

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF MEROM

SULLIVAN COUNTY, INDIANA

January 1, 2009 to December 31, 2010



**FILED**

04/26/2012



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	L. Darlene McKinney Barbara Mahan June Shacklett	01-01-08 to 03-07-11 03-08-11 to 03-15-11 03-16-11 to 12-31-15
President of the Town Council	Carla Johnson Dean McKinney Carla Johnson	01-01-09 to 12-31-09 01-01-10 to 10-11-10 10-12-10 to 12-31-12
Superintendent of Water Utility	Dean Springer Danny Chastain	01-01-09 to 06-26-09 06-27-09 to 12-31-12



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial statements of the Town of Merom (Town), for the period of January 1, 2009 to December 31, 2010. The Town's management is responsible for the financial statements. 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2009 and 2010, on the basis of accounting described in Note 1.

The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the financial statements. They have not been subjected to the auditing procedures applied by us in the audit of the financial statements and, accordingly, we express no opinion on them.

The Town's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, the Town Council, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

March 12, 2012

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## FINANCIAL STATEMENTS

The financial statements and accompanying notes were approved by management of the Town. The financial statements and notes are presented as intended by the Town.

TOWN OF MEROM  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
General	\$ 2,091	\$ 22,726	\$ 22,344	\$ 2,473
Petty Cash	25	-	-	25
Motor Vehicle Highway	19,848	10,273	11,424	18,697
Local Road And Street	3,484	1,412	-	4,896
Cemetery Operating	7,637	4,312	5,772	6,177
Riverboat	-	1,840	-	1,840
Parks And Recreation	1,468	4,895	4,468	1,895
Building Rental	1,579	2,179	3,242	516
Cedit Special Revenue	10,914	12,793	15,000	8,707
Wabash River Corridor Grant	672	-	-	672
Lois Andrews Charitable	810	-	-	810
Fema	7,025	3,117	9,932	210
Sewer Project	-	-	-	-
Cemetery - Perpetual Care Invest	50,515	-	-	50,515
Cemetery Perpetual Care	1,200	300	-	1,500
Cumulative Capl Imprv Cigarette Tax	956	902	956	902
Payroll	-	37,520	37,520	-
Water Utility - Operating	14,414	84,275	80,294	18,395
Water Utility - Bond And Interest	13,681	26,996	21,970	18,707
Water Utility - Improvement	368	1,200	1,168	400
Water Utility - Customer Deposit	1,415	250	490	1,175
Water Utility - Change Fund	50	-	-	50
Totals	<u>\$ 138,152</u>	<u>\$ 214,990</u>	<u>\$ 214,580</u>	<u>\$ 138,562</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF MEROM  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 2,473	\$ 24,373	\$ 26,721	\$ 125
Petty Cash	25	-	-	25
Motor Vehicle Highway	18,697	10,831	22,480	7,048
Local Road And Street	4,896	1,465	5,000	1,361
Cemetery Operating	6,177	2,585	7,256	1,506
Riverboat	1,840	1,839	906	2,773
Parks And Recreation	1,895	1,000	600	2,295
Building Rental	516	1,809	2,239	86
Cedit Special Revenue	8,707	15,549	21,087	3,169
Wabash River Corridor Grant	672	-	672	-
Lois Andrews Charitable	810	262	262	810
Fema	210	3,908	4,118	-
Sewer Project	-	1,870	1,870	-
Cemetery - Perpetual Care Invest	50,515	-	-	50,515
Cemetery Perpetual Care	1,500	200	-	1,700
Cumulative Capl Imprv Cigarette Tax	902	861	1,315	448
Payroll	-	26,405	26,405	-
Water Utility - Operating	18,395	85,429	79,165	24,659
Water Utility - Bond And Interest	18,707	22,207	22,272	18,642
Water Utility - Improvement	400	1,200	-	1,600
Water Utility - Customer Deposit	1,175	100	-	1,275
Water Utility - Change Fund	50	-	-	50
Totals	<u>\$ 138,562</u>	<u>\$ 201,893</u>	<u>\$ 222,368</u>	<u>\$ 118,087</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF MEROM  
NOTES TO FINANCIAL STATEMENTS

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: highways and streets, culture and recreation, public improvements, general administrative services, and water.

The accompanying financial statements present the financial information for the Town (primary government), and do not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government).

*B. Basis of Accounting*

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

TOWN OF MEROM  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

TOWN OF MEROM  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**Note 5. Risk Management**

The Town may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement and replacement items purchased.

