

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

AUDIT REPORT

OF

TOWN OF CHURUBUSCO

WHITLEY COUNTY, INDIANA

January 1, 2008 to December 31, 2009



FILED
06/21/2010

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
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	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	7, 11
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds	8, 12
Proprietary Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Funds.....	9, 13
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	10, 14
Notes to Financial Statements	15-22
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	23, 26
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Private-Purpose Trust Funds	24, 27
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Agency Funds.....	25, 28
Schedule of Long-Term Debt	29
Audit Results and Comments:	
Annual Report.....	30
Capital Asset Records	30
Supplemental Audit of Federal Awards:	
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.....	32-33
Schedule of Expenditures of Federal Awards	34
Note to Schedule of Expenditures of Federal Awards.....	35
Schedule of Findings and Questioned Costs	36
Auditee Prepared Schedule:	
Summary Schedule of Prior Audit Findings	37
Exit Conference.....	38

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	Vivian L. Sade Frank A. Kessler	01-01-08 to 12-31-08 01-01-09 to 12-31-10
Superintendent of Water Utility	Jeremy A. Hart	01-01-08 to 12-31-10
Superintendent of Wastewater Utility	Robert A. Hyatt	01-01-08 to 12-31-10



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 FINANCIAL STATEMENTS
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 statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Churubusco (Town), as of and for the years ended December 31, 2008 and 2009, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 opinions.

As discussed in Note I, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2008 and 2009, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated June 3, 2010, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. 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

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

Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Town has not presented Management's Discussion and Analysis, or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedules, as listed in the Table of Contents, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

June 3, 2010



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

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 statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Churubusco (Town), as of and for the years ended December 31, 2008 and 2009, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 3, 2010. 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 opinions on the financial statements, 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or 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 statements are 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 3, 2010

TOWN OF CHURUBUSCO
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2008

Functions/Programs	Program Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 157,477	\$ 12,992	\$ -	\$ -	\$ (144,485)	\$ -	\$ (144,485)
Public safety	293,197	1,818	-	-	(291,379)	-	(291,379)
Highways and streets	155,297	-	44,637	7,170	(103,490)	-	(103,490)
Sanitation	86,083	96,195	-	-	10,112	-	10,112
Health and welfare	2,460	-	-	-	(2,460)	-	(2,460)
Economic development	46,601	-	-	-	(46,601)	-	(46,601)
Culture and recreation	52,934	3,600	-	-	(49,334)	-	(49,334)
Total governmental activities	<u>794,049</u>	<u>114,605</u>	<u>44,637</u>	<u>7,170</u>	<u>(627,637)</u>	<u>-</u>	<u>(627,637)</u>
Business-type activities:							
Water	641,507	357,984	-	-	-	(283,523)	(283,523)
Wastewater	584,711	528,915	-	-	-	(55,796)	(55,796)
Total business-type activities	<u>1,226,218</u>	<u>886,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(339,319)</u>	<u>(339,319)</u>
Total primary government	<u>\$ 2,020,267</u>	<u>\$ 1,001,504</u>	<u>\$ 44,637</u>	<u>\$ 7,170</u>	<u>(627,637)</u>	<u>(339,319)</u>	<u>(966,956)</u>
General receipts:							
Property taxes					202,882	-	202,882
Intergovernmental					368,699	-	368,699
Other local sources					15,458	-	15,458
Investment earnings					14,362	20,225	34,587
Total general receipts					<u>601,401</u>	<u>20,225</u>	<u>621,626</u>
Change in net assets					(26,236)	(319,094)	(345,330)
Net assets - beginning					<u>488,916</u>	<u>1,399,637</u>	<u>1,888,553</u>
Net assets - ending					<u>\$ 462,680</u>	<u>\$ 1,080,543</u>	<u>\$ 1,543,223</u>
<u>Assets</u>							
Cash and investments					\$ 403,362	\$ 213,732	\$ 617,094
Restricted assets:							
Cash and investments					<u>59,318</u>	<u>866,811</u>	<u>926,129</u>
Total assets					<u>\$ 462,680</u>	<u>\$ 1,080,543</u>	<u>\$ 1,543,223</u>
<u>Net Assets</u>							
Restricted for:							
Highways and streets					\$ 52,516	\$ -	\$ 52,516
Debt service					-	210,424	210,424
Capital outlay					6,802	-	6,802
Other purposes					-	656,387	656,387
Unrestricted					<u>403,362</u>	<u>213,732</u>	<u>617,094</u>
Total net assets					<u>\$ 462,680</u>	<u>\$ 1,080,543</u>	<u>\$ 1,543,223</u>

