

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

EXAMINATION REPORT  
OF  
TOWN OF MORGANTOWN  
MORGAN COUNTY, INDIANA  
January 1, 2006 to December 31, 2007



**FILED**  
03/03/2009



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Lora Ford	01-01-04 to 12-31-07
	Pamela Fleetwood	01-01-08 to 11-30-08
	Paula S. Smith	12-01-08 to 12-31-11
President of the Town Council	Ben Swopes	01-01-06 to 12-31-06
	Malcolm Baird	01-01-07 to 12-31-07
	Ed Rutledge	01-01-08 to 06-30-08
	Vacant	07-01-08 to 07-31-08
	Rawlins Whitaker	08-01-08 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 MORGANTOWN, MORGAN COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Morgantown (Town), for the period of January 1, 2006 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 years ended December 31, 2006 and 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

November 19, 2008

TOWN OF MORGANTOWN  
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, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
<b>Governmental Funds:</b>				
General	\$ 78,112	\$ 283,882	\$ 251,526	\$ 110,468
Motor Vehicle Highway	98,521	123,841	95,943	126,419
Local Road and Street	(10,426)	9,917	-	(509)
Park and Recreation	21,635	55	20,891	799
Law Enforcement Continuing Education	3,824	323	639	3,508
Planning and Zoning	(480)	6,100	2,370	3,250
Law Enforcement Special Equipment	38,131	11,210	-	49,341
Cumulative Capital Improvement	19,623	3,444	5,067	18,000
Cumulative Capital Development	24,738	4,502	-	29,240
<b>Proprietary Funds:</b>				
Water Utility - Operating	4,853	227,414	226,857	5,410
Water Utility - Customer Deposit	3,566	3,482	950	6,098
Wastewater Utility - Operating	1,572	326,886	328,174	284
Wastewater Utility - Bond and Interest	-	24,000	24,000	-
Wastewater Utility - Customer Deposit	1,994	2,200	751	3,443
Wastewater Utility - Debt Service Reserve	862	3,960	-	4,822
<b>Fiduciary Fund:</b>				
Payroll	(160,141)	135,334	240,213	(265,020)
<b>Totals</b>	<u>\$ 126,384</u>	<u>\$ 1,166,550</u>	<u>\$ 1,197,381</u>	<u>\$ 95,553</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
<b>Governmental Funds:</b>				
General	\$ 110,468	\$ 529,168	\$ 273,131	\$ 366,505
Motor Vehicle Highway	126,419	70,415	46,142	150,692
Local Road and Street	(509)	9,954	-	9,445
Park and Recreation	799	3	586	216
Law Enforcement Continuing Education	3,508	488	-	3,996
Planning and Zoning	3,250	1,975	1,585	3,640
Law Enforcement Special Equipment	49,341	12,847	37,624	24,564
Cumulative Capital Improvement	18,000	3,386	-	21,386
Cumulative Capital Development	29,240	4,244	-	33,484
<b>Proprietary Funds:</b>				
Water Utility - Operating	5,410	188,675	176,696	17,389
Water Utility - Customer Deposit	6,098	2,433	1,923	6,608
Wastewater Utility - Operating	284	280,064	253,652	26,696
Wastewater Utility - Bond and Interest	-	4,000	37,692	(33,692)
Wastewater Utility - Customer Deposit	3,443	1,708	1,220	3,931
Wastewater Utility - Debt Service Reserve	4,822	660	-	5,482
<b>Fiduciary Fund:</b>				
Payroll	(265,020)	10,000	273,041	(528,061)
<b>Totals</b>	<u>\$ 95,553</u>	<u>\$ 1,120,020</u>	<u>\$ 1,103,292</u>	<u>\$ 112,281</u>

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

TOWN OF MORGANTOWN  
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 (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, 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. 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.

TOWN OF MORGANTOWN  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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.

Note 6. Subsequent Events

On June 1, 2008, the Town entered into a lease purchase agreement with Susquehanna Commercial Finance, Inc., for wastewater equipment. The principal amount is \$105,717.

On April 25, 2008, SSI Excavating, LLC filed a lawsuit against the Town concerning damage to an excavator. The Town attorney stated that it was possible for the liability to be as much as \$100,000.

