

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

EXAMINATION REPORT
OF
TOWN OF MEROM
SULLIVAN COUNTY, INDIANA
January 1, 2007 to December 31, 2008



FILED
07/20/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	L. Darlene McKinney	01-01-07 to 12-31-11
President of the Town Council	John Gettinger, Jr. Bill Turpen Carla Johnson	01-01-07 to 12-31-07 01-01-08 to 12-31-08 01-01-09 to 12-31-09
Superintendent of Water Utility	Vacant Dean Springer	01-01-07 to 01-07-08 01-08-08 to 12-31-09



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MEROM, SULLIVAN COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Merom (Town), for the period of January 1, 2007 to December 31, 2008. 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, 2007 and 2008, 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

May 4, 2009

TOWN OF MEROM
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, 2007 And 2008

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 6,867	\$ 25,278	\$ 28,414	\$ 3,731
Motor Vehicle Highway	18,546	13,147	10,291	21,402
Local Road and Street	3,075	1,577	2,500	2,152
Park and Recreation	2,018	1,000	1,550	1,468
Riverboat	1,850	1,854	-	3,704
Cemetery Operating	3,304	3,295	4,160	2,439
Cemetery Perpetual Care	54,515	-	-	54,515
Cumulative Capital Improvement	1,050	1,033	2,083	-
Wabash River Heritage Corridor	2,672	-	2,000	672
Lois Andrews Charitable Fund	-	15,000	14,191	809
Building Rental	1,078	1,100	1,344	834
Levy Excess	746	478	746	478
Proprietary Funds:				
Water Utility - Operating	3,352	57,518	56,220	4,650
Water Utility - Bond and Interest	13,707	22,304	22,272	13,739
Water Utility - Customer Deposit	1,015	300	50	1,265
Water Utility - Improvement	1,141	1,200	1,200	1,141
Fiduciary Fund:				
Payroll	-	21,677	21,677	-
Totals	\$ 114,936	\$ 166,761	\$ 168,698	\$ 112,999

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 3,731	\$ 27,268	\$ 28,883	\$ 2,116
Motor Vehicle Highway	21,402	11,362	12,916	19,848
Local Road and Street	2,152	1,479	148	3,483
Park and Recreation	1,468	6,290	6,290	1,468
Riverboat	3,704	1,844	5,548	-
Cemetery Operating	2,439	9,629	4,431	7,637
Cemetery Perpetual Care	54,515	1,200	4,000	51,715
Cumulative Capital Improvement	-	956	-	956
Wabash River Heritage Corridor	672	-	-	672
Lois Andrews Charitable Fund	809	-	-	809
Building Rental	834	2,010	1,265	1,579
FEMA	-	7,025	-	7,025
CEDIT	-	12,147	1,233	10,914
Sewer Project	-	7,164	7,164	-
Levy Excess	478	-	478	-
Proprietary Funds:				
Water Utility - Operating	4,650	60,801	50,987	14,464
Water Utility - Bond and Interest	13,739	22,600	22,657	13,682
Water Utility - Customer Deposit	1,265	400	250	1,415
Water Utility - Improvement	1,141	1,200	1,973	368
Fiduciary Fund:				
Payroll	-	26,786	26,786	-
Totals	\$ 112,999	\$ 200,161	\$ 175,009	\$ 138,151

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

TOWN OF MEROM
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 (Indiana Code 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 (Indiana Code 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 MEROM
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type Activities:		
Water Utility		
Revenue bonds:		
Waterworks Refunding	\$ 167,000	\$ 21,970
Total business-type activities debt:	\$ 167,000	\$ 21,970

TOWN OF MEROM
EXAMINATION RESULTS AND COMMENTS

DEPOSITS (Town and Utilities)

As stated in the prior Report B30190, in numerous instances, receipts were deposited up to six days later than the next business day.

IC 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."

APPROPRIATIONS (Town)

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

Fund	Years	Excess Amount Expended
General Fund	2008	\$ 3,881
Motor Vehicle Highway Fund	2008	318

IC 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."

OFFICIAL BOND (Town and Utilities)

The following official bond was not filed in the Office of the County Recorder: L. Darlene McKinney, Clerk-Treasurer, for the period July 4, 2006 to July 3, 2007.

IC 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

TOWN OF MEROM
EXAMINATION RESULTS AND COMMENTS
(Continued)

DELINQUENT WATER ACCOUNTS RECEIVABLE (Water Utility)

As stated in the prior Report B30190, Ordinance 1995-1 established the shutoff policy for delinquent customers. The Utility did not always shut off delinquent customers as required by the ordinance.

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)

ELECTED OFFICIAL - CHANGE OF SALARY (Water Utility)

In 2008, the Town Council approved an increase in the Clerk-Treasurer's salary during the middle of the year. The total increase in salary the Clerk-Treasurer received totaled \$227.25. L. Darlene McKinney, Clerk-Treasurer, was asked to repay the \$227.25 on April 13, 2009, and she repaid it the same day. (See Summary, page 10)

IC 36-4-7-2(c) states: "The compensation of an elected city officer may not be changed in the year for which it is fixed nor may it be reduced below the amount fixed for the previous year."

INVESTMENT MATURITY LIMITATIONS (Water Utility)

The Water Utility purchased certain investments which have a stated maturity in excess of two years.

IC 5-13-9-5.6 states: "Investments made under IC 5-13-9 must have a stated final maturity of not more than two years after the date of purchase or entry into a repurchase agreement."

TOWN OF MEROM
EXIT CONFERENCE

The contents of this report were discussed on May 4, 2009, with L. Darlene McKinney, Clerk-Treasurer.

TOWN OF MEROM
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
L. Darlene McKinney, Clerk-Treasurer:			
Elected Official - Change of Salary, page 8	\$ 227.25	\$	\$
Paid by L. Darlene McKinney, April 13, 2009	<u> </u>	<u>227.25</u>	<u>-</u>
	<u>\$ 227.25</u>	<u>\$ 227.25</u>	<u>\$ -</u>