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

TOWN OF CHURUBUSCO
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2008

	General	Motor Vehicle Highway	Economic Development Income Tax	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 151,563	\$ 26,972	\$ -	\$ 24,347	\$ 202,882
Intergovernmental	216,306	56,606	88,943	58,651	420,506
Charges for services	72,246	-	-	40,541	112,787
Fines and forfeits	413	-	-	1,405	1,818
Other	17,589	17	-	12,214	29,820
Total receipts	458,117	83,595	88,943	137,158	767,813
Disbursements:					
General government	140,339	-	-	17,138	157,477
Public safety	290,937	-	-	2,260	293,197
Highways and streets	-	121,953	-	33,344	155,297
Sanitation	61,808	-	-	24,275	86,083
Health and welfare	2,460	-	-	-	2,460
Economic development	-	-	46,601	-	46,601
Culture and recreation	-	-	-	52,934	52,934
Total disbursements	495,544	121,953	46,601	129,951	794,049
Excess (deficiency) of receipts over disbursements	(37,427)	(38,358)	42,342	7,207	(26,236)
Cash and investment fund balance - beginning	113,704	88,304	224,740	62,168	488,916
Cash and investment fund balance - ending	<u>\$ 76,277</u>	<u>\$ 49,946</u>	<u>\$ 267,082</u>	<u>\$ 69,375</u>	<u>\$ 462,680</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 76,277	\$ -	\$ 267,082	\$ 60,003	\$ 403,362
Restricted assets:					
Cash and investments	-	49,946	-	9,372	59,318
Total cash and investment assets - ending	<u>\$ 76,277</u>	<u>\$ 49,946</u>	<u>\$ 267,082</u>	<u>\$ 69,375</u>	<u>\$ 462,680</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Highways and streets	\$ -	\$ 49,946	\$ -	\$ 2,570	\$ 52,516
Capital outlay	-	-	-	6,802	6,802
Unrestricted	76,277	-	267,082	60,003	403,362
Total cash and investment fund balance - ending	<u>\$ 76,277</u>	<u>\$ 49,946</u>	<u>\$ 267,082</u>	<u>\$ 69,375</u>	<u>\$ 462,680</u>

