

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

FINANCIAL STATEMENTS AUDIT REPORT

OF

TOWN OF SIDNEY

KOSCIUSKO COUNTY, INDIANA

January 1, 2015 to December 31, 2017



FILED
09/21/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Lana Wolfe	01-01-12 to 12-31-19
President of the Town Council	Kenneth Koontz Jack Wolfe	01-01-15 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF SIDNEY, KOSCIUSKO COUNTY, INDIANA

Report on the Financial Statements

We have audited the accompanying financial statements of the Town of Sidney (Town), which comprise the financial position and results of operations for the period of January 1, 2015 to December 31, 2017, and the related notes to the financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 to the financial statements, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the period of January 1, 2015 to December 31, 2017.


Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the period of January 1, 2015 to December 31, 2017, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the Town's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the auditing procedures applied by us in the audit of the financial statements and, accordingly, we express no opinion on them.


Paul D. Joyce, CPA
State Examiner

August 22, 2018

FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

The financial statements and accompanying notes were approved by management of the Town. The financial statements and notes are presented as intended by the Town.

TOWN OF SIDNEY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended December 31, 2015 and 2016

Fund	Cash and Investments 01-01-15	Receipts	Disbursements	Cash and Investments 12-31-15	Receipts	Disbursements	Cash and Investments 12-31-16
General	\$ 30,190	\$ 32,775	\$ 30,362	\$ 32,603	\$ 24,669	\$ 22,684	\$ 34,588
Motor Vehicle Highway	10,990	3,037	-	14,027	3,003	3,000	14,030
Local Road And Street	14,434	944	973	14,405	938	991	14,352
CEDIT Special Revenue	48,400	5,182	17,659	35,923	7,076	10,071	32,928
Cumulative Capital Improvement	13,725	213	-	13,938	212	-	14,150
Wastewater Utility Depreciation	-	-	-	-	168	-	168
Wastewater Utility Operating	5,097	59,753	67,869	(3,019)	79,415	61,690	14,706
Wastewater Utility Bond And Interest	20,047	27,213	21,028	26,232	22,730	36,578	12,384
Wastewater Utility Debt Reserve	17,107	2,013	-	19,120	1,006	-	20,126
Totals	<u>\$ 159,990</u>	<u>\$ 131,130</u>	<u>\$ 137,891</u>	<u>\$ 153,229</u>	<u>\$ 139,217</u>	<u>\$ 135,014</u>	<u>\$ 157,432</u>

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

TOWN OF SIDNEY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2017

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17
General	\$ 34,588	\$ 26,141	\$ 20,081	\$ 40,648
Motor Vehicle Highway	14,030	3,143	-	17,173
Local Road And Street	14,352	1,195	606	14,941
CEDIT Special Revenue	32,928	7,267	11,060	29,135
Cumulative Capital Improvement	14,150	202	-	14,352
Wastewater Utility Depreciation	168	2,100	-	2,268
Wastewater Utility Operating	14,706	61,934	64,767	11,873
Wastewater Utility Bond And Interest	12,384	18,272	20,503	10,153
Wastewater Utility Debt Reserve	20,126	-	-	20,126
Totals	\$ 157,432	\$ 120,254	\$ 117,017	\$ 160,669

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

TOWN OF SIDNEY
NOTES TO FINANCIAL STATEMENTS

Note 1. 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 some or all of 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, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statements present the financial information for the Town.

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory 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.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts include the following sources:

Taxes. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

TOWN OF SIDNEY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Charges for services. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Utility fees. Amounts received from charges for current services.

Other receipts. Amounts received from various sources, including, but not limited to, the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements include the following uses:

Personal services. Amounts disbursed for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies. Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service - principal and interest. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses. Amounts disbursed for operating the utilities.

Other disbursements. Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Town may, from time to time, make transfers from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

TOWN OF SIDNEY
NOTES TO FINANCIAL STATEMENTS
(Continued)

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be 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 statutes authorize the Town to invest in securities including, but not limited to, the following: 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 5. Risk Management

The Town may be 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; medical benefits to employees, retirees, and dependents; and natural disasters.

