

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

EXAMINATION REPORT
OF
TOWN OF MEROM
SULLIVAN COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
07/31/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	L. Darlene McKinney	01-01-04 to 12-31-07
President of the Town Council	John Gettinger, Jr.	01-01-05 to 12-31-07
Superintendent of Water Utility	Dean Springer Vacant	01-01-05 to 08-09-05 08-10-05 to 12-31-07



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 information presented herein of the Town of Merom (Town), for the period of January 1, 2005 to December 31, 2006. 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, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

June 21, 2007

TOWN OF MEROM
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 7,058	\$ 25,407	\$ 26,873	\$ 5,592
Motor Vehicle Highway	19,370	23,326	18,222	24,474
Local Road and Street	6,469	1,612	2,129	5,952
Park and Recreation	1,206	44,726	44,564	1,368
Riverboat	-	1,854	1,854	-
Cemetery Operating	3,168	5,214	7,534	848
Cemetery Perpetual Care	54,515	54,115	52,315	56,315
Cumulative Capital Improvement	549	909	920	538
Wabash River Heritage	6,986	-	1,409	5,577
Proprietary Funds:				
Water Utility - Operating	5,080	54,983	54,057	6,006
Water Utility - Bond and Interest	13,669	22,350	22,350	13,669
Water Utility - Customer Deposit	1,665	200	250	1,615
Water Utility - Improvement	6,801	1,200	1,600	6,401
Fiduciary Fund:				
Payroll	-	24,771	24,771	-
Totals	<u>\$ 126,536</u>	<u>\$ 260,667</u>	<u>\$ 258,848</u>	<u>\$ 128,355</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 5,592	\$ 30,214	\$ 28,939	\$ 6,867
Motor Vehicle Highway	24,474	23,567	29,495	18,546
Local Road and Street	5,952	1,549	4,426	3,075
Park and Recreation	1,368	1,000	350	2,018
Levy Excess	-	746	-	746
Riverboat	-	1,850	-	1,850
Cemetery Operating	848	4,264	1,808	3,304
Cemetery Perpetual Care	56,315	-	1,800	54,515
Cumulative Capital Improvement	538	1,050	538	1,050
Wabash River Heritage	5,577	-	2,905	2,672
Building Rental	-	1,405	327	1,078
Proprietary Funds:				
Water Utility - Operating	6,006	52,496	55,150	3,352
Water Utility - Bond and Interest	13,669	21,854	21,816	13,707
Water Utility - Customer Deposit	1,615	100	700	1,015
Water Utility - Improvement	6,401	2,211	7,471	1,141
Fiduciary Fund:				
Payroll	-	23,178	23,178	-
Totals	<u>\$ 128,355</u>	<u>\$ 165,484</u>	<u>\$ 178,903</u>	<u>\$ 114,936</u>

The accompanying notes are an integral part of the schedules.

TOWN OF MEROM
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (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.

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.

TOWN OF MEROM
EXAMINATION RESULTS AND COMMENTS

DEPOSITS (Town and Water Utility)

In numerous instances, receipts were deposited up to 12 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."

DELINQUENT WATER ACCOUNTS RECEIVABLE (Water Utility)

Ordinance 1995-1 established water consumption charges and shutoff policy for delinquent customers. The Utility did not always shut off delinquent customers as required by the ordinance.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPORTING DOCUMENTATION (Town and Water Utility)

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PAYROLL DEDUCTIONS (Town and Water Utility)

Payments were made to some employees without payroll deductions for federal taxes.

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)

TOWN OF MEROM
EXAMINATION RESULTS AND COMMENTS
(Continued)

TIME WARRANTS (Town)

On May 3, 2005, the Town of Merom entered into debt for playground equipment at First Financial Bank for \$23,000. This is a five year loan at 4.85%. The proceeds were receipted into the Town Recreation Fund, however Merom Improvement Association, Inc., has been making the payments directly to First Financial Bank without going through the Town's records. Also, there was no supporting documentation that shows the loan was advertised as required.

A loan must be repaid from the fund to which the loan was receipted. The principal of a loan may be repaid without an appropriation, but an appropriation is required for payment of the interest on the temporary loan. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN HALL WATER BILL (Town and Water Utility)

During 2005, the Water Utility did not read the Town Hall water meter and as a result no billing was sent out or recorded on the records. Starting in 2006, when the new water meter reader was hired, a water meter reading was read and recorded on the customer water card, however, no billing was computed and paid. The Clerk-Treasurer had intentions of billing the entire year on December 31, 2006, and as of June 11, 2007, no bill had been computed or paid.

The city or town should comply with the provisions of the rate ordinances adopted for its utilities. (Cities and Towns Bulletins, September 2001)

TOWN OF MEROM
EXIT CONFERENCE

The contents of this report were discussed on June 21, 2007, with L. Darlene McKinney, Clerk-Treasurer. The official response has been made a part of this report and may be found on pages 9 and 10.

TOWN OF MEROM
P.O. BOX 165
MEROM, INDIANA 47861

June 25, 2007

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

ATTENTION: Mr. Charlie Pride, Sr.

Dear Sir:

Please accept this as an "Official Response" in regards to our recent audit of the Town of Merom. As Clerk-Treasurer I would like to clarify "Deposits - Town & Water Utility", in reference to "receipts deposited up to 12 days later than the next business day." This is due to not having an assistant to fill in for me when I am on vacation or out of town.

I agree with "Delinquent Water Accounts Receivable - Water Utility" comment of not complying with ordinance to shut off delinquent customers. I will stress in our meetings and ask the Town Board to help enforce this.

I will also stress in our meetings, when anyone makes purchases for the town, that a receipt is required; that if it is lost, they will have to go back to company for a replacement. There were very few instances in this case.

As far as "Payroll Deductions - Town & Water Utility", I did question concerning the Board's salary of withholding federal taxes for the year. In the past I was advised that since it was such a small amount for the year, that I did not have to deduct this tax. No table was available in the Employer's Tax Guide. This was not brought to my attention in prior audits. Auditor this time advised me to follow an alternative method which I will have to check on.


Merom Improvement Association will be informed that monies must be deposited into town funds for repayment of loan. I am pleased that Auditor has pointed this out and explained in writing so that I have some support on this issue.

"Town Hall Water Bill" - Gallons had been figured but check was not written at this time. This will be done.

Please accept this as an explanation on each comment and record as reported.

Thank you.

Sincerely,


L. Darlene McKinney
Clerk-Treasurer