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

TOWN OF CHURUBUSCO
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2008

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Metered/measured	\$ 323,371	\$ 513,712	\$ 837,083
Fire protection receipts	14,696	-	14,696
Miscellaneous	15,767	14,803	30,570
	<u>353,834</u>	<u>528,515</u>	<u>882,349</u>
Total operating receipts			
Operating disbursements:			
Salaries and wages	87,412	155,811	243,223
Employee pensions and benefits	7,450	14,015	21,465
Sludge removal	-	11,635	11,635
Chemicals	1,800	-	1,800
Contractual services	15,699	23,510	39,209
Insurance claims and expense	28,334	42,910	71,244
Water treatment	64,169	-	64,169
Administration and general	7,135	7,324	14,459
Treatment and disposal	-	141,027	141,027
Equipment and capital improvements	58,597	127,305	185,902
Utility receipts tax	3,799	-	3,799
Miscellaneous	2,036	2,204	4,240
	<u>276,431</u>	<u>525,741</u>	<u>802,172</u>
Total operating disbursements			
Excess of operating receipts over operating disbursements	<u>77,403</u>	<u>2,774</u>	<u>80,177</u>
Nonoperating receipts (disbursements):			
Meter deposits	4,150	400	4,550
Meter deposit refunds	(4,650)	(300)	(4,950)
Investment income	11,974	8,251	20,225
Sales tax	(18,116)	-	(18,116)
Debt service of principal	(326,000)	(30,000)	(356,000)
Interest disbursements	(16,310)	(28,670)	(44,980)
	<u>(348,952)</u>	<u>(50,319)</u>	<u>(399,271)</u>
Total nonoperating disbursements			
Deficiency of receipts over disbursements and nonoperating disbursements	(271,549)	(47,545)	(319,094)
Transfers in	275,000	61,675	336,675
Transfers out	(275,000)	(61,675)	(336,675)
Deficiency of receipts and transfers in over disbursements and transfers out	(271,549)	(47,545)	(319,094)
Cash and investment fund balance - beginning	<u>950,827</u>	<u>448,810</u>	<u>1,399,637</u>
Cash and investment fund balance - ending	<u>\$ 679,278</u>	<u>\$ 401,265</u>	<u>\$ 1,080,543</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 128,386	\$ 85,346	\$ 213,732
Restricted assets:			
Cash and investments	550,892	315,919	866,811
Total cash and investment assets - December 31	<u>\$ 679,278</u>	<u>\$ 401,265</u>	<u>\$ 1,080,543</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 62,505	\$ 147,919	\$ 210,424
Other purposes	488,387	168,000	656,387
Unrestricted	128,386	85,346	213,732
Total cash and investment fund balance - December 31	<u>\$ 679,278</u>	<u>\$ 401,265</u>	<u>\$ 1,080,543</u>

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

TOWN OF CHURUBUSCO
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2008

	Private-Purpose Trust Funds	Agency Funds
Additions:		
Contributions:		
Other	\$ 400	
	1,555	
Deductions:		
Administrative and general	1,555	
Deficiency of total additions over total deductions	(1,155)	
Cash and investment fund balance - beginning	7,788	
Cash and investment fund balance - ending	\$ 6,633	\$ 555

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

TOWN OF CHURUBUSCO
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2009

Functions/Programs	Program Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 181,378	\$ 10,978	\$ -	\$ -	\$ (170,400)	\$ -	\$ (170,400)
Public safety	286,995	1,907	1,562	-	(283,526)	-	(283,526)
Highways and streets	114,084	-	43,763	6,891	(63,430)	-	(63,430)
Sanitation	99,067	116,516	-	-	17,449	-	17,449
Economic development	67,139	-	-	-	(67,139)	-	(67,139)
Culture and recreation	65,992	6,475	-	-	(59,517)	-	(59,517)
Total governmental activities	814,655	135,876	45,325	6,891	(626,563)	-	(626,563)
Business-type activities:							
Water	1,844,008	451,277	257,784	950,784	-	(184,163)	(184,163)
Wastewater	597,769	523,035	-	-	-	(74,734)	(74,734)
Total business-type activities	2,441,777	974,312	257,784	950,784	-	(258,897)	(258,897)
Total primary government	\$ 3,256,432	\$ 1,110,188	\$ 303,109	\$ 957,675	(626,563)	(258,897)	(885,460)
General receipts:							
Property taxes					452,351	-	452,351
Intergovernmental					319,945	-	319,945
Other local sources					48,376	-	48,376
Net proceeds from borrowings					-	263,244	263,244
Investment earnings					13,281	22,854	36,135
Total general receipts					833,953	286,098	1,120,051
Change in net assets					207,390	27,201	234,591
Net assets - beginning					462,680	1,080,543	1,543,223
Net assets - ending					\$ 670,070	\$ 1,107,744	\$ 1,777,814
<u>Assets</u>							
Cash and investments					\$ 537,551	\$ 256,569	\$ 794,120
Restricted assets:							
Cash and investments					132,519	851,175	983,694
Total assets					\$ 670,070	\$ 1,107,744	\$ 1,777,814
<u>Net Assets</u>							
Restricted for:							
Highways and streets					\$ 124,469	\$ -	\$ 124,469
Debt service					-	250,563	250,563
Capital outlay					8,050	-	8,050
Other purposes					-	600,612	600,612
Unrestricted					537,551	256,569	794,120
Total net assets					\$ 670,070	\$ 1,107,744	\$ 1,777,814

