

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

EXAMINATION REPORT
OF
TOWN OF MECCA
PARKE COUNTY, INDIANA
January 1, 2007 to December 31, 2008



FILED
12/29/2009

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5
Examination Results and Comments:	
Advance Payments.....	6
Annual Report.....	6
Appropriations.....	6
Board Minutes.....	7
Condition of Records	7
Deposits.....	8
Errors on Claims	8
Federal and State Agencies – Compliance Requirements	9
List of Employees Not Filed With County Treasurer	9
Official Bond	9
Optical Images of Warrants	10
Prescribed Forms	10
Exit Conference.....	11

OFFICIALS

Office

Official

Term

Clerk-Treasurer

Betty J. Capps
Eleanor Fellows

06-01-04 to 12-31-07
01-01-08 to 12-31-11

President of the
Town Board

David B. Capps

01-01-07 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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 MECCA, PARKE COUNTY, INDIANA

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

STATE BOARD OF ACCOUNTS

November 2, 2009

TOWN OF MECCA
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL 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	\$ 4,826	\$ 81,187	\$ 85,958	\$ 55
Motor Vehicle Highway	5,073	15,283	1,017	19,339
Local Road and Street	160	1,573	893	840
Cumulative Capital Improvement	<u>4,117</u>	<u>1,247</u>	<u>-</u>	<u>5,364</u>
Totals	<u>\$ 14,176</u>	<u>\$ 99,290</u>	<u>\$ 87,868</u>	<u>\$ 25,598</u>
	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 55	\$ 98,366	\$ 95,644	\$ 2,777
Motor Vehicle Highway	19,339	17,944	12,515	24,768
Local Road and Street	840	1,149	-	1,989
Public Safety	-	1,056	1,056	-
Cumulative Capital Improvement	<u>5,364</u>	<u>1,312</u>	<u>-</u>	<u>6,676</u>
Totals	<u>\$ 25,598</u>	<u>\$ 119,827</u>	<u>\$ 109,215</u>	<u>\$ 36,210</u>

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

TOWN OF MECCA
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, 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, however due to property tax reassessment the installments for 2007 were due July 20 and November 13 and the installments for 2008 were due August 15 and November 10. 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.

Note 6. Subsequent Event

The Town has received a Community Development Block Grant for updating the Mecca Community Center. At November 2, 2009, they have received and expended \$172,359 of the \$212,000 allowed by the grant.

TOWN OF MECCA
EXAMINATION RESULTS AND COMMENTS

ADVANCE PAYMENTS

The total salary paid in 2007 and 2008 was correct; however, in 2007, two checks were issued in the month of May. A similar payment in advance was reported in the prior report. Payroll claims should be approved by the Town Board before payroll checks are issued. The checks were issued and cashed before Board approval six times in 2007 and four times in 2008.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORT

The annual reports for 2007 and 2008 were not filed timely with the State Board of Accounts. The current Clerk-Treasurer filed late reports for 2005, 2006, and 2007 to help the Town get in compliance for receiving a Community Development Block Grant. The report filed for 2007 did not properly trace to the ledger. The fund receipts, disbursements and balances reported for 2008 were not properly entered. The Statement of Receipts, Disbursements, Cash Balances and Cash Investments portion of the report was not completed.

IC 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 . . ."

APPROPRIATIONS

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

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Local Roads and Streets	2007	\$ 1,017
Motor Vehicle Highway	2007	893
Local Roads and Street	2008	10,081

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."

TOWN OF MECCA
EXAMINATION RESULTS AND COMMENTS
(Continued)

BOARD MINUTES

The Town files the Board minutes loosely with their monthly financial information and they are not signed. The minutes of the November and December meetings in 2007 and the November and December meetings in 2008 were not found.

IC 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes take, by individual members if there is a roll call.
- (5) An additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping that were cited in the prior report, were again present during our period of examination:

- (1) Record balances were not reconciled to depository balances during the two year period.

IC 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) The Town is not using the ledger properly. The wrong form is used. They do not always record check numbers in the ledger and they never record receipt numbers in the ledger. Individual fund balances do not cross foot to the Control Fund balance.

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)

- (3) There were a considerable number of posting errors. These errors included interest not posted, state and local tax distributions posted to the wrong funds, and a tax distribution recorded in two different funds. The date checks cleared the bank was in advance of the date recorded in the ledger in numerous instances, one check was recorded for the wrong amount, and five checks written at the end of 2008 were not recorded in the ledger at all.

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 MECCA
EXAMINATION RESULTS AND COMMENTS
(Continued)

DEPOSITS

Local tax distributions received during 2007 and 2008 were deposited later than the next business day. Up to 23 days passed between the ledger date and the deposit date.

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."

ERRORS ON CLAIMS

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

- (1) Three of twenty claims tested were not on file.
- (2) Claims on file did not have a claim number or a check number on them.
- (3) Four claims did not have the invoice properly attached.
- (4) In 2007, none of the claims were signed by the Clerk-Treasurer.
- (5) Three checks were issued and cleared the bank before the claim date.
- (6) Claims were not properly recorded in the ledger. The check number was not written beside the disbursement. Not all disbursements were listed in the Control Fund.

IC 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;
- (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."

TOWN OF MECCA
EXAMINATION RESULTS AND COMMENTS
(Continued)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Town did not comply with directives of the Internal Revenue Service. Withholdings were not made from the wages; Wage and Tax Statements (Form W-2) were not issued; and the Employer's Quarterly Federal Tax Report (Form 941) was not prepared. State and Local Taxes were not paid to the Indiana Department of Revenue. A similar comment was made in the previous report.

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)

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. 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)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of employees was not certified to the County Treasurer.

IC 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."

OFFICIAL BOND

The Clerk-Treasurer's official bond was not purchased or filed in the Office of the County Recorder during this examination period.

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 MECCA
EXAMINATION RESULTS AND COMMENTS
(Continued)

OPTICAL IMAGES OF WARRANTS

The Town's depository 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.

IC 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, IC 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)."

PRESCRIBED FORMS

The following prescribed forms were not always in use:

Town Form 208, Ledger of Receipts, Disbursements and Balances
Town Form 219, Clerk-Treasurer's Warrant
Town Form 217, Clerk-Treasurer Receipt

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 MECCA
EXIT CONFERENCE

The contents of this report were discussed on November 2, 2009, with Eleanor Fellows, Clerk-Treasurer; Betty J. Capps, former Clerk-Treasurer; and David B. Capps, President of the Town Board. The officials concurred with our findings.