

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, 2007 to December 31, 2007



FILED
05/08/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedule of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5-6
Supplementary Information:	
Schedule of Long-Term Debt	7
Examination Results and Comments:	
Optical Images of Warrants	8
Appropriations.....	8
Customer Deposit Register	9
Capital Asset Records	9
Distribution of Gross Revenues to the Various Funds	9
Undeposited Utility Receipts.....	9-10
Collection of Amounts Due	10
Audit Costs – Missing Funds	10
Condition of Records	11
Donations.....	11
Contracts	11
Prescribed Forms	11
Exit Conference.....	12
Summary	13
Affidavit	15

OFFICIALS

Office

Official

Term

Clerk-Treasurer

Donna Cady
Sherri L. Rainford

01-01-04 to 12-31-07
01-01-08 to 12-31-10

President of the Town Council

Robert Gonczy

01-01-07 to 12-31-08



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, 2007 to December 31, 2007. 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 year ended December 31, 2007, 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

March 10, 2008

TOWN OF MOROCCO
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 63,302	\$ 204,562	\$ 201,826	\$ 66,038
Motor Vehicle Highway	8,284	75,848	40,600	43,532
Local Road and Street	24,654	42,068	1,616	65,106
Law Enforcement Continuing Education	783	1,736	-	2,519
Cumulative Capital Improvement	5,699	3,959	-	9,658
Cumulative Capital Development	6,412	9,073	-	15,485
Landfill Tipping Fees	26,014	190,438	200,079	16,373
Extreme Park	465	44,251	44,436	280
Vehicle Fund	1,850	-	-	1,850
Sidewalk Repairs	-	688	688	-
Proprietary Funds:				
Water Utility - Operating	63,461	263,873	245,940	81,394
Water Utility - Bond and Interest	17,883	119,000	136,883	-
Water Utility - Customer Deposit	16,075	5,490	4,201	17,364
Water Utility - Hydrant and Main Grant	-	11,220	-	11,220
Water Utility - Billing Software Meter	-	8,473	3,339	5,134
Wastewater Utility - Operating	90,784	354,361	368,069	77,076
Wastewater Utility - Bond and Interest	77,222	230,393	216,802	90,813
Fiduciary Fund:				
Payroll	(900)	234,561	227,864	5,797
Totals	<u>\$ 401,988</u>	<u>\$ 1,799,994</u>	<u>\$ 1,692,343</u>	<u>\$ 509,639</u>

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

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
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended December 31, 2007

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Police Car	\$ 18,541	\$ 8,167
Notes and loans payable	<u>76,311</u>	<u>20,306</u>
Total governmental activities debt	<u>\$ 94,852</u>	<u>\$ 28,473</u>
Business-type Activities:		
Water Utility		
Capital leases:		
Truck	\$ 4,885	\$ 4,986
Wastewater Utility		
Revenue bonds:		
Improvements	<u>3,659,000</u>	<u>217,440</u>
Total business-type activities debt:	<u>\$ 3,663,885</u>	<u>\$ 222,426</u>

TOWN OF MOROCCO
EXAMINATION RESULTS AND COMMENTS

OPTICAL IMAGES OF WARRANTS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

Indiana Code 5-15-6-3 concerning optical imaging of checks states in part:

"(a) . . . 'original records' . . . includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process...; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Further, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

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	2007	\$ 15,763
Landfill Tipping Fees	2007	200,079

Indiana Code 6-1.1-18-4 states: ". . . 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."

TOWN OF MOROCCO
EXAMINATION RESULTS AND COMMENTS
(Continued)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger. Contributing to this condition, we found only 19 of 48 customer deposits were posted in the register at year end. Some customer deposit refunds and applications were posted as disbursements in the water operating fund instead of the customer deposit fund. Also, customer deposit duplicate receipt books and deposit tickets were missing.

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)

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. 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)

DISTRIBUTION OF GROSS REVENUES TO THE VARIOUS FUNDS

Gross revenues were not being distributed to the Wastewater Utility funds in accordance with revenue bond ordinance requirements.

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)

UNDEPOSITED UTILITY RECEIPTS

During 2007, 118 customer payments totaling \$11,289.49 were posted to utility customers' accounts but not deposited to the Utility depository. The Town business office personnel consisted of two employees: the Clerk-Treasurer and the Utility Clerk. Procedures related to the collection, posting and deposit of utilities receipts are detailed below:

1. Payments were collected throughout the day by both the Clerk-Treasurer and the Utility Clerk. A payment stub was retained for each payment. A written receipt was prepared for each payment received. Payments were posted daily by the Utility Clerk to the individual customers account. The computer system used to maintain the Utility Customer Accounts was a stand-alone billing and accounts receivable program and completely independent of the cash records.