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

TOWN OF CHURUBUSCO
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2009

	General	Motor Vehicle Highway	Economic Development Income Tax	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 281,134	\$ 109,273	\$ -	\$ 61,944	\$ 452,351
Intergovernmental	223,538	67,240	64,607	53,272	408,657
Charges for services	10,978	-	-	124,223	135,201
Fines and forfeits	675	-	-	-	675
Other	17,593	716	-	3,333	21,642
Total receipts	533,918	177,229	64,607	242,772	1,018,526
Disbursements:					
General government	135,224	-	-	5,276	140,500
Public safety	284,406	-	-	2,456	286,862
Highways and streets	-	91,178	-	-	91,178
Sanitation	-	-	-	99,067	99,067
Economic development	-	-	63,263	-	63,263
Culture and recreation	-	-	-	56,076	56,076
Capital outlay:					
General government	40,878	-	-	-	40,878
Public safety	-	-	-	133	133
Highways and streets	-	13,953	-	8,953	22,906
Economic development	-	-	-	3,876	3,876
Culture and recreation	-	-	-	9,916	9,916
Total disbursements	460,508	105,131	63,263	185,753	814,655
Excess of receipts over disbursements	73,410	72,098	1,344	57,019	203,871
Other financing sources:					
Other receipts	142	1,917	-	1,460	3,519
Excess of receipts and other financing sources over disbursements and other financing uses	73,552	74,015	1,344	58,479	207,390
Cash and investment fund balance - beginning	76,277	49,946	267,082	69,375	462,680
Cash and investment fund balance - ending	\$ 149,829	\$ 123,961	\$ 268,426	\$ 127,854	\$ 670,070
Cash and Investment Assets - Ending					
Cash and investments	\$ 149,829	\$ -	\$ 268,426	\$ 119,296	\$ 537,551
Restricted assets:					
Cash and investments	-	123,961	-	8,558	132,519
Total cash and investment assets - ending	\$ 149,829	\$ 123,961	\$ 268,426	\$ 127,854	\$ 670,070
Cash and Investment Fund Balance - Ending					
Restricted for:					
Highways and streets	\$ -	\$ 123,961	\$ -	\$ 508	\$ 124,469
Capital outlay	-	-	-	8,050	8,050
Unrestricted	149,829	-	268,426	119,296	537,551
Total cash and investment fund balance - ending	\$ 149,829	\$ 123,961	\$ 268,426	\$ 127,854	\$ 670,070