TOWN OF MORGANTOWN  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 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:		
General Fund		
Loan payable	\$ 160,100	\$ 160,100
Total governmental activities debt	<u>\$ 160,100</u>	<u>\$ 160,100</u>
Business-type Activities:		
Water Utility		
Loan payable	\$ 245,442	\$ 31,387
Capital leases:		
Bobcat excavator *	25,322	10,704
Caterpillar multi terrain loader *	<u>43,527</u>	<u>15,362</u>
Total Water Utility	<u>314,291</u>	<u>57,453</u>
Wastewater Utility		
Revenue bonds:		
Improvements to sewage works - 1990	67,865	41,912
Improvements to sewage works - 2006 **	<u>133,452</u>	<u>4,203</u>
Total Wastewater Utility	<u>201,317</u>	<u>46,115</u>
Total business-type activities debt:	<u>\$ 515,608</u>	<u>\$ 103,568</u>

\* Paid 1/2 from Water Utility and 1/2 from Wastewater Utility

\*\* Officials are required to make monthly payments to a trustee. As of December 31, 2007, residual balances in trustee accounts total \$8, 413.

TOWN OF MORGANTOWN  
EXAMINATION RESULTS AND COMMENTS

PRESCRIBED FORMS

The Town's approved Receipt form was not used in December 2007.

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)

ANNUAL REPORT

The Annual Financial Report for 2007 was filed late on August 21, 2008, and it was not advertised.

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 FUND BALANCES

The Payroll Fund and the Local Road and Street Fund were overdrawn at December 31, 2006. The Payroll Fund and the Wastewater Utility Bond and Interest Fund were overdrawn at December 31, 2007.

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)

CAPITAL ASSET RECORDS

The Town did not properly maintain capital asset records for the examination period.

Every governmental unit should have a complete inventory of all capital assets owned which reflects 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)

CERTIFIED REPORT NOT FILED

The certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the year 2008 was filed late, on August 25, 2008.

Indiana Code 5-11-13-1 states in part: "Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

TOWN OF MORGANTOWN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of Town employees was not submitted to the County Treasurer in 2006 or 2007.

Indiana Code 6-1.1-22-14(a) states in part: "on or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

SALARY OVERPAYMENTS

Lora Ford, former Clerk-Treasurer, and Matthew Stout, former Laborer, received \$650.94 and \$541.40, respectively, in payments for 2006 and 2007, respectively, which were not included in the salary ordinance. (See Summary, page 23)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PERSONAL EXPENSES

Public funds were used to pay for expenses which did not relate to the functions and purposes of the governmental unit.

The breakdown by fund of these disbursements is as follows:

General Fund	\$ 2,813.32
Motor Vehicle Highway Fund	5,277.69
Park and Recreation Fund	464.24
Water Utility Operating Fund	5,767.44
Wastewater Utility Operating Fund	5,649.39
Total	<u>\$ 19,972.08</u>

(See Summary, page 23)

Among the items for which funds were disbursed are as follows:

Shower Kit; Drill Hammer; Treated Posts; Flag Pole; Harley Davidson Floor Mats; Compact Truck Box; Umbrella for Radio Flyer Wagon; Latex White Paint; Compact Truck Box; Paint Supplies; Floor Mat; Oak Trees; Mulch; Featherrock; Top Soil; Potting Soil; Grass Seed; Advil; Laundry Detergent; Mid-Size Truck Tool Box; Flags; Roto Tiller; Decals; Hats; Bilge Pump; Brushed Nickel Scroll Plumbing Fixture; White Frost Vases; Lumber; Flowers; Postcard Book; Sewer Work at Paul Ford's house; Cup Holder and Vent Cushion; Cup and Shirt; Vehicle Acceleration Computer Chip; Racing Fuel; Radar Detector; Flag Pole Light; Flag Pole (\$325.00 less reimbursement received of \$300.00 from Paul Ford)

TOWN OF MORGANTOWN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Clerk-Treasurer did not file the required IRS Form 1099 for a Council member for the year 2006. The Clerk-Treasurer filed an incorrect IRS Form 1099 for a Council member for the year 2007.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMPENSATION AND BENEFITS

Paul Ford, Superintendent, and Matthew Stout, Laborer, received \$275.00 and \$540.00, respectively, in payments for work performed in 2006 which were not included in the payroll system or on the salary ordinance or resolution. Paul Ford, Superintendent; Matthew Stout, Laborer; John Scott, Certified Operator; and Mark Fitzpatrick, Certified Operator received \$110.00, \$1,856.00, \$787.27, and \$1,520.00, respectively, in payments for work performed in 2007 that were not included in the payroll system or on the salary ordinance or resolution.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS

The individual payroll withholdings do not reconcile to zero at any one point in time. The total payroll detail does not reconcile to the payroll control account.

