

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

EXAMINATION REPORT

OF

TOWN OF CYNTHIANA

POSEY COUNTY, INDIANA

January 1, 2004 to December 31, 2005



FILED
12/29/2006

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Greta Mounts

01-01-04 to 12-31-07

President of the Town Council

Aaron VanWinkle
Steven M. Sims

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 CYNTHIANA, POSEY COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Cynthiana (Town), for the period of January 1, 2004 to December 31, 2005. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 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

November 30, 2006

TOWN OF CYNTHIANA
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY 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	118,254	\$ 90,665	\$ 91,870	\$ 117,049
Motor Vehicle Highway	34,410	23,252	19,934	37,728
Local Road and Street	27,605	3,555	1,025	30,135
Build Indiana Fund	446	-	-	446
Home Grant Fund	17,733	-	-	17,733
Cumulative Capital Improvement	19,172	2,586	-	21,758
Cumulative Capital Development	22,777	3,508	-	26,285
Fire Station Grant Fund	-	418,000	418,000	-
Proprietary Funds:				
Water Utility - Operating	34,671	90,201	98,218	26,654
Water Utility - Customer Deposit	15,898	3,740	2,885	16,753
Wastewater Utility - Operating	40,638	86,685	92,539	34,784
Wastewater Utility - Bond and Interest	13,961	12,033	13,110	12,884
Fiduciary Fund:				
Payroll	19	118,333	117,959	393
Totals	<u>\$ 345,584</u>	<u>\$ 852,558</u>	<u>\$ 855,540</u>	<u>\$ 342,602</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 117,049	\$ 87,315	\$ 102,834	\$ 101,530
Motor Vehicle Highway	37,728	22,695	26,136	34,287
Local Road and Street	30,135	3,524	1,423	32,236
Build Indiana Fund	446	-	-	446
Home Grant Fund	17,733	5,632	239	23,126
Cumulative Capital Improvement	21,758	2,142	-	23,900
Cumulative Capital Development	26,285	3,358	1,000	28,643
Proprietary Funds:				
Water Utility - Operating	26,654	97,332	93,390	30,596
Water Utility - Customer Deposit	16,753	4,677	4,121	17,309
Wastewater Utility - Operating	34,784	140,791	119,161	56,414
Wastewater Utility - Bond and Interest	12,884	13,024	12,360	13,548
Fiduciary Fund:				
Payroll	393	116,529	116,203	719
Totals	<u>\$ 342,602</u>	<u>\$ 497,019</u>	<u>\$ 476,867</u>	<u>\$ 362,754</u>

The accompanying notes are an integral part of the schedules.

TOWN OF CYNTHIANA
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety (police and fire), highways and streets, culture and recreation, general administrative services, water and wastewater.

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

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

Note 5. Deposits and Investments

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

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

TOWN OF CYNTHIANA
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Note 7. Long-Term Debt

The Town has entered into various debts such as bonds for Wastewater Utility improvements and a loan to repay a Water Utility grant. The outstanding principal at December 31, 2005, was \$20,000 and \$7,744, respectively.

TOWN OF CYNTHIANA
EXAMINATION RESULTS AND COMMENTS

ACCOUNTABLE ITEMS (Water and Wastewater Utilities)

Records presented for examination indicated that gallons of water pumped and not billed totaled 4,402,600 and 2,889,575 for the years 2004 and 2005, respectively. Calculations indicate that the potential dollar amount of the resulting loss would be between \$15,850 and \$27,957 for the year 2004 and between \$12,480 and \$22,019 for the year 2005. The Water Utility bills on a sliding scale, based on the amount of water used. This could also result in a potential loss for the Wastewater Utility between \$20,472 and \$36,542 for the year 2004 and between \$26,873 and \$47,967 for the year 2005 because Wastewater Utility bills are based on water consumption.

Goods for sale, billings, and other collections are considered accountable items for which a corresponding deposit must be made in the bank accounts of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS (Water and Wastewater Utilities)

The Utilities do not maintain sufficient detailed records of capital assets. Records providing historical costs for some of the Utilities' capital assets are not available, and records classifying and summarizing the Utilities' capital assets are incomplete. Deletions or disposals of capital assets are not recorded.

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)

SURTAX REVENUE (Town)

The Town deposited surtax revenue received in the general fund. This tax revenue should be deposited in the motor vehicle highway fund.

Per Indiana Code 6-3.5-4-13(d): "A county, city, or town may only use the surtax revenues it receives under this section to construct, reconstruct, repair, or maintain streets and roads under its jurisdiction."

TOWN OF CYNTHIANA
EXAMINATION RESULTS AND COMMENTS
(Continued)

DELINQUENT WASTEWATER ACCOUNTS (Wastewater Utility)

As stated in several prior reports, 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. . . ."

LAW ENFORCEMENT CONTINUING EDUCATION FUND (Town)

The Town is depositing handgun application fees in the general fund.

Indiana Code 35-47 states in part:

"The law enforcement agency which accepts an application for a handgun shall collect a ten dollar (\$10) application fee, five dollars (\$5) of which shall be refunded if the license is not issued. The fee shall be deposited into the local law enforcement education fund."

TOWN OF CYNTHIANA
EXIT CONFERENCE

The contents of this report were discussed on November 30, 2006, with Greta Mounts, Clerk-Treasurer; and Steven M. Sims, President of the Town Council.