TOWN OF SIDNEY
NOTES TO FINANCIAL STATEMENTS
(Continued)

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Cash Balance Deficit

The Wastewater Utility Operating fund is reported on the financial statements with a deficit cash balance at December 31, 2015. This is a result of excess transfers to the Wastewater Utility Bond And Interest fund. A correction was made in 2016.

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OTHER INFORMATION - UNAUDITED

The Town's Annual Financial Reports information can be found on the Indiana Gateway for Government Units website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Town's Annual Financial Reports referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the Town. It is presented as intended by the Town.

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TOWN OF SIDNEY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015

	General	Motor Vehicle Highway	Local Road And Street	CEDIT Special Revenue	Cumulative Capital Improvement	Wastewater Utility Depreciation	Wastewater Utility Operating	Wastewater Utility Bond And Interest	Wastewater Utility Debt Reserve	Totals
Cash and investments - beginning	\$ 30,190	\$ 10,990	\$ 14,434	\$ 48,400	\$ 13,725	\$ -	\$ 5,097	\$ 20,047	\$ 17,107	\$ 159,990
Receipts:										
Taxes	15,430	-	-	-	-	-	-	-	-	15,430
Intergovernmental receipts	6,786	3,037	944	5,182	208	-	-	-	-	16,157
Utility fees	-	-	-	-	-	-	59,753	-	-	59,753
Other receipts	10,559	-	-	-	5	-	-	27,213	2,013	39,790
Total receipts	32,775	3,037	944	5,182	213	-	59,753	27,213	2,013	131,130
Disbursements:										
Personal services	7,900	-	-	-	-	-	25,140	-	-	33,040
Supplies	1,374	-	-	17,659	-	-	-	-	-	19,033
Other services and charges	11,396	-	973	-	-	-	-	-	-	12,369
Debt service - principal and interest	-	-	-	-	-	-	-	21,028	-	21,028
Capital outlay	603	-	-	-	-	-	-	-	-	603
Utility operating expenses	-	-	-	-	-	-	12,744	-	-	12,744
Other disbursements	9,089	-	-	-	-	-	29,985	-	-	39,074
Total disbursements	30,362	-	973	17,659	-	-	67,869	21,028	-	137,891
Excess (deficiency) of receipts over disbursements	2,413	3,037	(29)	(12,477)	213	-	(8,116)	6,185	2,013	(6,761)
Cash and investments - ending	\$ 32,603	\$ 14,027	\$ 14,405	\$ 35,923	\$ 13,938	\$ -	\$ (3,019)	\$ 26,232	\$ 19,120	\$ 153,229

TOWN OF SIDNEY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	General	Motor Vehicle Highway	Local Road And Street	CEDIT Special Revenue	Cumulative Capital Improvement	Wastewater Utility Depreciation	Wastewater Utility Operating	Wastewater Utility Bond And Interest	Wastewater Utility Debt Reserve	Totals
Cash and investments - beginning	\$ 32,603	\$ 14,027	\$ 14,405	\$ 35,923	\$ 13,938	\$ -	\$ (3,019)	\$ 26,232	\$ 19,120	\$ 153,229
Receipts:										
Taxes	13,922	-	-	-	-	-	-	-	-	13,922
Intergovernmental receipts	10,432	3,003	938	7,076	212	-	-	-	-	21,661
Utility fees	-	-	-	-	-	-	63,603	-	-	63,603
Other receipts	315	-	-	-	-	168	15,812	22,730	1,006	40,031
Total receipts	24,669	3,003	938	7,076	212	168	79,415	22,730	1,006	139,217
Disbursements:										
Personal services	7,900	-	-	-	-	-	25,060	-	-	32,960
Supplies	1,735	-	-	-	-	-	-	-	-	1,735
Other services and charges	12,496	3,000	991	10,071	-	-	-	-	-	26,558
Debt service - principal and interest	-	-	-	-	-	-	-	20,766	-	20,766
Capital outlay	553	-	-	-	-	-	-	-	-	553
Utility operating expenses	-	-	-	-	-	-	12,726	-	-	12,726
Other disbursements	-	-	-	-	-	-	23,904	15,812	-	39,716
Total disbursements	22,684	3,000	991	10,071	-	-	61,690	36,578	-	135,014
Excess (deficiency) of receipts over disbursements	1,985	3	(53)	(2,995)	212	168	17,725	(13,848)	1,006	4,203
Cash and investments - ending	\$ 34,588	\$ 14,030	\$ 14,352	\$ 32,928	\$ 14,150	\$ 168	\$ 14,706	\$ 12,384	\$ 20,126	\$ 157,432

