

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

TOWN OF CYNTHIANA

POSEY COUNTY, INDIANA

January 1, 2015 to December 31, 2018



FILED
11/13/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Greta Mounts (deceased)	01-01-12 to 10-11-17
	Carolyn Price (interim)	10-12-17 to 11-26-17
	Cindy Schmitz	11-27-17 to 12-31-19
President of the Town Council	Scott A. Cox	01-01-15 to 12-31-15
	Troy Kennedy	01-01-16 to 12-31-19



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF THE TOWN OF CYNTHIANA, POSEY COUNTY, INDIANA

We have reviewed the accompanying financial statements of the Town of Cynthiana (Town), for the period of January 1, 2015 to December 31, 2018. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Town's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with a regulatory 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 comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This includes determining that the basis of accounting the Town uses is an acceptable basis for the preparation of the financial statements in the circumstances. 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 misstatements whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.


INDEPENDENT ACCOUNTANT'S REVIEW REPORT
(Continued)

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the prescribed basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with 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 comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.


Paul D. Joyce, CPA
State Examiner

October 1, 2019

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 CYNTHIANA
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	\$ 187,992	\$ 100,781	\$ 105,114	\$ 183,659	\$ 119,025	\$ 125,427	\$ 177,257
Motor Vehicle Highway	94,335	46,968	26,941	114,362	83,055	117,389	80,028
Local Road And Street	30,153	2,900	318	32,735	2,877	12,831	22,781
Rainy Day	-	-	-	-	63,332	41,739	21,593
Cumulative Capl Imprv Cigarette Tax	41,558	1,369	-	42,927	1,389	-	44,316
Cumulative Capital Development	54,717	2,983	-	57,700	3,307	46,548	14,459
Payroll	10,922	192,390	185,885	17,427	165,384	197,025	(14,214)
Wastewater Utility-Operating	141,196	139,611	167,930	112,877	144,385	180,552	76,710
Water Utility-Operating	95,618	152,470	185,471	62,617	117,830	138,994	41,453
Totals	<u>\$ 656,491</u>	<u>\$ 639,472</u>	<u>\$ 671,659</u>	<u>\$ 624,304</u>	<u>\$ 700,584</u>	<u>\$ 860,505</u>	<u>\$ 464,383</u>

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

TOWN OF CYNTHIANA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended December 31, 2017 and 2018

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17	Receipts	Disbursements	Cash and Investments 12-31-18
General	\$ 177,257	\$ 118,075	\$ 134,053	\$ 161,279	\$ 126,562	\$ 156,393	\$ 131,448
Motor Vehicle Highway	80,028	20,657	20,020	80,665	32,440	42,651	70,454
Local Road And Street	22,781	4,191	-	26,972	5,008	1,638	30,342
Rainy Day	21,593	-	-	21,593	170	170	21,593
Cum Capl Impr Cigarette Tax	44,316	1,325	-	45,641	1,274	-	46,915
Cumulative Capital Development	14,459	1,153	-	15,612	2,997	2,669	15,940
County Economic Development Income Tax (CEDIT)	-	9,951	-	9,951	24,492	-	34,443
LOIT - Public Safety	-	28,119	-	28,119	9,069	24,721	12,467
Community Center And Park Rental	-	4,310	10	4,300	4,745	1,109	7,936
Payroll	(14,214)	124,781	181,605	(71,038)	224,717	188,520	(34,841)
Wastewater Utility-Operating	76,710	137,760	157,162	57,308	148,596	157,266	48,638
Water Utility-Operating	41,453	134,399	147,504	28,348	144,378	140,492	32,234
Water Util Meter Deposit	-	700	1,210	(510)	3,900	1,460	1,930
Totals	<u>\$ 464,383</u>	<u>\$ 585,421</u>	<u>\$ 641,564</u>	<u>\$ 408,240</u>	<u>\$ 728,348</u>	<u>\$ 717,089</u>	<u>\$ 419,499</u>

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

TOWN OF CYNTHIANA
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.

Licenses and permits. Amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction, or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF CYNTHIANA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

Penalties. Amounts received from late payment fees.

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.

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.

TOWN OF CYNTHIANA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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 December 31 of the year preceding the budget year or January 15 of the budget year if the Town is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. 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.

