

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

EXAMINATION REPORT

OF

CITY OF MONTICELLO

WHITE COUNTY, INDIANA

January 1, 2007 to December 31, 2007



FILED
08/21/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedule of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5-6
Supplementary Information:	
Schedules of Capital Assets.....	7-8
Schedule of Long-Term Debt	9
Examination Results and Comments:	
Cancelled Checks.....	10
Customer Deposit Register	10
Police Department Receipts and Fees	11
Collection of Amounts Due (Ambulance Service)	11
Exit Conference.....	12

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Mayor	Robert E. Fox Jason A. Thompson	01-01-04 to 12-31-07 01-01-08 to 12-31-11
Clerk-Treasurer	Rennatta Berkshire Elizabeth J. Oilar	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Common Council	William J. Smith	01-01-07 to 12-31-08



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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF MONTICELLO, WHITE COUNTY, INDIANA

We have examined the financial information presented herein of the City of Monticello (City), for the period of January 1, 2007 to December 31, 2007. The City'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 City for the year ended December 31, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedules 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

July 15, 2008

CITY OF MONTICELLO
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 1,764,096	\$ 4,532,828	\$ 4,435,087	\$ 1,861,837
Motor Vehicle Highway	430,449	206,828	119,641	517,636
Local Road and Street	25,530	24,666	27,869	22,327
Law Enforcement Continuing Education	20,820	3,827	4,908	19,739
Rainy Day	93,519	-	18,120	75,399
Cumulative Capital Improvement	97,439	20,101	88,409	29,131
Cumulative Capital Development	155,439	80,601	66,752	169,288
County Economic Development Income Tax	253,068	234,135	253,144	234,059
Sidewalk and Curb	32,733	44,584	45,000	32,317
Parking Lot Maintenance	35,999	15,110	15,912	35,197
Park Nonreverting	40,001	41,406	32,690	48,717
Fire Reports	523	86	-	609
Abandoned Vehicles	150	-	-	150
DUIP Police Fund	1,333	3,188	4,340	181
Operation Pullover	-	4,140	3,800	340
Park Gift	35,338	7,952	2,755	40,535
Fire Gift	5,786	1,032	2,612	4,206
Police Gift	10,266	750	2,143	8,873
Drug Nonreverting	8,761	1,215	-	9,976
Police Vending	236	600	814	22
Police K-9	3,790	3,800	877	6,713
Fire Vending	802	2,059	1,921	940
Fire Department Training	-	43,889	40,389	3,500
CEDIT Revenue Bonds	154,428	683,272	808,498	29,202
CEDIT Bond Debt Service Reserve	153,625	13,775	5,800	161,600
CEDIT Bond and Interest	105,800	156,932	184,056	78,676
Urban Forestry Grant	1,438	-	-	1,438
TIF Allocation	1,163,969	33,963	107,173	1,090,759
TIF Bond Reserve	42,000	12,000	-	54,000
TIF Bond and Interest	21,381	45,252	14,029	52,604
William Altherr Park	388,424	287,687	-	676,111
Insurance Claim Payments	5,386	154,765	156,258	3,893
Monticello Redevelopment Commission	1,045	2	-	1,047
Monticello Economic Development Commission	5,312	5	10	5,307
Proprietary Funds:				
Water Utility - Operating	454,884	1,741,378	1,687,866	508,396
Water Utility - Bond and Interest	561,291	697,766	698,814	560,243
Water Utility - Customer Deposit	178,927	40,546	25,535	193,938
Water Utility - Improvement	56,792	131,159	-	187,951
Wastewater Utility - Operating	556,201	1,624,485	1,691,739	488,947
Wastewater Utility - Bond and Interest - '95 Bonds	1,145,149	814,553	1,104,047	855,655
Wastewater Utility - Improvement	50,828	128,651	-	179,479
Wastewater Utility - Equipment Replacement	172,541	74,592	-	247,133
Wastewater Utility - Accounts Payable	19,191	763,031	756,935	25,287
Fiduciary Funds:				
Police Officers' Pension	260,082	133,361	117,451	275,992
Firefighters' Pension	337,139	188,157	152,415	372,881
Payroll	1,582	3,149,537	3,148,986	2,133
Totals	<u>\$ 8,853,493</u>	<u>\$ 16,147,666</u>	<u>\$ 15,826,795</u>	<u>\$ 9,174,364</u>

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

CITY OF MONTICELLO
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

Note 2. Fund Accounting

The City 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 City 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 City 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.