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

TOWN OF CHURUBUSCO
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2009

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Metered/measured	\$ 416,876	\$ 512,410	\$ 929,286
Fire protection receipts	20,574	-	20,574
Miscellaneous	<u>9,422</u>	<u>8,695</u>	<u>18,117</u>
Total operating receipts	<u>446,872</u>	<u>521,105</u>	<u>967,977</u>
Operating disbursements:			
Salaries and wages	87,970	154,684	242,654
Employee pensions and benefits	7,507	13,927	21,434
Sludge removal	-	18,799	18,799
Contractual services	6,440	25,606	32,046
Insurance claims and expense	30,042	46,791	76,833
Water treatment	88,475	-	88,475
Administration and general	8,835	4,054	12,889
Treatment and disposal	-	120,597	120,597
Equipment and capital improvements	1,581,270	147,405	1,728,675
Utility receipts tax	5,025	-	5,025
Miscellaneous	<u>899</u>	<u>7,939</u>	<u>8,838</u>
Total operating disbursements	<u>1,816,463</u>	<u>539,802</u>	<u>2,356,265</u>
Deficiency of operating receipts over operating disbursements	<u>(1,369,591)</u>	<u>(18,697)</u>	<u>(1,388,288)</u>
Nonoperating receipts (disbursements):			
Meter deposits	4,405	1,930	6,335
Meter deposit refunds	(3,650)	(400)	(4,050)
Investment income	15,352	7,502	22,854
Sales tax	(23,895)	-	(23,895)
Net proceeds from borrowings	263,244	-	263,244
Grants	950,784	-	950,784
Debt service of principal	-	(30,000)	(30,000)
Interest disbursements	-	(27,567)	(27,567)
Other	<u>257,784</u>	<u>-</u>	<u>257,784</u>
Total nonoperating receipts (disbursements)	<u>1,464,024</u>	<u>(48,535)</u>	<u>1,415,489</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	94,433	(67,232)	27,201
Transfers in	242,262	60,000	302,262
Transfers out	<u>(242,262)</u>	<u>(60,000)</u>	<u>(302,262)</u>
Excess (deficiency) of receipts and transfers in over disbursements and transfers out	94,433	(67,232)	27,201
Cash and investment fund balance - beginning	<u>679,278</u>	<u>401,265</u>	<u>1,080,543</u>
Cash and investment fund balance - ending	<u>\$ 773,711</u>	<u>\$ 334,033</u>	<u>\$ 1,107,744</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 155,642	\$ 100,927	\$ 256,569
Restricted assets:			
Cash and investments	<u>618,069</u>	<u>233,106</u>	<u>851,175</u>
Total cash and investment assets - December 31	<u>\$ 773,711</u>	<u>\$ 334,033</u>	<u>\$ 1,107,744</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 100,175	\$ 150,388	\$ 250,563
Other purposes	517,894	82,718	600,612
Unrestricted	<u>155,642</u>	<u>100,927</u>	<u>256,569</u>
Total cash and investment fund balance - December 31	<u>\$ 773,711</u>	<u>\$ 334,033</u>	<u>\$ 1,107,744</u>

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

TOWN OF CHURUBUSCO
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2009

	Private-Purpose Trust Funds	Agency Funds
Additions:		
Contributions:		
Other	\$ 27,000	
Deductions:		
Administrative and general	27,243	
Deficiency of total additions over total deductions	(243)	
Cash and investment fund balance - beginning	6,633	
Cash and investment fund balance - ending	\$ 6,390	\$ 591

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

TOWN OF CHURUBUSCO
NOTES TO FINANCIAL STATEMENTS

I. 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 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, and urban redevelopment.

The Town's financial reporting entity is composed of the following:

Primary Government: Town of Churubusco

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The motor vehicle highway fund (MVH) accounts for state and local monies collected for highway and street construction and improvements.

The economic development income tax (EDIT) fund is used to account for economic development income tax receipts and disbursements.

The Town reports the following major enterprise funds:

The water utility fund accounts for the operation of the water distribution system.

TOWN OF CHURUBUSCO
NOTES TO FINANCIAL STATEMENTS
(Continued)

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

Additionally, the Town reports the following fund types:

The private-purpose trust funds report trust arrangements under which principal and income benefit the citizens of the Town.

Agency funds account for assets held by the Town as an agent for federal and state revenue agencies and serve as control of accounts for cash transactions during the time they are a liability to the Town.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, 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 cash and investment 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. Investment transactions are not presented on the financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town and its enterprise funds. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

TOWN OF CHURUBUSCO
NOTES TO FINANCIAL STATEMENTS
(Continued)

When both restricted and unrestricted resources are available for use, the Town's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the Town in June and in 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. 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 may 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.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as a liability in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

TOWN OF CHURUBUSCO
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.
4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

Interfund activity, if any, is eliminated or reclassified in the government-wide financial statements. Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

TOWN OF CHURUBUSCO
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, the governing board, through the passage of a resolution/ ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

The Town's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Town does not have a deposit policy for custodial credit risk. At December 31, 2009, the Town had deposit balances in the amount of \$1,784,795. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the Town to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the Town to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

TOWN OF CHURUBUSCO
NOTES TO FINANCIAL STATEMENTS
(Continued)

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Town and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust have a stated final maturity of one day.

Additionally, the Town may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the Town's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Town does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town must follow state statute and limit the stated final maturities of the investments to no more than two years. The Town does not have a formal investment policy for interest rate risk for investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town does not have a formal investment policy for credit risk for investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The Town does not have a formal policy in regards to foreign currency risk.

