

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, 2008 to December 31, 2009



FILED
01/04/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Pamela Fleetwood Paula Smith	01-01-08 to 11-30-08 12-01-08 to 12-31-10
President of the Town Council	Ed Rutledge Vacant Rawlins Whitaker Don Smith	01-01-08 to 06-30-08 07-01-08 to 07-31-08 08-01-08 to 11-30-08 12-01-08 to 12-31-10



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, 2008 to December 31, 2009. 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, 2008 and 2009, 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

September 13, 2010

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, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 366,505	\$ 457,696	\$ 351,669	\$ 472,532
Motor Vehicle Highway	150,692	36,115	39,299	147,508
Local Road and Street	9,445	9,516	-	18,961
Park and Recreation	216	3,823	131	3,908
Law Enforcement Continuing Education	3,996	847	2,902	1,941
Law Enforcement Continuing Equipment	24,564	-	24,564	-
LOIT Public Safety	-	37,199	5,295	31,904
Operation Pullover	-	387	-	387
Planning and Zoning	3,640	4,476	1,810	6,306
Police Equipment	-	1,023	-	1,023
Rainy Day	-	28,220	9,451	18,769
Donation K-9	-	1,739	122	1,617
Colonel Vauter Day	-	805	-	805
Cumulative Capital Improvement	21,386	3,135	-	24,521
Cumulative Capital Development	33,484	1,748	-	35,232
Proprietary Funds:				
Water Utility - Operating	17,389	200,547	168,405	49,531
Water Utility - Customer Deposit	6,608	2,650	1,050	8,208
Wastewater Utility - Operating	26,696	225,058	221,541	30,213
Wastewater Utility - Bond and Interest	(33,692)	3,500	2,460	(32,652)
Wastewater Utility - Customer Deposit	3,931	2,475	700	5,706
Wastewater Utility - Debt Service Reserve	5,482	2,640	-	8,122
Wastewater Utility - SRF	-	-	6,098	(6,098)
Fiduciary Fund:				
Payroll	(528,061)	217,974	237,682	(547,769)
Totals	<u>\$ 112,281</u>	<u>\$ 1,241,573</u>	<u>\$ 1,073,179</u>	<u>\$ 280,675</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 472,532	\$ 398,235	\$ 653,167	\$ 217,600
Motor Vehicle Highway	147,508	35,664	103,659	79,513
Local Road and Street	18,961	9,121	28,003	79
Park and Recreation	3,908	9,820	13,387	341
Law Enforcement Continuing Education	1,941	887	250	2,578
Law Enforcement Continuing Equipment	-	-	-	-
LOIT Public Safety	31,904	45,793	38,040	39,657
Operation Pullover	387	773	1,160	-
Planning and Zoning	6,306	3,099	3,757	5,648
Police Equipment	1,023	-	-	1,023
Rainy Day	18,769	17,487	15,179	21,077
Donation K-9	1,617	1,122	1,889	850
Colonel Vauter Day	805	44	849	-
County Economic Development Income Tax	-	80,431	78,600	1,831
Cumulative Capital Improvement	24,521	2,956	-	27,477
Cumulative Capital Development	35,232	4,045	-	39,277
Proprietary Funds:				
Water Utility - Operating	49,531	271,978	288,074	33,435
Water Utility - Customer Deposit	8,208	2,375	2,000	8,583
Wastewater Utility - Operating	30,213	187,158	189,601	27,770
Wastewater Utility - Bond and Interest	(32,652)	64,636	31,984	-
Wastewater Utility - Customer Deposit	5,706	3,275	1,670	7,311
Wastewater Utility - Construction	8,122	-	8,122	-
Wastewater Utility - SRF	(6,098)	20,465	14,367	-
Fiduciary Fund:				
Payroll	(547,769)	610,943	233,630	(170,456)
Totals	<u>\$ 280,675</u>	<u>\$ 1,770,307</u>	<u>\$ 1,707,388</u>	<u>\$ 343,594</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, 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.

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

The Town reached a settlement with SSI Excavating, LLC, in August 2010 concerning damage to an excavator. The settlement states that the Town must pay \$60,000 over a period of three years. The payments will be split between the General, Water and Wastewater Funds.

A loan of \$160,100 was obtained from Peoples State Bank on March 14, 2007, with a maturity date of December 31, 2007, in anticipation of taxes to be levied and collected. The loan was not repaid on or before 30 days after the last day for the payment of the anticipated taxes. The loan was to be repaid with the June and December 2007 property taxes collected; however, this did not occur. The loan was renewed on August 31, 2008, with a maturity date of December 31, 2008, and then renewed again on February 4, 2010, with a maturity date of March 1, 2011. The Town plans to make payments on the loan and renew it each year until it is paid off. As of December 31, 2009, the amount owed on the loan is \$132,015.89. The Town has been making payments ranging from \$2,000 to \$5,000 per month.