CITY OF MONTICELLO
NOTES TO FINANCIAL INFORMATION
(Continued)

State statute (IC 5-13-9) authorizes the City 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. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

CITY OF MONTICELLO
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2007

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.

General infrastructure assets are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 641,836
Infrastructure	5,020,229
Buildings	3,102,402
Improvements other than buildings	411,351
Machinery and equipment	2,549,403
Construction in progress	<u>421,357</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 12,146,578</u>

CITY OF MONTICELLO
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2007

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.

General infrastructure assets are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 63,500
Construction in progress	382,123
Buildings	2,457,950
Improvements other than buildings	4,205,061
Machinery and equipment	<u>649,299</u>
Total Water Utility capital assets	<u>7,757,933</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	220,142
Construction in progress	100,640
Buildings	8,995,394
Improvements other than buildings	10,958,125
Machinery and equipment	<u>890,656</u>
Total Wastewater Utility capital assets	<u>21,164,957</u>
Total business-type activities capital assets	<u>\$ 28,922,890</u>

CITY OF MONTICELLO
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2007

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Bonds payable:		
General obligation bonds:		
2003 TIF	\$ 580,000	\$ 62,445
2004 EDIT	1,104,000	163,054
2006 EDIT	<u>435,000</u>	<u>19,945</u>
Total governmental activities debt	<u>\$ 2,119,000</u>	<u>\$ 245,444</u>
Business-type Activities:		
Water Utility		
Capital leases:		
2005 Radio Read	\$ 62,025	\$ 22,820
Notes and loans:		
State Revolving Loan	2,814,428	40,809
Revenue bonds:		
1995 Waterworks	250,000	6,890
2001 Waterworks	<u>610,000</u>	<u>13,853</u>
Total Water Utility	<u>3,736,453</u>	<u>84,372</u>
Wastewater Utility		
Capital leases:		
2005 Radio Read	62,047	22,828
Notes and loans:		
State Revolving Loan	3,334,007	48,343
Revenue bonds:		
1995 Wastewater	315,000	94,745
2001 Wastewater	<u>680,000</u>	<u>53,931</u>
Total Wastewater Utility	<u>4,391,054</u>	<u>219,847</u>
Total business-type activities debt:	<u>\$ 8,127,507</u>	<u>\$ 304,219</u>

CITY OF MONTICELLO
EXAMINATION RESULTS AND COMMENTS

CANCELLED CHECKS

The financial institution did not return the actual cancelled checks or an optical image of the front and back of each check for the general operating account. The Water and Wastewater Utility bank accounts showed an optical image of the check; however, it only included the front side of the check. The back of the check was not provided.

Indiana Code 5-15-6-3 concerning optical imaging of checks states in part:

"(a) . . . "original records" . . . includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . . "

Further, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger. A similar comment was noted in prior Reports B27937 and B30002.

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)

CITY OF MONTICELLO
EXAMINATION RESULTS AND COMMENTS
(Continued)

POLICE DEPARTMENT RECEIPTS AND FEES

Receipts and fees collected by the Police Department were remitted to the Clerk-Treasurer less frequently than once a week.

Receipts and fees collected by a police department should be remitted to the clerk-treasurer or city controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

COLLECTION OF AMOUNTS DUE (AMBULANCE SERVICE)

The City of Monticello provides emergency ambulance services and advanced life support services to its citizens. An outside billing company is utilized by the City to manage the billing of ambulance fees. Neither the City, nor the billing company, makes an effort to collect accounts which have been inactive for six months. The billing company simply sends a listing of inactive accounts, stating that "the following accounts are being turned back to the City of Monticello with the recommendation that they be written off of our accounts receivable". At this time, the billing company writes the account off of their accounts receivable listing. It appears that City personnel file these reports but no official action is taken to approve the write-offs, and the City does not have a written write-off policy.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs. Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF MONTICELLO
EXIT CONFERENCE

The contents of this report were discussed on July 15, 2008, with Jason A. Thompson, Mayor; and Elizabeth J. Oilar, Clerk-Treasurer. The officials concurred with our findings.