TOWN OF CHURUBUSCO
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

The Town is 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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

During 2008, the Town joined the Indiana Public Employer's Plan, a public entity risk pool currently operating as a common risk management and insurance program for approximately 350 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries to employees. The Town pays an annual premium to the risk pool for its job related illnesses or injuries to employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

B. Subsequent Events

The Water Utility is constructing a new iron removal plant for a total estimated cost of \$3,080,000. Financing for the project was from federal grants totaling \$1,790,000 and a State Revolving Funds loan of \$1,290,000. Loan proceeds of \$263,244 were received through December 31, 2009. Total costs paid through December 31, 2009, were \$1,214,027. The project is estimated to be completed by June 1, 2010.

C. Rate Structure – Enterprise Funds

Water Utility

On August 19, 1998, the Town Council adopted Ordinance 98-01 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on January 7, 2009.

Wastewater Utility

The current rate structure was approved by the Town Council on July 12, 2006.

TOWN OF CHURUBUSCO
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Receipts Pledged

Water Utility Receipts Pledged

The Town has pledged future operating receipts, net of specified operating expenditures, to repay revenue bonds issued in 2009. Proceeds from the bonds provided financing for a water treatment plant (iron removal). The bonds are payable solely from net operating receipts and are payable through 2030. Annual principal and interest payments are expected to require less than 57% of net receipts.

Wastewater Utility Receipts Pledged

The Town has pledged future operating receipts, net of specified operating expenditures, to repay revenue bonds issued in 2006. Proceeds from the bonds provided financing for the wastewater plant expansion. The bonds are payable solely from net operating receipts and are payable through 2027. Annual principal and interest payments are expected to require less than 50% of net receipts.

TOWN OF CHURUBUSCO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008

	Local Road and Street	Solid Waste	Law Enforcement Continuing Education	Park and Recreation	Rainy Day	Cumulative Capital Improvement	Totals
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ 24,347	\$ -	\$ -	\$ 24,347
Intergovernmental	7,170	-	-	4,240	41,823	5,418	58,651
Charges for services	-	36,941	-	3,600	-	-	40,541
Fines and forfeits	-	-	1,405	-	-	-	1,405
Other	-	-	-	12,214	-	-	12,214
Total receipts	7,170	36,941	1,405	44,401	41,823	5,418	137,158
Disbursements:							
General government	-	-	-	-	4,442	12,696	17,138
Public safety	-	-	2,260	-	-	-	2,260
Highways and streets	33,344	-	-	-	-	-	33,344
Sanitation	-	24,275	-	-	-	-	24,275
Culture and recreation	-	-	-	52,934	-	-	52,934
Total disbursements	33,344	24,275	2,260	52,934	4,442	12,696	129,951
Excess (deficiency) of receipts over disbursements	(26,174)	12,666	(855)	(8,533)	37,381	(7,278)	7,207
Cash and investment fund balance - beginning	28,744	-	2,571	15,842	931	14,080	62,168
Cash and investment fund balance - ending	<u>\$ 2,570</u>	<u>\$ 12,666</u>	<u>\$ 1,716</u>	<u>\$ 7,309</u>	<u>\$ 38,312</u>	<u>\$ 6,802</u>	<u>\$ 69,375</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 12,666	\$ 1,716	\$ 7,309	\$ 38,312	\$ -	\$ 60,003
Restricted assets:							
Cash and investments	2,570	-	-	-	-	6,802	9,372
Total cash and investment assets - ending	<u>\$ 2,570</u>	<u>\$ 12,666</u>	<u>\$ 1,716</u>	<u>\$ 7,309</u>	<u>\$ 38,312</u>	<u>\$ 6,802</u>	<u>\$ 69,375</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Highways and streets	\$ 2,570	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,570
Capital outlay	-	-	-	-	-	6,802	6,802
Unrestricted	-	12,666	1,716	7,309	38,312	-	60,003
Total cash and investment fund balance - ending	<u>\$ 2,570</u>	<u>\$ 12,666</u>	<u>\$ 1,716</u>	<u>\$ 7,309</u>	<u>\$ 38,312</u>	<u>\$ 6,802</u>	<u>\$ 69,375</u>

