

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

EXAMINATION REPORT
OF
TOWN OF MEDORA
JACKSON COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
06/19/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Betty M. Campbell	01-01-04 to 12-31-07
President of the Town Council	James L. Davers	01-01-05 to 12-31-07
Superintendent of Utilities	Melvin Hunsucker	01-01-05 to 12-31-07



STATE OF INDIANA
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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 MEDORA, JACKSON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Medora (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.

STATE BOARD OF ACCOUNTS

May 7, 2007

TOWN OF MEDORA
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	\$ (6,622)	\$ 136,248	\$ 105,750	\$ 23,876
Motor Vehicle Highway	(20,094)	33,184	10,382	2,708
Local Road and Street	43,923	3,917	11,050	36,790
Law Enforcement Continuing Education	2,835	93	128	2,800
Riverboat	7,135	3,563	-	10,698
Park and Recreation	8,881	-	939	7,942
Law Enforcement Grant	1,064	7,475	8,539	-
Plastic Factory	4,914	4,800	85	9,629
Cumulative Capital Improvement	7,277	1,747	4,100	4,924
Cumulative Capital Development	23,106	6,867	-	29,973
Economic Development Income Tax	26,928	4,544	-	31,472
Proprietary Funds:				
Water Utility - Operating	58,695	150,498	187,408	21,785
Water Utility - Bond and Interest	70,688	57,409	52,792	75,305
Water Utility - Customer Deposit	9,175	2,550	750	10,975
Wastewater Utility - Operating	92,877	92,990	95,730	90,137
Wastewater Utility - Bond and Interest	54,699	33,600	20,452	67,847
Fiduciary Fund:				
Payroll	6	102,372	102,500	(122)
Totals	<u>\$ 385,487</u>	<u>\$ 641,857</u>	<u>\$ 600,605</u>	<u>\$ 426,739</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 23,876	\$ 81,433	\$ 112,346	\$ (7,037)
Motor Vehicle Highway	2,708	26,286	9,862	19,132
Local Road and Street	36,790	3,783	3,832	36,741
Law Enforcement Continuing Education	2,800	745	1,755	1,790
Riverboat	10,698	3,556	150	14,104
Park and Recreation	7,942	1,287	775	8,454
Plastic Factory	9,629	4,800	496	13,933
Cumulative Capital Improvement	4,924	2,018	-	6,942
Cumulative Capital Development	29,973	3,016	334	32,655
Economic Development Income Tax	31,472	4,987	-	36,459
Proprietary Funds:				
Water Utility - Operating	21,785	145,569	137,223	30,131
Water Utility - Bond and Interest	75,305	62,628	50,805	87,128
Water Utility - Customer Deposit	10,975	2,250	1,350	11,875
Wastewater Utility - Operating	90,137	85,604	112,164	63,577
Wastewater Utility - Bond and Interest	67,847	33,600	21,152	80,295
Wastewater Utility - Sewer Planning Grant	-	3,300	3,000	300
Fiduciary Fund:				
Payroll	(122)	107,879	107,779	(22)
Totals	<u>\$ 426,739</u>	<u>\$ 572,741</u>	<u>\$ 563,023</u>	<u>\$ 436,457</u>

The accompanying notes are an integral part of the schedules.

TOWN OF MEDORA
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, highways and streets, culture and recreation, public improvements, general administrative services, water and wastewater.

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.

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 MEDORA
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Business-type Activities:		
Water Utility		
Revenue bonds:		
1992 Water Improvement Revenue Bonds	\$ 200,000	\$ 25,000
2003 Water Improvement Revenue Bonds	<u>90,000</u>	<u>15,000</u>
Total Water Utility	<u>290,000</u>	<u>40,000</u>
Wastewater Utility		
Revenue bonds:		
1988 Wastewater Repair and Maintenance Revenue Bonds	<u>271,000</u>	<u>7,000</u>
Total business-type activities long-term debt	<u>\$ 561,000</u>	<u>\$ 47,000</u>

TOWN OF MEDORA
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
General	2005	\$ 22,500
General	2006	14,746

Indiana Code 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."

SERVICE RECORDS

Employee Service Records are not being maintained for the Utility Superintendent or the Town Marshal to show leave time earned and used. The salary ordinance specifies they are to earn and use leave time according to Town personnel policies.

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)

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)

OVERDRAWN FUND BALANCES

The General Fund was overdrawn, at December 31, 2006, and the Payroll Fund was overdrawn at December 31, 2005 and 2006.

The fund 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)

PUBLIC RECORDS RETENTION

Some of the Applications for Handgun License, Form 36991, written during the examination period were not presented and could not be located for review.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

TOWN OF MEDORA
EXAMINATION RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (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.

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. 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)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.
 - (B) A description of the premises, as shown by the records of the county auditor.
 - (C) The amount of the delinquent fees, together with the penalty.
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

TOWN OF MEDORA
EXIT CONFERENCE

The contents of this report were discussed on May 10, 2007, with Betty M. Campbell, Clerk-Treasurer; and James L. Davers, President of the Town Council. The officials concurred with our findings.

The applicable portions of this report were discussed on May 7, 2007, with Joe Barnes, Town Marshall. The official concurred with our findings.