TOWN OF SIDNEY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	General	Motor Vehicle Highway	Local Road And Street	CEDIT Special Revenue	Cumulative Capital Improvement	Wastewater Utility Depreciation	Wastewater Utility Operating	Wastewater Utility Bond And Interest	Wastewater Utility Debt Reserve	Totals
Cash and investments - beginning	\$ 34,588	\$ 14,030	\$ 14,352	\$ 32,928	\$ 14,150	\$ 168	\$ 14,706	\$ 12,384	\$ 20,126	\$ 157,432
Receipts:										
Taxes	19,416	-	-	7,267	-	-	-	-	-	26,683
Intergovernmental receipts	6,009	3,143	1,195	-	202	-	-	-	-	10,549
Charges for services	92	-	-	-	-	-	-	-	-	92
Utility fees	-	-	-	-	-	-	61,934	-	-	61,934
Other receipts	624	-	-	-	-	2,100	-	18,272	-	20,996
Total receipts	26,141	3,143	1,195	7,267	202	2,100	61,934	18,272	-	120,254
Disbursements:										
Personal services	6,833	-	-	-	-	-	25,190	-	-	32,023
Supplies	698	-	-	-	-	-	-	-	-	698
Other services and charges	12,550	-	606	8,506	-	-	245	-	-	21,907
Debt service - principal and interest	-	-	-	-	-	-	-	20,503	-	20,503
Capital outlay	-	-	-	2,554	-	-	-	-	-	2,554
Utility operating expenses	-	-	-	-	-	-	18,960	-	-	18,960
Other disbursements	-	-	-	-	-	-	20,372	-	-	20,372
Total disbursements	20,081	-	606	11,060	-	-	64,767	20,503	-	117,017
Excess (deficiency) of receipts over disbursements	6,060	3,143	589	(3,793)	202	2,100	(2,833)	(2,231)	-	3,237
Cash and investments - ending	\$ 40,648	\$ 17,173	\$ 14,941	\$ 29,135	\$ 14,352	\$ 2,268	\$ 11,873	\$ 10,153	\$ 20,126	\$ 160,669

TOWN OF SIDNEY
 SCHEDULE OF LEASES AND DEBT
 December 31, 2017

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Wastewater:			
Revenue bonds	Wastewater Improvements	\$ 207,000	\$ 13,013
Revenue bonds	Wastewater Improvements	<u>120,000</u>	<u>7,228</u>
Total Wastewater		<u>327,000</u>	<u>20,241</u>
Totals		<u>\$ 327,000</u>	<u>\$ 20,241</u>

TOWN OF SIDNEY
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2017

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 9,700
Infrastructure	48,500
Machinery, equipment, and vehicles	7,760
Books and other	<u>437</u>
Total governmental activities	<u>66,397</u>
Wastewater:	
Buildings	431,264
Improvements other than buildings	783,119
Machinery, equipment, and vehicles	<u>238,346</u>
Total Wastewater	<u>1,452,729</u>
Total capital assets	<u>\$ 1,519,126</u>

OTHER REPORTS

In addition to this report, other reports may have been issued for the Town. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.