TOWN OF MOROCCO
EXAMINATION RESULTS AND COMMENTS
(Continued)

2. At the end or close to the end of the day the Utility Clerk would run a daily batch printout detailing all the collections posted to customers' accounts for the day, count the cash drawer and reconcile it to the totals on the daily batch printout. The Utility Clerk would then prepare a deposit ticket for the amount indicated on the daily batch printout.
3. The deposit was usually taken to the bank by the Utility Clerk who then posted the deposit to the utility cash records.
4. The Clerk-Treasurer was responsible for reconciling the Utility bank accounts.

In late October 2007, Renee Sain, former Utility Clerk, left employment with the Town. In the interim, Donna Cady, Clerk-Treasurer, was required to assume her duties until a replacement was found. During this time, the Clerk-Treasurer detected payment stubs in the Utility Clerk's desk that were posted on the customers' accounts as payments but could not be found on any of the daily collection printouts or deposited to the bank. Duplicate receipt books and deposit tickets for much of the time period in question were found to be missing.

As a part of our examination, we totaled the daily batch printouts, created in step 1 above, for the entire year. The totals from these batch printouts were traced to the Utility deposits for the year. This procedure revealed 28 separate daily batches, consisting of the 118 customer payments mentioned above, totaling \$11,289.49, that were not deposited to the bank.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

Based on the results of our audit and the specific job responsibilities of each of the office employees, we requested Renee Sain, former Utility Clerk, to reimburse the Morocco Utilities \$11,289.49 for customer payments received but not deposited to the bank. (See Summary, page 13)

COLLECTION OF AMOUNTS DUE

Renee Sain, former Utility Clerk, has an overdue balance on her utility account of \$98.90. She is no longer a resident of the Town. We request reimbursement from Renee Sain, former Utility Clerk, for \$98.90 for this past due amount. (See Summary, page 13)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

AUDIT COSTS – MISSING FUNDS

Additional audit fees were incurred in the investigation of missing funds. The State of Indiana is requesting reimbursement of additional audit fees incurred as a result of this investigation of \$3,778.33 from Renee Sain, former Utility Clerk. (See Summary, page 13)

TOWN OF MOROCCO
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were present during our period of examination:

1. Record balances did not reconcile to the depository balances at December 31, 2007.

Indiana Code 5-13-6-1(e) states in part: "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."

2. There were a considerable number of posting errors. These errors included receipts and disbursements posted to the wrong funds.

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)

DONATIONS

Landfill tipping fee funds were donated to a student for a trip, a local school football coach for sports related computer software, a local school national honor society, and other nongovernmental organizations.

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONTRACTS

Payments from the landfill fund to several nongovernmental entities were made without a contract.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PRESCRIBED FORMS

The following prescribed or approved forms were not in use: Ledger of Appropriations, Encumbrances, Disbursements and Balances (City and Town Form 209).

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)

TOWN OF MOROCCO
EXIT CONFERENCE

The contents of this report were discussed on March 10, 2008, with Donna Cady, former Clerk-Treasurer; Sherri L. Rainford, current Clerk-Treasurer; and Robert Gonczy, President of the Town Council. The officials concurred with our findings.

The contents of this report were discussed on March 13, 2008, with Renee Sain, former Utility Clerk by phone.

TOWN OF MOROCCO
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Renee Sain, former Utility Clerk:			
Undeposited Utility Receipts, pages 9 and 10	\$ 11,289.49	\$ -	\$ 11,289.49
Collection of Amounts Due, page 10	98.90	-	98.90
Audit Costs - Missing Funds, page 10	<u>3,778.33</u>	<u>-</u>	<u>3,778.33</u>
 Totals	 <u>\$ 15,166.72</u>	 <u>\$ -</u>	 <u>\$ 15,166.72</u>

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AFFIDAVIT

STATE OF INDIANA)
)
STARKE COUNTY)

I, Donald R. Wegner, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Morocco, Newton County, Indiana, for the period from January 1, 2007 to December 31, 2007, is true and correct to the best of my knowledge and belief.

Donald R. Wegner
Field Examiner

Subscribed and sworn to before me this 28 day of April, 2008.

Gina Lynn Albright

Notary Public
Gina Lynn Albright

My Commission Expires: 05-14-08
County of Residence: STARKE