At all times, the manual and/or 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 & Towns, Chapter 7)

TOWN OF MORGANTOWN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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)

DELINQUENT INDIANA UTILITY RECEIPTS TAX RETURNS

The Town filed delinquent Indiana Utility Receipts tax returns for 2006 and 2007.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the examination period:

1. Many claims were not certified by the Clerk-Treasurer.
2. Many claims were not adequately itemized.
3. Many claims were lacking evidence of Council approval.
4. Many claims or invoices were not accompanied by evidence in support of the receipt of goods or services.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;

TOWN OF MORGANTOWN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

CUSTOMER DEPOSIT REGISTER

The customer deposit register detail for the Water Utility and the Wastewater Utility does not reconcile with the customer deposit control amounts recorded on the Ledger of Receipts, Disbursements and Balances.

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)

DELINQUENT WASTEWATER ACCOUNTS

Our examination of the Wastewater Utility revealed that fees and penalties that were due and unpaid for at least 90 days 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; and
  - (C) the amount of the delinquent fees, together with the penalty; or
- (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. . . .

TOWN OF MORGANTOWN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

(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 . . ."

ORDINANCES AND RESOLUTIONS

The Town adopted Ordinance 90-5 concerning the Sewage Works Revenue Bond Issue of 1990. The ordinance states that monthly payments into the Bond and Interest Account shall be in an amount equal to at least one-twelfth of the amount required for such payments during the next succeeding 12 calendar months. Only 2 monthly payments were transferred into the Bond and Interest Account during 2007. The ordinance also states that \$330 is to be deposited monthly, into the Debt Service Reserve Account until the balance equals \$39,405. The Wastewater Utility Debt Service Reserve Account did not maintain the minimum balance of \$39,405 at any time during the examination period.

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)

SALES TAX

The amount of \$366.47 in sales tax was paid on purchases during the examination period.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

WASTEWATER UTILITY PENALTIES

Instances were noted where penalties charged on Wastewater Utility late fees were 9% instead of 10%.

It is our audit position that the 10% penalty [on unpaid wastewater bills] specified in IC 36-9-23-31 should be assessed one time and one time only. Subsequent billings should not include additional assessments on this penalty. Similarly, unless specifically directed by statute, ordinance, or other legal directives, penalties on late fees for municipal utilities organized under IC 8-1.5 should be charged only one time. Future late charges should not include additional charges added to the penalties on late fees. (Cities and Towns Bulletin and Uniform Compliance Guidelines, March 1999)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$5,142.99 were paid to various vendors during the examination period. (See Summary, page 23)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

TOWN OF MORGANTOWN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PERSONAL GAIN FROM RENTAL OF EQUIPMENT

From March 24, 2005 to August 2, 2005, the Town expended \$65,216.55 for the rental of heavy equipment from Holt Equipment Company, LLC and MacAllister Machinery Company, Inc. Minutes of the meetings of the Town Council for the same time period made no mention of any specific projects that would require heavy equipment.

According to former Clerk-Treasurer, Lora Ford, heavy equipment was rented by the Town to divert the path of a creek that was causing erosion damage to the dam at the Town's wastewater lagoons.

Current Town officials obtained copies of a series of cancelled personal checks written on a resident's account. The checks were written to Paul Ford, former Town Superintendent, as payment for the digging of a pond. The checks were dated from March 5, 2005 through July 19, 2005, and totaled \$17,500.91.

