

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF MELLOTT

FOUNTAIN COUNTY, INDIANA

January 1, 2011 to December 31, 2012



**FILED**  
12/02/2013



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Vickie S. Austin	01-01-08 to 12-31-15
President of the Town Council	Valerie J. Smart	01-01-11 to 12-31-11
	Aaron Stonebraker	01-01-12 to 07-31-12
	Connie Helgers	08-01-12 to 12-31-12
	Valerie J. Smart	01-01-13 to 12-31-13



**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](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MELLOTT, FOUNTAIN COUNTY, INDIANA

We have examined the accompanying financial statement of the Town of Mellott (Town), for the period of January 1, 2011 to December 31, 2012. The financial statement is the responsibility of the Town's management. Our responsibility is to express an opinion on the financial statement 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 statement 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 statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana 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 effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the period of January 1, 2011 to December 31, 2012.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the period of January 1, 2011 to December 31, 2012, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Payables and Receivables, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

October 15, 2013

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## FINANCIAL STATEMENT

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

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TOWN OF MELLOTT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Years Ended December 31, 2011 And 2012

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 19,407	\$ 20,455	\$ 15,505	\$ 24,357	\$ 20,571	\$ 17,438	\$ 27,490
Motor Vehicle Highway	4,121	8,418	10,105	2,434	7,508	490	9,452
Local Road And Street	11,469	2,461	6,529	7,401	973	-	8,374
Riverboat	7,803	1,295	1,695	7,403	1,167	-	8,570
Levy Excess	269	-	35	234	-	-	234
Cumulative Capital Improvement Ccif	3,759	594	2,850	1,503	522	-	2,025
Donations	173	-	-	173	-	173	-
Totals	<u>\$ 47,001</u>	<u>\$ 33,223</u>	<u>\$ 36,719</u>	<u>\$ 43,505</u>	<u>\$ 30,741</u>	<u>\$ 18,101</u>	<u>\$ 56,145</u>

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

TOWN OF MELLOTT  
NOTES TO FINANCIAL STATEMENT

**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: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the Town.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 statement. The aggregate receipts include 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 MELLOTT  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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 statement. The aggregate disbursements include 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.

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.

*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

TOWN OF MELLOTT  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.

**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.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Reports of the Town which is 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 approved by management of the Town. It is presented as intended by the Town.

TOWN OF MELLOTT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Local Road And Street	Riverboat	Levy Excess	Cumulative Capital Improvement Ccif	Donations	Totals
Cash and investments - beginning	\$ 19,407	\$ 4,121	\$ 11,469	\$ 7,803	\$ 269	\$ 3,759	\$ 173	\$ 47,001
Receipts:								
Taxes	15,716	-	-	-	-	-	-	15,716
Intergovernmental	4,704	6,918	961	1,295	-	594	-	14,472
Other receipts	35	1,500	1,500	-	-	-	-	3,035
Total receipts	<u>20,455</u>	<u>8,418</u>	<u>2,461</u>	<u>1,295</u>	<u>-</u>	<u>594</u>	<u>-</u>	<u>33,223</u>
Disbursements:								
Personal services	3,684	-	-	1,695	-	-	-	5,379
Supplies	453	-	-	-	-	2,850	-	3,303
Other services and charges	11,368	8,605	5,029	-	-	-	-	25,002
Other disbursements	-	1,500	1,500	-	35	-	-	3,035
Total disbursements	<u>15,505</u>	<u>10,105</u>	<u>6,529</u>	<u>1,695</u>	<u>35</u>	<u>2,850</u>	<u>-</u>	<u>36,719</u>
Excess (deficiency) of receipts over disbursements	<u>4,950</u>	<u>(1,687)</u>	<u>(4,068)</u>	<u>(400)</u>	<u>(35)</u>	<u>(2,256)</u>	<u>-</u>	<u>(3,496)</u>
Cash and investments - ending	<u>\$ 24,357</u>	<u>\$ 2,434</u>	<u>\$ 7,401</u>	<u>\$ 7,403</u>	<u>\$ 234</u>	<u>\$ 1,503</u>	<u>\$ 173</u>	<u>\$ 43,505</u>

TOWN OF MELLOTT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012

	General	Motor Vehicle Highway	Local Road And Street	Riverboat	Levy Excess	Cumulative Capital Improvement Ccif	Donations	Totals
Cash and investments - beginning	\$ 24,357	\$ 2,434	\$ 7,401	\$ 7,403	\$ 234	\$ 1,503	\$ 173	\$ 43,505
Receipts:								
Taxes	14,422	-	-	-	-	-	-	14,422
Intergovernmental	6,149	7,508	973	1,167	-	522	-	16,319
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>20,571</u>	<u>7,508</u>	<u>973</u>	<u>1,167</u>	<u>-</u>	<u>522</u>	<u>-</u>	<u>30,741</u>
Disbursements:								
Personal services	4,151	-	-	-	-	-	-	4,151
Supplies	544	-	-	-	-	-	-	544
Other services and charges	12,743	490	-	-	-	-	173	13,406
Other disbursements	-	-	-	-	-	-	-	-
Total disbursements	<u>17,438</u>	<u>490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>173</u>	<u>18,101</u>
Excess (deficiency) of receipts over disbursements	<u>3,133</u>	<u>7,018</u>	<u>973</u>	<u>1,167</u>	<u>-</u>	<u>522</u>	<u>(173)</u>	<u>12,640</u>
Cash and investments - ending	<u>\$ 27,490</u>	<u>\$ 9,452</u>	<u>\$ 8,374</u>	<u>\$ 8,570</u>	<u>\$ 234</u>	<u>\$ 2,025</u>	<u>\$ -</u>	<u>\$ 56,145</u>

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TOWN OF MELLOTT  
SCHEDULE OF PAYABLES AND RECEIVABLES  
December 31, 2012

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 6,000</u>	<u>\$ -</u>

TOWN OF MELLOTT  
EXAMINATION RESULTS AND COMMENTS

***ANNUAL REPORT***

For 2011 and 2012, the Town did not report any financial assistance to nongovernment entities in its Annual Report. However, a fire protection contract was made with the Mellott Volunteer Fire Department for \$1,500 for both years.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

***COMPENSATION***

The Town did not approve a salary ordinance for 2011. The Town paid the same salaries as they did in the previous year. A similar comment was included in the prior report.

All compensation and benefits paid to officials and employees must be included in the salary ordinance adopted by the legislative body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements.

Payments for services provided by an organization should go directly to the organization and not to an individual employee of the organization. All payments for services should be supported by a written contract. 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)

TOWN OF MELLOTT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

***ERRORS ON CLAIMS***

A test of claims identified the following deficiencies with an error rate greater than 10 percent:

Of the claims tested, 16 percent did not have adequate supporting documentation. This error resulted in \$16,000 of expenditures which did not have adequate supporting documentation. These expenditures were primarily for paving streets.

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;
- (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 MELLOTT  
EXIT CONFERENCE

The contents of this report were discussed on October 15, 2013, with Vickie S. Austin, Clerk-Treasurer, and Valerie J. Smart, President of the Town Council. The officials concurred with our findings.