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## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Report can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Town which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and/or approved by management of the Town. It is presented as intended by the Town.

TOWN OF MEROM  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2009

	General	Petty Cash	Motor Vehicle Highway	Local Road And Street	Cemetery Operating	Riverboat	Parks And Recreation	Building Rental
Cash and investments - beginning	\$ 2,091	\$ 25	\$ 19,848	\$ 3,484	\$ 7,637	\$ -	\$ 1,468	\$ 1,579
Receipts:								
Taxes	21,048	-	-	-	-	1,840	-	-
Intergovernmental	-	-	10,273	1,412	-	-	927	-
Charges for services	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	1,678	-	-	-	4,312	-	3,968	2,179
Total receipts	<u>22,726</u>	<u>-</u>	<u>10,273</u>	<u>1,412</u>	<u>4,312</u>	<u>1,840</u>	<u>4,895</u>	<u>2,179</u>
Disbursements:								
Personal services	9,834	-	7,596	-	3,833	-	-	1,402
Supplies	1,082	-	1,528	-	-	-	-	555
Other services and charges	10,653	-	2,300	-	-	-	500	1,136
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	1,799	-	3,968	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	775	-	-	-	140	-	-	149
Total disbursements	<u>22,344</u>	<u>-</u>	<u>11,424</u>	<u>-</u>	<u>5,772</u>	<u>-</u>	<u>4,468</u>	<u>3,242</u>
Excess (deficiency) of receipts over disbursements	<u>382</u>	<u>-</u>	<u>(1,151)</u>	<u>1,412</u>	<u>(1,460)</u>	<u>1,840</u>	<u>427</u>	<u>(1,063)</u>
Cash and investments - ending	<u>\$ 2,473</u>	<u>\$ 25</u>	<u>\$ 18,697</u>	<u>\$ 4,896</u>	<u>\$ 6,177</u>	<u>\$ 1,840</u>	<u>\$ 1,895</u>	<u>\$ 516</u>

TOWN OF MEROM  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2009  
 (Continued)

	Cedit Special Revenue	Wabash River Corridor Grant	Lois Andrews Charitable	Fema	Sewer Project	Cemetery Perpetual Care Invest	Cemetery Perpetual Care	Cumulative Capl Imprv Cigarette Tax
Cash and investments - beginning	\$ 10,914	\$ 672	\$ 810	\$ 7,025	\$ -	\$ 50,515	\$ 1,200	\$ 956
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Intergovernmental	12,793	-	-	3,117	-	-	-	902
Charges for services	-	-	-	-	-	-	300	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	12,793	-	-	3,117	-	-	300	902
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	6,473	-	-	9,932	-	-	-	-
Debt service - principal and interest	8,527	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	956
Total disbursements	15,000	-	-	9,932	-	-	-	956
Excess (deficiency) of receipts over disbursements	(2,207)	-	-	(6,815)	-	-	300	(54)
Cash and investments - ending	\$ 8,707	\$ 672	\$ 810	\$ 210	\$ -	\$ 50,515	\$ 1,500	\$ 902

TOWN OF MEROM  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2009  
 (Continued)

	Payroll	Water Utility - Operating	Water Utility - Bond And Interest	Water Utility - Improvement	Water Utility - Customer Deposit	Water Utility - Change Fund	Totals
Cash and investments - beginning	\$ -	\$ 14,414	\$ 13,681	\$ 368	\$ 1,415	\$ 50	\$ 138,152
Receipts:							
Taxes	-	-	-	-	-	-	22,888
Intergovernmental	-	-	-	-	-	-	29,424
Charges for services	-	-	-	-	-	-	300
Utility fees	-	82,791	-	-	-	-	82,791
Other receipts	37,520	1,484	26,996	1,200	250	-	79,587
Total receipts	37,520	84,275	26,996	1,200	250	-	214,990
Disbursements:							
Personal services	-	-	-	-	-	-	22,665
Supplies	-	-	-	-	-	-	3,165
Other services and charges	-	-	-	-	-	-	30,994
Debt service - principal and interest	-	15,355	11,000	-	-	-	34,882
Capital outlay	-	-	-	-	-	-	5,767
Utility operating expenses	-	25,928	-	1,168	-	-	27,096
Other disbursements	37,520	39,011	10,970	-	490	-	90,011
Total disbursements	37,520	80,294	21,970	1,168	490	-	214,580
Excess (deficiency) of receipts over disbursements	-	3,981	5,026	32	(240)	-	410
Cash and investments - ending	\$ -	\$ 18,395	\$ 18,707	\$ 400	\$ 1,175	\$ 50	\$ 138,562