On April 25, 2008, SSI Excavating, Inc., filed a lawsuit against the Town for an unspecified amount regarding damage to an excavator and loss of revenue due to the damage to the excavator. The damage in question occurred in an October 31, 2007, incident, when the excavator was being operated by Mr. Ford. When the excavator was being maneuvered near the perimeter of a pond, it became stuck, partially submerged in the pond.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Generally, public funds may not be used to make improvements to property not owned by the governmental unit, unless permitted by statute, federal or state requirements, or safety concerns. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

LOANS AND TRANSFERS AMONG TOWN FUNDS

Temporary loans of \$50,000 and \$15,000 were made in 2003 and 2007, respectively, from the Water Operating Fund to the Wastewater Operating Fund and not repaid by December 31, 2007. Temporary loans of \$46,375 were made in 2007 from the General Fund to the Wastewater Operating Fund and not repaid by December 31, 2007.

These loans have not been repaid as of the current date.

Necessary transfers for 2005 of \$114,805.36, \$17,772.12, and \$16,871.54 remain to be made from the General, Motor Vehicle Highway, and Wastewater Utility Operating Funds, respectively, to the Payroll Fund. Necessary transfers for 2006 of \$58,503.27, \$16,294.63, \$12,785.48, and \$27,987.35

TOWN OF MORGANTOWN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

remain to be made from the General, Motor Vehicle Highway, Water Utility Operating, and Wastewater Utility Operating Funds, respectively, to the Payroll Fund. Necessary transfers for 2007 of \$124,350.02, \$22,214.36, \$55,034.55, and \$61,442.35 remain to be made from the General, Motor Vehicle Highway, Water Utility Operating, and Wastewater Utility Operating Funds, respectively, to the Payroll Fund. Transfers were not made from the Utility Funds because of insufficient operating balances.

Indiana Code 36-1-8-4 concerning temporary loans states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs; (4) The amount transferred must be returned to the other fund at the end of the prescribed period . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
  - (A) A statement that the fiscal body has determined that an emergency exists.
  - (B) A brief description of the grounds for the emergency.
  - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and department of local government finance."

Payments or transfers which are not authorized by statute, ordinance, resolution, or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

	Due From:			
	General	Motor Vehicle Highway	Water Operating	Wastewater Operating
Due To:				
General	\$ -	\$ -	\$ -	\$ 46,375.00
Motor Vehicle Highway	-	-	-	-
Water Operating	-	-	-	65,000.00
Wastewater Operating	-	-	-	-
Payroll	297,658.65	56,281.11	67,820.03	106,301.24
Totals	\$ 297,658.65	\$ 56,281.11	\$ 67,820.03	\$ 217,676.24

TOWN OF MORGANTOWN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

ADJUSTED BALANCES REFLECTING REQUIRED TRANSFERS

Fund	General Balance 12-31-07	Motor Vehicle Highway Due To	Water Operating Due From	Wastewater Operating Total
General	\$ 366,505.06	\$ 46,375.00	\$ 297,658.65	\$ 115,221.41
Motor Vehicle Highway	150,692.25	-	56,281.11	94,411.14
Water Operating	17,339.18	65,000.00	67,820.03	14,519.15
Wastewater Operating	26,646.00	-	217,676.24	(191,030.24)
Payroll	(528,061.03)	528,061.03	-	-

RATES AND CHARGES - MUNICIPAL UTILITIES

The Wastewater Utility owes \$46,375 to the General Fund and \$65,000 to the Water Operating Fund. The Wastewater Utility has not been able to repay these loans as of November 19, 2008.

Indiana Code 8-1.5-3-8(d) states: "It is the intent of this section that the rates and charges produce an income sufficient to maintain the utility property in a sound physical and financial condition to render adequate and efficient service. Rates and charges too low to meet these requirements are unlawful."

TAX ANTICIPATION LOAN

A tax anticipation loan of \$160,100 was obtained from Peoples State Bank on March 14, 2007, with a maturity date of December 31, 2007. The loan documents stated the purpose of the loan was to help the Town with cash flow for the General Fund and would be repaid with revenues collected for property taxes in June and December 2007. When the tax revenues were received, the funds were used for other purposes and the loan was not repaid. Also, the loan was not renewed by the previous Clerk-Treasurer as of December 31, 2007. The Town has incurred additional interest costs of \$8,842.88 as of May 29, 2008.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

STREET PAVING DISBURSEMENTS

The Town disbursed \$35,150 in 2006 for street paving. The paving proposals and claims lacked detail as to the road location for the paving. Minutes of the meetings of the Town Council made no mention of any specific paving projects. Current officials are not aware of any paving work being performed in the past few years.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MORGANTOWN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

OFFICIAL BOND

Lora Ford, former Clerk-Treasurer, was covered by a surety bond from Pekin Insurance Company in the amount of \$15,000 for the term beginning January 1, 2000, until successor is duly qualified.

