

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, 2007 to December 31, 2009



FILED
11/18/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Robert L. Leamon	01-01-04 to 12-31-11
President of the Town Council	Gary Lawrence Delbert W. Linn	01-01-07 to 12-31-07 01-01-08 to 12-31-10
Superintendent of the Utilities	Clark Reed	01-01-07 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 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, 2007 to December 31, 2009. 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, 2007, 2008, and 2009, 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. It 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

September 15, 2010

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, 2007, 2008, And 2009

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 70,687	\$ 180,104	\$ 210,640	\$ 40,151
Motor Vehicle Highway	42,720	40,908	33,384	50,244
Local Road and Street	9,455	2,641	1,800	10,296
Park and Recreation	13,426	14,511	18,287	9,650
Law Enforcement Continuing Education	217	50	215	52
Riverboat	-	2,850	1,500	1,350
Donation	1,487	16,389	17,073	803
Community Center	92,065	30,053	900	121,218
Park Gift	3,174	2,336	4,844	666
Police Gift	479	6,895	3,599	3,775
Cumulative Capital Improvement	1,857	1,974	2,033	1,798
CEDIT	43,440	25,123	40,212	28,351
Proprietary Funds:				
Water Utility - Operating	127,783	140,253	120,706	147,330
Water Utility - Bond and Interest	15,875	30,000	21,120	24,755
Water Utility - Depreciation	1,344	2,000	1,411	1,933
Water Utility - Customer Deposit	6,500	2,675	1,512	7,663
Water Utility - Construction in Progress	-	15,000	-	15,000
Wastewater Utility - Operating	165,460	181,720	306,264	40,916
Wastewater Utility - Bond and Interest	29,039	29,000	29,777	28,262
Wastewater Utility - Depreciation	7,354	-	4,819	2,535
Wastewater Utility - Customer Deposit	5,800	2,442	1,500	6,742
Wastewater Utility - Construction	29,709	55,000	84,709	-
Wastewater Utility - Cash Reserve	52,400	-	-	52,400
Fiduciary Fund:				
Payroll	-	156,923	156,923	-
Totals	\$ 720,271	\$ 938,847	\$ 1,063,228	\$ 595,890
	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 40,151	\$ 175,171	\$ 176,481	\$ 38,841
Motor Vehicle Highway	50,244	57,798	72,781	35,261
Local Road and Street	10,296	2,493	-	12,789
Park and Recreation	9,650	6,750	9,093	7,307
Law Enforcement Continuing Education	52	20	-	72
Riverboat	1,350	2,836	-	4,186
Rainy Day	-	3,380	-	3,380
Donation	803	20,463	21,218	48
Community Center	121,218	1,039	-	122,257
Park Gift	666	2,422	2,986	102
Police Gift	3,775	1,853	3,409	2,219
Cumulative Capital Improvement	1,798	1,760	745	2,813
CEDIT	28,351	17,928	28,052	18,227
Baker Street Storm Sewer Improvement	-	178,085	178,085	-
Proprietary Funds:				
Water Utility - Operating	147,330	145,263	140,423	152,170
Water Utility - Bond and Interest	24,755	10,000	21,665	13,090
Water Utility - Depreciation	1,933	-	683	1,250
Water Utility - Customer Deposit	7,663	1,201	1,850	7,014
Water Utility - Construction in Progress	15,000	10,855	25,855	-
Water Utility - Debt Service	-	22,610	-	22,610
Wastewater Utility - Operating	40,916	187,472	185,031	43,357
Wastewater Utility - Bond and Interest	28,262	-	24,590	3,672
Wastewater Utility - Depreciation	2,535	1,265	2,800	1,000
Wastewater Utility - Customer Deposit	6,742	1,000	1,800	5,942
Wastewater Utility - Debt Service	-	243	-	243
Wastewater Utility - Cash Reserve	52,400	-	-	52,400
Fiduciary Fund:				
Payroll	-	143,672	143,672	-
Totals	\$ 595,890	\$ 995,579	\$ 1,041,219	\$ 550,250