TOWN OF CHURUBUSCO
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For The Year Ended December 31, 2008

	<u>Police Donation</u>	<u>Park and Recreation Gift</u>	<u>Totals</u>
Additions:			
Contributions:			
Other	\$ -	\$ 400	\$ 400
Deductions:			
Administrative and general	-	1,555	1,555
Deficiency of total additions over total deductions	-	(1,155)	(1,155)
Cash and investment fund balance - beginning	<u>100</u>	<u>7,688</u>	<u>7,788</u>
Cash and investment fund balance - ending	<u>\$ 100</u>	<u>\$ 6,533</u>	<u>\$ 6,633</u>

TOWN OF CHURUBUSCO
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2008

	<u>Payroll</u>	<u>Utilities Clearing</u>	<u>Other</u>	<u>Totals</u>
Additions:				
Agency fund additions	\$ 582,245	\$ 932,085	\$ 831	\$ 1,515,161
Deductions:				
Agency fund deductions	582,210	932,085	540	1,514,835
Excess of total additions over total deductions	35	-	291	326
Cash and investment fund balance - beginning	(35)	-	264	229
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 555</u>	<u>\$ 555</u>

TOWN OF CHURUBUSCO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009

	Local Road and Street	Law Enforcement Continuing Education	Park and Recreation	Solid Waste	Rainy Day	Federal Grant	Cumulative Capital Improvement	Totals
Receipts:								
Taxes	\$ -	\$ -	\$ 61,944	\$ -	\$ -	\$ -	\$ -	\$ 61,944
Intergovernmental	6,891	-	8,825	-	30,885	1,562	5,109	53,272
Charges for services	-	1,232	6,475	116,516	-	-	-	124,223
Other	-	-	3,200	-	-	118	15	3,333
Total receipts	6,891	1,232	80,444	116,516	30,885	1,680	5,124	242,772
Disbursements:								
General government	-	-	-	-	5,276	-	-	5,276
Public safety	-	776	-	-	-	1,680	-	2,456
Sanitation	-	-	-	99,067	-	-	-	99,067
Culture and recreation	-	-	56,076	-	-	-	-	56,076
Capital outlay:								
Public safety	-	133	-	-	-	-	-	133
Highways and streets	8,953	-	-	-	-	-	-	8,953
Economic development	-	-	-	-	-	-	3,876	3,876
Culture and recreation	-	-	9,916	-	-	-	-	9,916
Total disbursements	8,953	909	65,992	99,067	5,276	1,680	3,876	185,753
Excess (deficiency) of receipts over disbursements	(2,062)	323	14,452	17,449	25,609	-	1,248	57,019
Other financing sources:								
Other receipts	-	-	1,460	-	-	-	-	1,460
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,062)	323	15,912	17,449	25,609	-	1,248	58,479
Cash and investment fund balance - beginning	2,570	1,716	7,309	12,666	38,312	-	6,802	69,375
Cash and investment fund balance - ending	<u>\$ 508</u>	<u>\$ 2,039</u>	<u>\$ 23,221</u>	<u>\$ 30,115</u>	<u>\$ 63,921</u>	<u>\$ -</u>	<u>\$ 8,050</u>	<u>\$ 127,854</u>
<u>Cash and Investment Assets - Ending</u>								
Cash and investments	\$ -	\$ 2,039	\$ 23,221	\$ 30,115	\$ 63,921	\$ -	\$ -	\$ 119,296
Restricted assets:								
Cash and investments	508	-	-	-	-	-	8,050	8,558
Total cash and investment assets - ending	<u>\$ 508</u>	<u>\$ 2,039</u>	<u>\$ 23,221</u>	<u>\$ 30,115</u>	<u>\$ 63,921</u>	<u>\$ -</u>	<u>\$ 8,050</u>	<u>\$ 127,854</u>
<u>Cash and Investment Fund Balance - Ending</u>								
Restricted for:								
Highways and streets	\$ 508	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 508
Capital outlay	-	-	-	-	-	-	8,050	8,050
Unrestricted	-	2,039	23,221	30,115	63,921	-	-	119,296
Total cash and investment fund balance - ending	<u>\$ 508</u>	<u>\$ 2,039</u>	<u>\$ 23,221</u>	<u>\$ 30,115</u>	<u>\$ 63,921</u>	<u>\$ -</u>	<u>\$ 8,050</u>	<u>\$ 127,854</u>

