$ 56,253	\$ 64,751	\$ 35,492	\$ 106,746

The accompanying notes are an integral part of the schedules.

TOWN OF CORUNNA
NOTES TO SCHEDULES

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, 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.

Note 6. Long-Term Debt

The Town has entered into various debts such as Water and Wastewater Revenue bonds for improvements and a loan for water tower repair. The outstanding principal at December 31, 2005, was \$136,000, \$280,500, and \$53,638, respectively.

Note 7. Subsequent Event

In 2005, the Town was awarded a Community Development Block Grant of \$489,200 for the construction of a new fire station. As of December 31, 2005, \$147,607 had been drawdown for the construction.

TOWN OF CORUNNA
EXAMINATION RESULTS AND COMMENTS

PRESCRIBED FORMS

The following prescribed or approved forms were not always in use: Simplified Cash Journal Water Utility (Form 319), Simplified Cash Journal Wastewater Utility (Form 323), and Guaranteed Deposit Register (Form 314). This was noted in the prior Audit Report B23994.

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)

CAPITAL ASSET RECORDS

The Town does not maintain a record of capital assets owned. This was noted in the prior Audit Report B23994.

Every governmental unit should have a complete inventory of all capital assets owned which reflect 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)

COMPENSATION AND BENEFITS

John Simon (water operator) and Paul Warfield (wastewater operator) received \$7,000 and \$5,500, respectively, in payments for 2005 which were not included in the salary ordinance or resolution.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ADVANCE PAYMENTS

Dates of transactions indicate that payroll payments were made to officials and employees prior to the ending date of the payroll period

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

TOWN OF CORUNNA
EXAMINATION RESULTS AND COMMENTS
(Continued)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) a description of the premises, as shown by the records of the county auditor;
and
 - (C) the amount of the delinquent fees, together with the penalty; or
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

TOWN OF CORUNNA
EXIT CONFERENCE

The contents of this report were discussed on July 5, 2006, with Cassandra Lynch, Clerk-Treasurer and Lynn McDonald, Council Member.