TOWN OF MORGANTOWN
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Loans payable:		
2007 Tax anticipation loan	\$ 132,016	\$ 26,000
Police car	<u>20,870</u>	<u>5,671</u>
Total governmental activities debt	<u>\$ 152,886</u>	<u>\$ 31,671</u>
Business-type activities:		
Water Utility:		
Loan payable	\$ 220,902	\$ 31,387
Capital leases:		
Bobcat excavator	5,301	5,301
Caterpillar multi terrain loader	14,084	14,084
Neptune meter reading system	<u>86,482</u>	<u>14,780</u>
Total Water Utility	<u>326,769</u>	<u>65,552</u>
Wastewater Utility:		
Loan payable:		
2006 SRF loan	132,452	37,155
Capital leases:		
Susquehanna sewer pumps	81,617	20,115
Marlin sewer pumps	<u>69,898</u>	<u>17,846</u>
Total Wastewater Utility	<u>283,967</u>	<u>75,116</u>
Total business-type activities debt	<u>\$ 610,736</u>	<u>\$ 140,668</u>

TOWN OF MORGANTOWN
EXAMINATION RESULTS AND COMMENTS

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of employees was not certified to the County Treasurer in 2008 or 2009.

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."

OVERDRAWN FUND BALANCES

The Payroll Fund, Wastewater Utility - Bond and Interest Fund, and the Wastewater Utility - SRF Fund were overdrawn as of December 31, 2008. The Payroll Fund was overdrawn as of December 31, 2009.

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)

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Local Road and Street	2009	\$ 21,003

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."

ERRORS ON CLAIMS

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

- (1) All claims did not have board approval.
- (2) Claims or invoices did not have evidence to support receipt of goods or services.

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.

TOWN OF MORGANTOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

(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."

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. 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)

PAYROLL

The Clerk-Treasurer was paid less than the previous Clerk-Treasurer, as well as less than what was noted on the approved Salary Ordinance. The previous Clerk-Treasurer was paid \$34,862.88 per approved Salary Ordinance. The new Clerk-Treasurer was paid \$26,000, with the approved Salary Ordinance indicating the pay should be \$34,862.88.

The Town Council members opted to not be paid for 2008 and 2009, but filed no notice as required by IC 36-5-3-6.

IC 36-5-3-2 states:

"(a) As used in this section, 'compensation' means the total of all money paid to an elected town officer for performing duties as a town officer, regardless of the source of funds from which the money is paid.

(b) The town legislative body shall, by ordinance, fix the compensation of its own members, the town clerk-treasurer, and the town marshal. The legislative body shall provide reasonable compensation for other town officers and employees.

(c) The compensation of an elected town 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.

TOWN OF MORGANTOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

(d) The legislative body may provide that town officers and employees receive additional compensation for services that:

- (1) are performed for the town;
- (2) are not governmental in nature; and
- (3) are connected with the operation of a municipally owned utility or function.

Subject to the approval of the legislative body, the administrative agency operating the utility or function shall fix the amount of the additional compensation, which shall be paid from the revenues of the utility or function."

IC 36-5-3-6 states

"(a) As used in this section, 'compensation' means the total of all money paid to an elected town officer for performing duties as a town officer, regardless of the source of funds from which the money is paid. The term includes all employee benefits paid to a town officer, including life insurance, health insurance, disability insurance, retirement benefits, and pension benefits.

(b) A town officer may waive the officer's compensation for any year by filing a notice that satisfies the following:

- (1) The notice is in writing.
- (2) The notice states in substance all of the following:
 - (A) The position held by the town officer.
 - (B) The calendar year covered by the notice.
 - (C) That the town officer waives compensation under this section.
 - (D) That the town officer understands that the notice is irrevocable beginning January 1 of the year covered by the notice.

(3) The notice is signed by the town officer who wants to waive compensation.

(c) A town officer who wants to waive compensation under this section must file the notice with the town clerk-treasurer before January 1 of the year covered by the notice.

(d) A notice filed under this section is irrevocable beginning January 1 of the year covered by the notice.

(e) A town officer who files a notice under this section:

TOWN OF MORGANTOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (1) is not entitled to compensation for duties performed in the year covered by the notice; and
- (2) may not be paid compensation for duties performed in the year covered by the notice."

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. The Wastewater Utility is only filing liens on abandoned properties that are over 90 days in arrears.

IC 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 . . ."

"(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. . . ."

LOAN BETWEEN 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, 2009. Temporary loans of \$46,375 and \$22,105.28 were made in 2007 and 2008, respectively, from the General Fund to the Wastewater Operating Fund and not repaid by December, 31, 2009. These loans have not been repaid as of the current date.

TOWN OF MORGANTOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

Necessary transfers for years 2005 through 2009 of \$76,330.90 and \$96,517.25 remain to be made from the Water Utility Operating Fund and the Wastewater Utility Operating Fund, respectively, to the Payroll Fund. Transfers were not made from the Utility Funds because of insufficient operating balances.

IC 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)

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 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)

TOWN OF MORGANTOWN
EXIT CONFERENCE

The contents of this report were discussed on October 12, 2010, with Paula Smith, Clerk-Treasurer. The official concurred with our findings.