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

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, 2007, 2008, And 2009
(Continued)

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 38,841	\$ 166,492	\$ 138,532	\$ 66,801
Motor Vehicle Highway	35,261	40,134	48,028	27,367
Local Road and Street	12,789	2,350	11,552	3,587
Park and Recreation	7,307	19,875	17,171	10,011
Law Enforcement Continuing Education	72	80	-	152
Riverboat	4,186	2,828	4,000	3,014
Rainy Day	3,380	4,601	5,000	2,981
Donation	48	13,977	13,670	355
Community Center	122,257	491	3	122,745
Park Gift	102	1,248	1,220	130
Police Gift	2,219	265	42	2,442
Cumulative Capital Improvement	2,813	1,386	1,964	2,235
CEDIT	18,227	19,441	22,263	15,405
Baker Street Storm Sewer Improvement	-	294,054	294,054	-
Storm Water Maintenance	-	9,863	2,102	7,761
Olive/Orange Street Storm Water	-	23,225	4,334	18,891
Proprietary Funds:				
Water Utility - Operating	152,170	99,433	225,351	26,252
Water Utility - Bond and Interest	13,090	15,000	21,195	6,895
Water Utility - Depreciation	1,250	-	-	1,250
Water Utility - Customer Deposit	7,014	1,500	800	7,714
Water Utility - Construction in Progress	-	60,765	60,765	-
Water Utility - Debt Service	22,610	-	-	22,610
Wastewater Utility - Operating	43,357	173,547	165,469	51,435
Wastewater Utility - Bond and Interest	3,672	35,219	32,211	6,680
Wastewater Utility - Depreciation	1,000	-	729	271
Wastewater Utility - Customer Deposit	5,942	1,900	800	7,042
Wastewater Utility - Construction in Progress	-	4,851	4,851	-
Wastewater Utility - Debt Service	243	-	-	243
Wastewater Utility - Cash Reserve	52,400	-	-	52,400
Fiduciary Fund:				
Payroll	-	179,597	175,393	4,204
Totals	<u>\$ 550,250</u>	<u>\$ 1,172,122</u>	<u>\$ 1,251,499</u>	<u>\$ 470,873</u>

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.

Note 6. Subsequent Event

The Town was awarded a Cumulative Development Block Grant in the amount of \$1,000,000 in 2010 to install a storm sewer on Olive/West Orange Street. The Town is in the progress of constructing the storm sewer.

TOWN OF CROMWELL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended 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:		
Loan:		
State Revolving Fund Loan	\$ 191,000	\$ 20,685
Wastewater Utility:		
Revenue bonds:		
Refunding Revenue Bonds of 2003	105,000	30,661
Total business-type activities debt	<u>\$ 296,000</u>	<u>\$ 51,346</u>

TOWN OF CROMWELL
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for examination indicated the 2009 Local Road and Street Fund disbursements were in excess of budgeted appropriations by \$1,552.

IC 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, B21364, and B30172.

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. 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)

ANNUAL REPORT

Annual reports for 2008 and 2009 were not presented for examination.

IC 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

HYDRANT RENTAL RECEIVABLE (PAYABLE)

The Town of Cromwell owes the Water Utility hydrant rental of \$20,398.62 and \$20,398.62 for the years 2005 and 2009, respectively, pursuant to Rate Ordinance 2000-3 passed by the Town Council on June 20, 2000.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF CROMWELL
EXAMINATION RESULTS AND COMMENTS
(Continued)

GUARANTEE DEPOSIT REGISTER

The Guarantee Deposit Register for the Water and Wastewater Utility was not in balance with the Water and Wastewater Utility Meter Deposit Fund's cash balance.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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, B21364, and B30172.

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)

UTILITY RECEIPTS TAX

The Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue during the examination period.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF CROMWELL
EXIT CONFERENCE

The contents of this report were discussed on September 15, 2010, with Robert L. Leamon, Clerk-Treasurer, and Delbert W. Linn, President of the Town Council. The officials concurred with our findings.