TOWN OF MEROM  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	General	Petty Cash	Motor Vehicle Highway	Local Road And Street	Cemetery Operating	Riverboat	Parks And Recreation	Building Rental
Cash and investments - beginning	\$ 2,473	\$ 25	\$ 18,697	\$ 4,896	\$ 6,177	\$ 1,840	\$ 1,895	\$ 516
Receipts:								
Taxes	18,709	-	-	-	-	1,839	-	-
Intergovernmental	5,664	-	10,322	1,465	-	-	1,000	-
Charges for services	-	-	-	-	250	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	-	509	-	2,335	-	-	1,809
Total receipts	<u>24,373</u>	<u>-</u>	<u>10,831</u>	<u>1,465</u>	<u>2,585</u>	<u>1,839</u>	<u>1,000</u>	<u>1,809</u>
Disbursements:								
Personal services	9,773	-	4,845	-	6,994	-	-	1,367
Supplies	965	-	3,826	-	-	-	-	397
Other services and charges	13,133	-	13,809	-	-	906	600	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	5,000	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	2,850	-	-	-	262	-	-	475
Total disbursements	<u>26,721</u>	<u>-</u>	<u>22,480</u>	<u>5,000</u>	<u>7,256</u>	<u>906</u>	<u>600</u>	<u>2,239</u>
Excess (deficiency) of receipts over disbursements	<u>(2,348)</u>	<u>-</u>	<u>(11,649)</u>	<u>(3,535)</u>	<u>(4,671)</u>	<u>933</u>	<u>400</u>	<u>(430)</u>
Cash and investments - ending	<u>\$ 125</u>	<u>\$ 25</u>	<u>\$ 7,048</u>	<u>\$ 1,361</u>	<u>\$ 1,506</u>	<u>\$ 2,773</u>	<u>\$ 2,295</u>	<u>\$ 86</u>

TOWN OF MEROM  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Cedit Special Revenue	Wabash River Corridor Grant	Lois Andrews Charitable	Fema	Sewer Project	Cemetery Perpetual Care Invest	Cemetery Perpetual Care	Cumulative Capl Imprv Cigarette Tax
Cash and investments - beginning	\$ 8,707	\$ 672	\$ 810	\$ 210	\$ -	\$ 50,515	\$ 1,500	\$ 902
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Intergovernmental	15,549	-	262	3,908	-	-	-	861
Charges for services	-	-	-	-	-	-	200	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	1,870	-	-	-
Total receipts	15,549	-	262	3,908	1,870	-	200	861
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	3,307	672	-	4,118	1,870	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	15,500	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	2,280	-	262	-	-	-	-	1,315
Total disbursements	21,087	672	262	4,118	1,870	-	-	1,315
Excess (deficiency) of receipts over disbursements	(5,538)	(672)	-	(210)	-	-	200	(454)
Cash and investments - ending	\$ 3,169	\$ -	\$ 810	\$ -	\$ -	\$ 50,515	\$ 1,700	\$ 448

TOWN OF MEROM  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Payroll	Water Utility - Operating	Water Utility - Bond And And Interest	Water Utility - Improvement	Water Utility - Customer Deposit	Water Utility - Change Fund	Totals
Cash and investments - beginning	\$ -	\$ 18,396	\$ 18,707	\$ 400	\$ 1,175	\$ 50	\$ 138,563
Receipts:							
Taxes	-	-	-	-	-	-	20,548
Intergovernmental	-	-	-	-	-	-	39,031
Charges for services	-	-	-	-	-	-	450
Utility fees	-	77,852	-	-	-	-	77,852
Other receipts	26,405	7,577	22,207	1,200	100	-	64,012
Total receipts	26,405	85,429	22,207	1,200	100	-	201,893
Disbursements:							
Personal services	-	-	-	-	-	-	22,979
Supplies	-	-	-	-	-	-	5,188
Other services and charges	-	-	-	-	-	-	38,415
Debt service - principal and interest	-	-	22,272	-	-	-	22,272
Capital outlay	-	-	-	-	-	-	20,500
Utility operating expenses	-	46,318	-	-	-	-	46,318
Other disbursements	26,405	32,847	-	-	-	-	66,696
Total disbursements	26,405	79,165	22,272	-	-	-	222,368
Excess (deficiency) of receipts over disbursements	-	6,264	(65)	1,200	100	-	(20,475)
Cash and investments - ending	\$ -	\$ 24,660	\$ 18,642	\$ 1,600	\$ 1,275	\$ 50	\$ 118,088