TOWN OF MORGANTOWN  
EXIT CONFERENCE

The contents of this report were discussed on November 25, 2008, with Rawlins Whitaker, President of the Town Council; and Pamela Fleetwood, Clerk-Treasurer. The officials concurred with our findings.

The contents of this report were discussed on November 25, 2008, with Don Smith, Town Council member. The official concurred with our findings.

The contents of this report were discussed on November 25, 2008, with Jeffrey M. Conners, Town Council member.

The contents of this report were discussed on November 20, 2008, with Lora Ford, former Clerk-Treasurer. The official response has been made a part of this report and may be found on pages 19 through 22.

From: Lora L. Ford  
360 N. County Line Road  
Morgantown, IN 46160

Date: November 29, 2008

To: Mr. Mike Bozymski  
Deputy State Examiner  
State Board of Accounts

Re: Exit Conference Official response

Dear Mr. Bozymski,

As per our telephone conversations on Monday, November 24, 2008, I have not yet received the itemized list totaling \$20,078.50. Therefore; I am only able to address the comments as they appear in the report.

Prescribed Forms

My normal procedure was to run receipts after receiving all bank statements (by the first week of the following month). I used the bank statements as a "checks and balance" system to insure all receipts were recorded. My term ended December 31, 2007, therefore I did not have bank statements needed to proof the receipts.

Annual Report

The annual report is impossible to complete without year end balances and bank reconciliation statements, which did not generate until the last day of each month.

Certified Report Not File

The certified report of compensation of officers and employees (100-R) was to be filed in January 2008, my term ended December 31. 2007.

Repayments and Transfers

Both Kerry Fleming and Scott Boyer knew this situation existed at my exit conference in 2007 due to insufficient funds. Both said to do the best I could with what was available to work with, which I did. There were no available funds to repay the transfers.

Condition of Records

The individual payroll withholdings did not reconcile to zero at my exit conference in 2007. Scott felt it was possibly due to software error in Komputrol, however he did not instruct my as to what I could do to solve the problem.

Errors On Claims

It was my understanding that claim dockets represented the individual claims written each month. Myself, as well as at least two of the three council members signed the claim dockets every month. One of the comments stated claims were not adequately itemized. I disagree with this statement. If itemized receipts were missing at the time of the audit it could well be they “disappeared” during the process of the new administration pouring over each and every claim. What proof is there either way?

Delinquent Wastewater Accounts

All delinquent wastewater accounts were turned over to the Town’s attorney for collection.

Ordinances and Resolutions

The comment states I did not transfer money from Sewer Operating into the town’s Sewer Sinking and Debt Reserve Funds, as stated in the loan agreement with Rural Farm Development. I made the transfers in the bookkeeping system on the computer every month, however Scott is not familiar with Komputrol and prefers to see a “hard” set of books. The hard set of books were kept by my deputy clerk who failed to make these entries. If Komputrol’s bookkeeping system could have been accessed, the transfers would have been seen.

List of Employees not filed with County Treasurer

I did compile and file a list of town employees for both 2006 and 2007. The lists were faxed from my office.

Penalties, Interest and Other Charges

The comment states penalties and interest totaling \$5,142.99 were paid to various vendors for the examination period. Most of these charges are a direct result of the Indiana Department of Environmental Management ordering the Town of Morgantown to see that the lift station pumps never overflowed. Vendors were hired to pump the lift stations numerous times. It was about this time when the town discovered the dam containing the holding ponds at the lagoon was being eroded away by the existing creek.. Engineers were hired to study the problem and their determination proved to be only a “band-aid” to temporarily fix the erosion. At that time, Street and Sewer Supt. Paul Ford was given approval by the council to re-route the creek. The town rented the proper equipment for this job. During all of this, I was seeking a loan from State Revolving Funds to bear the cost of this emergency. The town was eventually able to obtain funding, however; State Revolving Funds is an extremely slow process which only added to the late fee situation, non of which I am directly responsible for.

