

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

EXAMINATION REPORT

OF

TOWN OF MOROCCO

NEWTON COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED
03/30/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Donna K. Cady	01-01-04 to 12-31-07
President of the Town Council	Robert W. Gonczy	01-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MOROCCO, NEWTON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Morocco (Town), for the period of January 1, 2005 to December 31, 2006. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

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

STATE BOARD OF ACCOUNTS

February 1, 2007

TOWN OF MOROCCO
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 14,702	\$ 325,475	\$ 234,100	\$ 106,077
Motor Vehicle Highway	(50,488)	84,871	28,719	5,664
Local Road and Street	33,068	36,142	53,702	15,508
Law Enforcement Continuing Education	-	59	-	59
Cumulative Capital Improvement	(4,315)	7,124	736	2,073
Cumulative Capital Development	6,570	9,349	11,120	4,799
Landfill Tipping Fees	33,723	80,112	116,479	(2,644)
Library Grant	-	276,165	276,165	-
Proprietary Funds:				
Water Utility - Operating	(6,945)	302,099	304,456	(9,302)
Water Utility - Bond and Interest	4,175	25,800	24,288	5,687
Water Utility - Customer Deposit	10,981	4,400	1,514	13,867
Water Utility - Debt Service	11,271	-	-	11,271
Wastewater Utility - Operating	131,941	446,981	527,056	51,866
Wastewater Utility - Bond and Interest	-	76,325	-	76,325
Fiduciary Fund:				
Payroll	15,575	210,087	224,525	1,137
Totals	<u>\$ 200,258</u>	<u>\$ 1,884,989</u>	<u>\$ 1,802,860</u>	<u>\$ 282,387</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 106,077	\$ 255,785	\$ 298,560	\$ 63,302
Motor Vehicle Highway	5,664	71,598	68,978	8,284
Local Road and Street	15,508	44,016	34,870	24,654
Law Enforcement Continuing Education	59	724	-	783
Cumulative Capital Improvement	2,073	4,026	400	5,699
Cumulative Capital Development	4,799	9,812	8,199	6,412
Landfill Tipping Fees	(2,644)	88,746	60,088	26,014
Library Grant	-	223,835	223,835	-
Extreme Park	-	80,003	79,538	465
Vehicle Fund	-	1,850	-	1,850
Proprietary Funds:				
Water Utility - Operating	(9,302)	292,382	219,619	63,461
Water Utility - Bond and Interest	5,687	40,071	27,875	17,883
Water Utility - Customer Deposit	13,867	6,325	4,117	16,075
Water Utility - Debt Service	11,271	-	11,271	-
Water Utility - Hydrant and Main Grant	51,866	16,680	16,680	51,866
Wastewater Utility - Operating	76,325	419,526	380,608	115,243
Wastewater Utility - Bond and Interest	-	217,950	217,053	897
Fiduciary Fund:				
Payroll	1,137	243,664	245,701	(900)
Totals	<u>\$ 282,387</u>	<u>\$ 2,016,993</u>	<u>\$ 1,897,392</u>	<u>\$ 401,988</u>

The accompanying notes are an integral part of the schedules.

TOWN OF MOROCCO
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

TOWN OF MOROCCO
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and 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:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

TOWN OF MOROCCO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability - AAL	Excess Of Assets Over (Unfunded) AAL	Funded Ratio	Covered Payroll	Unfunded AAL As A % Of Covered Payroll
07-01-03	\$ 109,240	\$ 146,605	\$ (37,365)	75%	\$ 198,522	(19%)
07-01-04	118,308	130,458	(12,150)	91%	191,923	(6%)
07-01-05	129,711	125,562	4,149	103%	158,175	3%

TOWN OF MOROCCO
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended December 31, 2006

Description of Debt	Ending Balance	Due Within One Year
Business-type Activities:		
Water Utility		
Revenue bonds:		
1994 Waterworks	\$ 95,000	\$ 20,000
Total Water Utility	<u>95,000</u>	<u>20,000</u>
Wastewater Utility		
Revenue bonds:		
2000 Wastewater Treatment Plant	<u>3,659,000</u>	<u>54,000</u>
Total Wastewater Utility	<u>3,659,000</u>	<u>54,000</u>
Total business-type activities long-term debt	<u>\$ 3,754,000</u>	<u>\$ 74,000</u>

TOWN OF MOROCCO
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

The Town does not maintain a detailed listing of its capital assets.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger 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)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the simplified cash journal.

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)

DISTRIBUTION OF GROSS REVENUES TO VARIOUS FUNDS

Gross revenues were not being distributed to the various utility funds in accordance with Bond Ordinance requirements. The Town has not established the debt service reserve fund as required by the bond ordinances.

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)

ANNUAL REPORT

An annual report for 2006 was not presented for audit.

Indiana Code 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 . . ."

OVERDRAWN CASH BALANCES

For the calendar year ending 2005 the cash balance of the Landfill Tipping Fees Fund and Water Utility Operating Fund were overdrawn. For the calendar year ending 2006 the cash balance of the Payroll Fund was overdrawn.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MOROCCO
EXIT CONFERENCE

The contents of this report were discussed on February 1, 2006, with Donna K. Cady, Clerk-Treasurer; Robert W. Gonczy, President of the Town Council; and Randy Decker, Town Manager. The officials concurred with our findings.