TOWN OF MEROM  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2010

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	Fund/Department
Business-type activities:			
Water Utility:			
Revenue bond:			
Waterworks Refunding	<u>\$ 132,000</u>	<u>\$ 21,498</u>	Water Utility Bond and Interest

TOWN OF MEROM  
EXAMINATION RESULTS AND COMMENTS

***OFFICIAL BONDS (Applies to Town)***

The following official bond was not filed in the Office of the County Recorder:

Barbara Mahan, former Clerk-Treasurer

The former Clerk-Treasurer, L. Darlene McKinney, had an official bond on file in the Office of the County Recorder in the amount of \$15,000 for 2009 and 2010 instead of \$30,000 that is required by Indiana statute.

Indiana Code 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. . . ."

Indiana Code 5-4-1-18(c)(1) stated in part: "The amount of annual coverage must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts . . . subject to subdivision (2)."

Indiana Code 5-4-1-18(k)(1) states: "Unless the bond or policy is cancelled, the bond or policy must continue in force for the term of office of the individual who files the bond or policy."

***MEETING MINUTES SIGNATURES (Applies to Town)***

The Town Council meeting minutes presented for examination indicated that not all minutes were approved. In addition, there were no signatures of the proper officials and attested to by the Clerk-Treasurer on the minutes provided for our examination.

This department does not prescribe a Minute Record. However, this is one of the most important records that will be kept by the Clerk-Treasurer. All official action taken by the board at regular or special meetings, together with ordinances passed, should be entered in the Minute Record. This record should be kept current and we recommend that all minutes be signed by the proper official and attested to by the Clerk-Treasurer. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

***PENALTIES, INTEREST, AND OTHER CHARGES (Applies to Town)***

Penalties and interest totaling \$15 were paid to the Indiana Department of Workforce Development on August 5, 2010.

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)

TOWN OF MEROM  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

***PRESCRIBED FORM (Applies to Town)***

The following prescribed form was not in use:

Register of Investments, General Form 350

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)

***HYDRANT RENTAL PAYABLE (Applies to Town and Water Utility)***

The Town of Merom owes the Water Utility hydrant rental of \$2,280 for the year 2008, pursuant to Rate Ordinance Number 2008-07-1 passed by the Town Council on August 12, 2008.

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)

***BUDGETED LINE ITEMS (Applies to Town)***

Disbursements for hydrant rental were paid from the Cedit Special Revenue Fund instead of the General Fund as budgeted for 2009 and 2010.

Disbursements should be paid from properly authorized line items. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***APPROPRIATIONS (Applies to Town)***

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

Fund	Years	Excess Amount Expended
General Fund	2010	\$ 1,754
Cedit Special Revenue	2010	13,087

Indiana Code 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."

***TRANSFER OF FUNDS (Applies to Town)***

Records presented for examination show that the Town transferred funds from Cumulative Capital Improvement Cigarette Tax to the General Fund on September 4, 2010 without Town Council approval.

TOWN OF MEROM  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Notwithstanding the provisions of any other statute a town with a population of 500 or less may transfer money from any town fund to another town fund after the passage of an ordinance or a resolution by the town legislative body specifying the:

1. amount of the transfer;
2. funds involved;
3. date of the transfer; and
4. general purpose of the transfer. [IC 36-5-4-13(a)]

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***SALARY SCHEDULE (Applies to Town)***

Salary ordinances for 2009 and 2010 were presented for examination with approval noted by the Town Council members and the Clerk-Treasurer's signatures. In reviewing the Town Council minutes, however; there was no mention of the salary ordinances or schedules being approved and made a part of the minutes.

We recommend a salary ordinance for officials and employees for the next succeeding year should be enacted by the town council annually on or before July 1 of each year and made a part of the minutes of the town council. This action is recommended in order for town officials to have such information available prior to making out the annual budget for the next year's costs of operation. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***BANK ACCOUNT RECONCILIATIONS (Applies to Water Utility)***

Depository reconciliations of the fund balances for Water Utility Operating and Water Utility Bond and Interest Investments to the bank account balances were incorrect.

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."