Personal Expenses

The comment states the following: Public funds were used to pay for expenses which did not relate to the functions and purposes of the governmental unit. The breakdown by fund of these disbursements were as follows:

General Fund	\$2,813.32
MVH Fund	5,277.69
Park Fund	464.24

Water Operating Fund        5,873.86  
Wastewater Operating Fund 5,649.39

Total : \$20, 078.50

I have no itemized list. Of the random items listed in the comments, (which do not total anything close to \$20, 078.50) I would only question one item. I feel this is ridiculous and a very unprofessional accusation. Of the items listed, where is the proof of personal expense? Better yet, where is the line by line itemization of the list totaling \$20, 078.50?

#### Personal Gain from Rental of Equipment

The comment reads: Paul Ford, former town superintendent received \$17,500.91 personally in 2005 for work done on a local property. These funds were not recorded into any of the town's funds or deposited into any of the town's bank accounts. The town paid for rental of equipment during 2005 for this work. Paul Ford did not reimburse the town for the rental of this equipment.

This comments clearly states Paul Ford has been accused of using equipment rented by the town for personal gain. Where is the proof of this? He has already been determined guilty with no proof. Again, this is a very serious and unprofessional accusation with nothing to back it up. Furthermore, what does that have to do with me? Why would I question rental equipment. Approval of the work being done, as well as renting the equipment came from the town council. The comment is unfounded.

#### Rates and Charges – Municipal Utilities

This situation existed at my last exit conference. It is not up to me to raise the rates so this type of thing doesn't happen. I have served with four different councils, and urged all of them to increase rates. None of them would listen.

#### Tax anticipation loan

The loan had a 30 day grace period to be paid back without penalty. I felt that should be the new clerk's decision either to pay it or extend the loan, depending on what she and the council felt compelled to do.

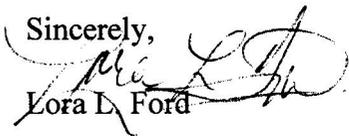
#### Street Paving Disbursements

For a certainty there was an itemized list of what was paved and paid for. Unfortunately it seems to be another itemization that has curiously disappeared. I feel sure Charles Smith Paving Company could produce the list if need be.

At this point, my questions are many, but the most prominent being where is the black and white proof of any of these accusations? What is the town council's responsibility? If they have none, and all of this falls in my lap then why do they approve or disapprove claims? It is my belief that the town council is supervisor of all department heads with the exception of the clerk-treasurer. That being said, it would also be their responsibility to question anything suspicious. Apparently, they had no suspicions because as I stated earlier, all department heads, including Paul Ford had close council contact and approval.

In closing I wish to state I am waiting on the \$20, 078.50 itemized list and a response to this letter.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lora L. Ford". The signature is written in black ink and is positioned above the printed name.

Lora L. Ford

TOWN OF MORGANTOWN  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Lora Ford, former Clerk-Treasurer:			
Salary Overpayments, page 9	\$ 650.94	\$ -	\$ 650.94
Penalties, Interest, and Late Charges, pages 13 and 14	5,142.99	-	5,142.99
Matthew Stout, former Laborer:			
Salary Overpayments, page 9	541.40	-	541.40
Lora Ford, former Clerk-Treasurer, and Paul Ford, former Town Superintendent, jointly and severally:			
Personal Expenses, pages 9 and 10	19,972.08	-	19,972.08
Totals	<u>\$ 26,307.41</u>	<u>\$ -</u>	<u>\$ 26,307.41</u>

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AFFIDAVIT

STATE OF INDIANA )  
Brown COUNTY )

I, Scott E. Boyer, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Morgantown, Morgan County, Indiana, for the period from January 1, 2006, to December 31, 2007, is true and correct to the best of my knowledge and belief.

Scott E. Boyer  
Field Examiner

Subscribed and sworn to before me this 10 day of February, 2009

Beth Mulry  
~~Notary Public~~  
Clerk, Brown Circuit Court

My Commission Expires: \_\_\_\_\_  
County of Residence: \_\_\_\_\_