TOWN OF CHURUBUSCO
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For The Year Ended December 31, 2009

	Police Donation	Park and Recreation Gift	Totals
Additions:			
Contributions:			
Other	\$ -	\$ 27,000	\$ 27,000
Deductions:			
Administrative and general	-	27,243	27,243
Deficiency of total additions over total deductions	-	(243)	(243)
Cash and investment fund balance - beginning	100	6,533	6,633
Cash and investment fund balance - ending	<u>\$ 100</u>	<u>\$ 6,290</u>	<u>\$ 6,390</u>

TOWN OF CHURUBUSCO
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2009

	<u>Payroll</u>	<u>Utilities Clearing</u>	<u>Other</u>	<u>Totals</u>
Additions:				
Agency fund additions	\$ 587,839	\$ 1,043,262	\$ 549	\$ 1,631,650
Deductions:				
Agency fund deductions	<u>587,839</u>	<u>1,043,262</u>	<u>513</u>	<u>1,631,614</u>
Excess of total additions over total deductions	-	-	36	36
Cash and investment fund balance - beginning	<u>-</u>	<u>-</u>	<u>555</u>	<u>555</u>
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 591</u>	<u>\$ 591</u>

TOWN OF CHURUBUSCO
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

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:		
Loans payable:		
Water improvement project of 2009	\$ 263,244	\$ - *
Wastewater Utility:		
Loans payable:		
Wastewater expansion project of 2006	730,041	57,381
Total business-type activities debt	<u>\$ 993,285</u>	<u>\$ 57,381</u>

*Project not completed, amortization schedule not available.

TOWN OF CHURUBUSCO
AUDIT RESULTS AND COMMENTS

ANNUAL REPORT

The Annual Financial Report (CTAR-1) for 2009 had numerous errors. The Economic Development Income Tax Fund, the Solid Waste Fund and the Other Agency Fund transactions and balances were reported within the General Fund and not as separate funds. The Park and Recreation Gift Fund and the Police Donation Fund were reported as governmental funds instead of private purpose trust funds. Public safety expenditures within the General Fund were reported as general government expenditures. License excise taxes, economic development income taxes, county adjusted gross income taxes, and the surtax to the Motor Vehicle Highway Fund distributed by the County to the Town were reported as property taxes.

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 sufficient detailed records of capital assets for the Town or the Utilities. Some capital asset purchases were not recorded, no disposals were recorded and there were no totals on the Capital Assets Ledger (City and Town Form 211). A similar comment appeared in prior Report B33222.

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)

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 its major federal program for the years ended December 31, 2008 and 2009. The Town's major federal program is 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 its major federal program 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 its major federal program for the years ended December 31, 2008 and 2009.

Internal Control Over Compliance

The 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, 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.

A control deficiency in a Town's 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of

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)

control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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 3, 2010

TOWN OF CHURUBUSCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2008 and 2009

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 12-31-08	Total Federal Awards Expended 12-31-09
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Office of Community and Rural Affairs Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CF-08-201	\$ -	\$ 117,702
Total for federal grantor agency			-	117,702
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	OP-09-01-02-40	-	1,562
Total for federal grantor agency			-	1,562
<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	-	833,082
Capitalization Grants for Drinking Water State Revolving Funds	66.468	2F-00E72901-0	-	103,296
Total for federal grantor agency			-	936,378
Total federal awards expended			\$ -	\$ 1,055,642

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF CHURUBUSCO
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF CHURUBUSCO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	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? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.468	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.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF CHURUBUSCO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF CHURUBUSCO
EXIT CONFERENCE

The contents of this report were discussed on June 3, 2010, with Geraldine Johnson, Clerk-Treasurer; and Frank A. Kessler, President of the Town Council.