TOWN OF CYNTHIANA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) Defined Benefit Plan is a cost-sharing multiple-employer defined benefit plan and provides retirement, disability, and survivor benefits to plan members. PERF is administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2, IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the Town authority to contribute to the plan.

My Choice: Retirement Savings Plan for Public Employees (My Choice) is a multiple-employer defined contribution plan. It is administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2, IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the Town authority to contribute to the plan.

New employees hired have a one-time election to join either the Public Employees' Hybrid Plan (PERF Hybrid) or the My Choice: Retirement Savings Plan for Public Employees (My Choice), which is a multiple-employer defined contribution plan. PERF Hybrid consists of two components: PERF DB, the employer-funded monthly defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account, the defined contribution component.

TOWN OF CYNTHIANA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Financial Report

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (844) 464-6777

Contributions

Members' contributions are set by state statute at 3 percent of compensation for both the defined contribution component of PERF Hybrid and My Choice. The employer may elect to make the contribution on behalf of the member of the defined contribution component of PERF Hybrid and My Choice members may receive additional employer contribution in lieu of the PERF DB. Contributions to the PERF DB are determined by INPRS Board based on actuarial valuation.

Note 7. Cash Balance Deficits

The financial statements contain some funds with deficits in cash. This is a result of incorrect or missing postings in the Payroll and Water Utl Meter Deposit funds.

TOWN OF CYNTHIANA
REVIEW RESULTS AND COMMENTS

CONDITION OF RECORDS

Condition and Context

The Town switched accounting software from Quicken to Keystone in August 2017. The Town did not present bank reconcilements for review from March 2017 to November 2017. In 2017, the Town hired a consultant to assist with reconcilements. However, on the reconcilements performed, there was an unidentified amount listed in order to reconcile that originated in January 2017. During the review, the following errors were noted in the Town ledgers and on the bank reconcilements:

1. Receipts and disbursements were not posted to the ledger or not posted timely.
2. Receipts and disbursements were not posted for the proper amounts.
3. All outstanding checks were not included on the bank reconciliation.

As a result, the financial statements presented for review contained errors. The net amount of errors resulted in the understatement of receipts, disbursements, and cash and investment balances as of December 31, 2018, of \$52,692, \$42,797, and \$9,895, respectively. Adjustments were proposed, accepted by the Town, and made to the financial statements.

Criteria

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN OF CYNTHIANA
REVIEW RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

INTERNAL CONTROL STANDARDS

Condition and Context

The Town did not adopt the acceptable minimum level of internal control standards as required by Indiana Code 5-11-1-27(g); therefore, personnel did not receive the training over internal control standards. In addition, the Town incorrectly certified on the Annual Financial Reports for 2016, 2017, and 2018 that they adopted the minimum internal control standards and that they had trained on those internal control standards.

Criteria

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

TOWN OF CYNTHIANA
EXIT CONFERENCE

The contents of this report were discussed on October 1, 2019, with Cindy Schmitz, Clerk-Treasurer; Troy Kennedy, President of the Town Council; and Steven Sims, Town Council member.

Town of Cynthiana

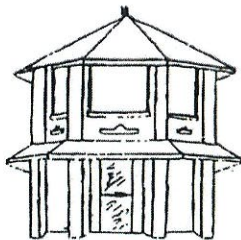
Office of The Clerk-Treasurer

P.O. Box 95

Cynthiana, IN 47612

Phone: (812) 845-2924

Fax: (812) 845-2984



Welcome Home

TOWN COUNCIL

Troy E. Kennedy, President

Steven M. Sims

Patricia M. Wilson

CLERK-TREASURER

Cindy M. Schmitz

In response to the audit for January 2015 through December 2018

1. Condition of records

We concur with the findings of the condition of records.

As part of our internal control process, the bank statements are now balanced monthly by an outside source and reviewed with the Clerk-Treasurer. This not only double checks the work of the Clerk-Treasurer and staff but also allows examination for any discrepancy in postings.

2. Internal Control Standards

When filing the annual report for 2017 and 2018, we referred to the previous annual report posted in Gateway. The 2016 annual report confirmed that the internal control ordinance was in place and I assumed that this was in fact true. We have since trained all employees on the minimum internal control standards and will continue with all new employees in the future. We will be presenting an ordinance on internal controls before the end of the year for adoption.

Sincerely,

Cindy Schmitz

Town Clerk-Treasurer's Office

10765 Main St.

P. O. Box 95

Cynthiana, IN 47612