

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

EXAMINATION REPORT
OF
TOWN OF CROMWELL
NOBLE COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
07/30/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Robert L. Leamon	01-01-04 to 12-31-07
President of the Town Council	Gary Lawrence	01-01-05 to 12-31-07
Superintendent of the Utilities	Clark Reed	01-01-05 to 12-31-07



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 ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF CROMWELL, NOBLE COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Cromwell (Town), for the period of January 1, 2005 to December 31, 2006. 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, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. The Schedule has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

June 26, 2007

TOWN OF CROMWELL
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, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 31,736	\$ 242,544	\$ 181,865	\$ 92,415
Motor Vehicle Highway	31,038	30,037	30,464	30,611
Local Road and Street	6,777	2,679	-	9,456
Park and Recreation	11,910	22,644	20,587	13,967
Law Enforcement Continuing Education	149	25	-	174
Donation	22	28,661	27,301	1,382
Community Center	88,218	43	-	88,261
Park Gift	1,440	8,540	7,632	2,348
Police Gift	6,327	1,059	6,354	1,032
Cumulative Capital Improvement	959	1,397	610	1,746
CEDIT	22,293	15,308	3,500	34,101
Proprietary Funds:				
Water Utility - Operating	42,034	160,828	94,756	108,106
Water Utility - Bond and Interest	18,338	16,177	21,030	13,485
Water Utility - Depreciation	881	4,500	3,441	1,940
Water Utility - Customer Deposit	6,509	2,604	2,313	6,800
Wastewater Utility - Operating	181,128	218,649	211,187	188,590
Wastewater Utility - Bond and Interest	26,494	29,852	26,346	30,000
Wastewater Utility - Depreciation	10,610	-	-	10,610
Wastewater Utility - Customer Deposit	6,200	2,300	2,300	6,200
Wastewater Utility - Construction	10,643	-	-	10,643
Wastewater Utility - Cash Reserve	52,400	-	-	52,400
Fiduciary Fund:				
Payroll	4,731	154,293	159,024	-
Totals	\$ 560,837	\$ 942,140	\$ 798,710	\$ 704,267

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 92,415	\$ 160,920	\$ 182,648	\$ 70,687
Motor Vehicle Highway	30,611	54,874	42,765	42,720
Local Road and Street	9,456	2,612	2,613	9,455
Park and Recreation	13,967	18,959	19,500	13,426
Law Enforcement Continuing Education	174	43	-	217
Riverboat	-	2,844	2,844	-
Donation	1,382	19,504	19,399	1,487
Community Center	88,261	6,229	2,425	92,065
Park Gift	2,348	2,076	1,250	3,174
Police Gift	1,032	483	1,036	479
Cumulative Capital Improvement	1,746	1,615	1,504	1,857
CEDIT	34,101	17,234	7,895	43,440
Levy Excess	-	2,998	2,998	-
Proprietary Funds:				
Water Utility - Operating	108,106	112,391	92,714	127,783
Water Utility - Bond and Interest	13,485	25,000	22,610	15,875
Water Utility - Depreciation	1,940	-	596	1,344
Water Utility - Customer Deposit	6,800	2,000	2,300	6,500
Wastewater Utility - Operating	188,590	229,485	252,615	165,460
Wastewater Utility - Bond and Interest	30,000	30,000	30,961	29,039
Wastewater Utility - Depreciation	10,610	-	3,256	7,354
Wastewater Utility - Customer Deposit	6,200	2,000	2,400	5,800
Wastewater Utility - Construction	10,643	50,000	30,934	29,709
Wastewater Utility - Cash Reserve	52,400	-	-	52,400
Fiduciary Fund:				
Payroll	-	149,530	149,530	-
Totals	\$ 704,267	\$ 890,797	\$ 874,793	\$ 720,271

The accompanying notes are an integral part of the financial information.

TOWN OF CROMWELL
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, health and social services, culture and recreation, 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. 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 CROMWELL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

The Town has entered into the following debt:

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Police Car	\$ 9,276	\$ 6,107
Total governmental activities long-term debt	<u>\$ 9,276</u>	<u>\$ 6,107</u>
Business-type Activities:		
Water Utility		
Loans:		
State Revolving Fund Loan	\$ 232,000	\$ -
Wastewater Utility		
Revenue bonds:		
Refunding Revenue Bonds of 2003	\$ 170,000	\$ 20,000
Total business-type activities long-term debt	<u>\$ 402,000</u>	<u>\$ 20,000</u>

TOWN OF CROMWELL
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for examination indicated 2006 Local Road and Street expenditures in excess of budgeted appropriations by \$1,197 or 85%.

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

The Town does not maintain capital asset records for the governmental funds. A similar comment appeared in the prior Reports B25884 and B21364.

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)

ORDINANCES AND RESOLUTIONS

The Town has an ordinance concerning the Water Utility shut off procedures. However, during the course of reviewing charges and subsequent payments, it was noted that a Town Council member has not been subject to the same shut-off procedures as the rest of the Town's residents.

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)

ACCOUNTS RECEIVABLE CONTROL LEDGER

The Clerk-Treasurer did not maintain a control account for Accounts Receivable as illustrated on page 46-45 in the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns. A similar comment appeared in the prior Reports B25884 and B21364.

When utility records are kept on a cash or single-entry basis, a separate control account should be carried on General Ledger Sheet, General Form 315, in the front on the Consumer's Ledger. This account will be debited with the total monthly billing to all customers for utility services including penalties and sales tax. This account will be credited with the total accounts receivable collections, penalties, and sales tax shown by the register of Daily Cash Receipts.

Under normal conditions, the individual active accounts of customers should at all times show debit balances at the end of each month, the individual active accounts should be added and the total so obtained checked against the balance of the control account. If any adjustments are necessary to be made either to the control or to the individual active accounts, proper explanation should be recorded in the records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

TOWN OF CROMWELL
EXIT CONFERENCE

The contents of this report were discussed on June 26, 2007, with Robert L. Leamon, Clerk-Treasurer; and Gary Lawrence, President of the Town Council. The officials concurred with our findings.