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)

***INTERNAL CONTROL (Applies to Town and Water Utility)***

We noted a deficiency in the internal control system of the Town of Merom and Merom Water Utility related to financial transactions and reporting. We believe the following deficiency constitutes a material weakness:

TOWN OF MEROM  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of operations to reduce risks to achievement of financial reporting objectives. The Town and Water Utility have not separated incompatible activities related to receipts, disbursements, payroll and related liabilities, and cash and investment balances. The Clerk-Treasurer is responsible for collecting cash, posting disbursements and performing monthly bank reconciliations. The failure to establish controls segregating duties could enable material misstatements or irregularities to remain undetected.

Segregation of duties is the concept of having different people do different tasks within the organization. It provides the foundation of good internal control by assuring that no one individual has the capability to perpetuate and conceal errors or irregularities in the normal course of their authorized duties. Segregation of duties is achieved within information technology systems by appropriate assignment of security profiles that define the data the users can access and the functions that they can perform. Access must be restricted to the minimum required for the user to perform their job function. Access rights must be periodically reviewed and approved by management. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***DEPOSITS (Applies to Town and Water Utility)***

As stated in the prior Reports B30190 and B34593, in numerous instances, receipts were deposited up to eight days later than the next business day.

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."

***DEPOSITING RECEIPTS (Applies to Water Utility)***

In examining cash collections, it was found that daily receipts were not always deposited intact. Records presented for examination indicate that a personal check was deposited to cover cash from the day's collections.

Public funds deposited should be deposited in the same form in which they were received. This simply means all daily receipts received by the political subdivision should be deposited intact. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***RECEIPT ISSUANCE (Applies to Water Utility)***

Receipts were not always issued for Water Utility payments collected during 2009 and 2010.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MEROM  
EXIT CONFERENCE

The contents of this report were discussed on March 12, 2012, with Carla Johnson, President of Town Council, and June Shacklett, Clerk-Treasurer. The officials concurred with our findings.

The contents of this report were discussed on March 12, 2012, with L. Darlene McKinney, former Clerk-Treasurer. The official response has been made a part of this report and may be found on pages 26 and 27.

The contents of this report were discussed on March 12, 2012, by phone, with Barbara Mahan, former Interim Clerk-Treasurer.

March 23, 2012

Indiana State Board of Accounts  
302 W. Washington  
Room E418  
Indianapolis, IN 46204-2765

To Whom It May Concern:

As former Clerk-Treasurer of the Town of Merom, I would like to address and comment on the following issues in reference to my audit.

1. First, with regard to the requirement for minutes of meetings to be signed by the Town Council and increasing the amount of my bond. I was not aware of these issues. This had not been required in the past. I certainly would have acted on this if informed of such.
2. I admit some of the deposits were made late at times. But I would like to state that there was no one to assist in my duties (even during vacation) so would have to catch up on work when returning to the office. There was no allowance for being out of the office.
3. The job was considered part time but there was quite a workload. Even though it is a small town, (work for the town as well as the Water Utility) the work could not be done on a part time basis. Also, I would like to express that there was an abundance of confusion and turmoil over the possibility of a sewer plant being installed due to an order from the IN Dept. of Environmental Management. This was an on-going issue for years.
4. With regard to the issue of paying hydrant rental late (from the town to the water utility): the rental was due the last of the year (Dec) but was paid the first of Jan, as soon as it was realized.
5. Reconciliations were done every month and were in agreement with bank statements each month.
6. With regard to the late fee on unemployment tax in the amount of approx. \$14.00, I received notice from IN Workforce Dev. that the town had a credit. I did not realize that funds are still to be reported and paid. I discussed this with Workforce Dev. office and it was mailed immediately upon being notified.

7. As far as some of the other issues I cannot explain due to being out of the office for a year. Research would have to be made on these. Auditor did not give full explanation of these errors.

In defense of myself I took the job very seriously. There was not much help and co-operation, but a lot of discord and criticism during the last two or three years I was in office.

Since my resignation more than a year ago, I have been both physically and mentally relieved because I am no longer surrounded by continuous, constant turmoil.

Also, I would like to state that previous audits completed by different auditors in years past were good and statements were made that my record keeping was clear and easy to track.

Thank you for the opportunity to address the results of the audit with regard to my position as Clerk-Treasurer for the Town of Merom.

Respectfully submitted on the 23<sup>rd</sup> of March, 2012,

  
L. Darlene McKinney