

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

EXAMINATION REPORT
OF
TOWN OF MARENGO
CRAWFORD COUNTY, INDIANA
January 1, 2007 to December 31, 2008



FILED
12/30/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Teri Hosier Michael Haverstock	07-06-06 to 10-18-07 10-19-07 to 12-31-11
President of the Town Council	John Pierson Anthony E. Jones	01-01-07 to 12-31-07 01-01-08 to 12-31-09
Town Supervisor	Kenneth Hunt	01-01-07 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MARENGO, CRAWFORD COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Marengo (Town), for the period of January 1, 2007 to December 31, 2008. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2007 and 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

December 3, 2009

TOWN OF MARENGO
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, 2007 And 2008

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 16,836	\$ 58,965	\$ 73,645	\$ 2,156
Motor Vehicle Highway	27,658	29,944	9,035	48,567
Local Road and Street	3,980	3,742	2,133	5,589
Park and Recreation	2,819	7,245	6,031	4,033
Law Enforcement Continuing Education	1,824	1,248	2,127	945
Riverboat	54,603	97,258	96,312	55,549
Rainy Day	57	-	-	57
Donation	457	4,726	4,735	448
Industrial Park	7,809	-	-	7,809
Park Grant	215	-	-	215
Economic Development Income Tax	69,120	27,132	52,896	43,356
Proprietary Funds:				
Wastewater Utility - Operating	5,821	158,120	146,234	17,707
Wastewater Utility - Bond and Interest	63,640	30,000	19,326	74,314
Wastewater Utility - Debt Reserve	27,300	-	-	27,300
Wastewater Utility - Customer Deposit	5,083	3,348	3,979	4,452
Wastewater Utility - Construction	8,597	-	8,597	-
Fiduciary Fund:				
Payroll	4,806	102,864	103,224	4,446
Totals	<u>\$ 300,625</u>	<u>\$ 524,592</u>	<u>\$ 528,274</u>	<u>\$ 296,943</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 2,156	\$ 109,684	\$ 77,141	\$ 34,699
Motor Vehicle Highway	48,567	22,283	36,759	34,091
Local Road and Street	5,589	3,510	5,000	4,099
Park and Recreation	4,033	3,302	4,551	2,784
Law Enforcement Continuing Education	945	1,033	1,432	546
Riverboat	55,549	86,866	83,328	59,087
Rainy Day	57	9,861	-	9,918
Donation	448	10,620	9,205	1,863
Industrial Park	7,809	-	7,756	53
Park Grant	215	-	-	215
Economic Development Income Tax	43,356	52,766	62,252	33,870
Proprietary Funds:				
Wastewater Utility - Operating	17,707	158,261	169,533	6,435
Wastewater Utility - Bond and Interest	74,314	17,000	60,672	30,642
Wastewater Utility - Debt Reserve	27,300	18,000	12,162	33,138
Wastewater Utility - Customer Deposit	4,452	4,200	3,491	5,161
Wastewater Utility - Construction	-	391,667	391,667	-
Wastewater Utility - Contract Retainage	-	15,482	-	15,482
Fiduciary Fund:				
Payroll	4,446	110,698	109,991	5,153
Totals	<u>\$ 296,943</u>	<u>\$ 1,015,233</u>	<u>\$ 1,034,940</u>	<u>\$ 277,236</u>

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

TOWN OF MARENGO
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, highways and streets, culture and recreation, public improvements, general administrative services, and wastewater 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.

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 MARENGO
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2008

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 63,700
Buildings	221,072
Improvements other than buildings	49,881
Machinery and equipment	<u>97,732</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 432,385</u>
Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 22,308
Construction in progress	298,161
Buildings	1,342,729
Improvements other than buildings	3,128,322
Machinery and equipment	<u>60,630</u>
Total business-type activities capital assets	<u>\$ 4,852,150</u>

TOWN OF MARENGO
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Wastewater Utility:		
Notes and loans payable	\$ 211,684	\$ 31,580
Revenue bonds:		
1981 Wastewater Revenue Bonds	<u>251,000</u>	<u>26,550</u>
Total business-type activities debt	<u>\$ 462,684</u>	<u>\$ 58,130</u>

TOWN OF MARENGO
EXAMINATION RESULTS AND COMMENTS

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded in the simplified cash journal.

At all times, the manual and 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)

TRANSACTION RECORDING

The Town did not record the sale of a certificate of deposit purchased from the Riverboat Fund. The certificate of deposit was sold for the amount of \$25,802.50 on February 22, 2008, which included \$75 of accrued interest. The proceeds of the sale were applied to a Wastewater Utility loan.

The Town also did not record amounts received from a Community Development Block Grant that were held as retainage on a construction contract. The total amount held in this retainage account at December 31, 2008, was \$15,482.40.

All financial transactions pertaining to the governmental unit should be recorded in the records of 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:

Fund	Years	Excess Amount Expended
Riverboat	2007	\$ 96,312
Economic Development Income Tax	2007	52,896
Riverboat	2008	23,328
Economic Development Income Tax	2008	10,298

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."

PENALTIES, INTEREST, AND OTHER CHARGES

In some cases, amounts payable to vendors and other suppliers of goods and services are not being paid timely resulting in late fees and finance fees being charged.

TOWN OF MARENGO
EXAMINATION RESULTS AND COMMENTS
(Continued)

Penalties and interest totaling \$44.77 were paid to credit card vendors from July 2007 to December 2008.

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)

CREDIT CARDS

The Town is using credit cards to purchase items without an approved credit card policy that could be found. In addition, it was noticed that some credit card statements were paid without actual invoices attached to support the claim.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.

TOWN OF MARENGO
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

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

TOWN OF MARENGO
EXIT CONFERENCE

The contents of this report were discussed on December 3, 2009, with Michael Haverstock, Clerk-Treasurer; and Ralph D. Sherron, Town Council member. The officials concurred with our findings.