

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

EXAMINATION REPORT
OF
TOWN OF MONROE
ADAMS COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
11/10/2008

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Jill I. Ellenberger
Rachel A. Burkhart

01-01-04 to 12-31-07
01-01-08 to 12-31-11

President of the Town Council

C. Allen Lehman

01-01-06 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 TOWN OF MONROE, ADAMS COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Monroe (Town), for the period of January 1, 2006 to December 31, 2007. 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, 2006 and 2007, 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 a required part 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

October 15, 2008

TOWN OF MONROE
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, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 186,360	\$ 156,841	\$ 131,114	\$ 212,087
Motor Vehicle Highway	45,877	60,743	44,813	61,807
Local Road and Street	12,905	3,554	7,926	8,533
Park and Recreation	27,205	3,777	23,500	7,482
Garbage	21,673	24,265	24,487	21,451
Cumulative Capital Improvement	32,024	3,344	-	35,368
Cumulative Capital Development	42,698	10,847	-	53,545
Cumulative Building and Fire Fighting Equipment	99,141	87,774	176,225	10,690
Economic Development Income Tax	65,737	12,516	1,257	76,996
Rainy Day	-	33,500	-	33,500
Build Indiana	2,000	-	-	2,000
Proprietary Funds:				
Water Utility - Operating	57,465	81,226	87,041	51,650
Water Utility - Bond and Interest	12,291	-	8,630	3,661
Water Utility - Reserve	11,000	-	-	11,000
Wastewater Utility - Operating	156,305	147,428	129,005	174,728
Wastewater Utility - Bond and Interest	8,986	18,000	16,928	10,058
Wastewater Utility - Depreciation	10,316	30,000	25,005	15,311
Wastewater Utility - Cash Reserve	20,900	1,100	-	22,000
Fiduciary Fund:				
Payroll	1,411	88,341	88,172	1,580
Totals	<u>\$ 814,294</u>	<u>\$ 763,256</u>	<u>\$ 764,103</u>	<u>\$ 813,447</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 212,087	\$ 163,827	\$ 228,905	\$ 147,009
Motor Vehicle Highway	61,807	63,222	55,922	69,107
Local Road and Street	8,533	3,423	3,017	8,939
Park and Recreation	7,482	3,857	-	11,339
Garbage	21,451	24,594	19,985	26,060
Cumulative Capital Improvement	35,368	3,503	6,990	31,881
Cumulative Capital Development	53,545	12,252	-	65,797
Cumulative Building and Fire Fighting Equipment	10,690	12,214	-	22,904
Economic Development Income Tax	76,996	35,604	44,296	68,304
Rainy Day	33,500	35,100	-	68,600
Build Indiana	2,000	-	2,000	-
Proprietary Funds:				
Water Utility - Operating	51,650	92,638	91,006	53,282
Water Utility - Bond and Interest	3,661	-	3,661	-
Water Utility - Reserve	11,000	6,000	-	17,000
Wastewater Utility - Operating	174,728	154,110	158,871	169,967
Wastewater Utility - Bond and Interest	10,058	18,000	17,220	10,838
Wastewater Utility - Depreciation	15,311	9,694	25,005	-
Wastewater Utility - Cash Reserve	22,000	6,000	-	28,000
Fiduciary Fund:				
Payroll	1,580	92,267	92,389	1,458
Totals	<u>\$ 813,447</u>	<u>\$ 736,305</u>	<u>\$ 749,267</u>	<u>\$ 800,485</u>

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

TOWN OF MONROE
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, general administrative services, water, and wastewater.

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 MONROE
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town 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 Town 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.

TOWN OF MONROE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 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.

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 86,588
Improvements other than buildings	1,414,473
Machinery and equipment	<u>28,019</u>
Total Water Utility capital assets	<u>1,529,080</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Improvements other than buildings	1,574,332
Machinery and equipment	<u>69,094</u>
Total Wastewater Utility capital assets	<u>1,643,426</u>
Total business-type activities capital assets	<u><u>\$ 3,172,506</u></u>

TOWN OF MONROE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

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		
Revenue bonds:		
Refunding bonds of 1989	\$ 81,000	\$ 3,216

TOWN OF MONROE
EXAMINATION RESULTS AND COMMENTS

SERVICE AND TIME RECORDS

Time, attendance, and service records for Town and Utility employees were not maintained. It was not possible to verify hours worked and hours earned or used for vacation, sick, and personal leave. In addition, there is no record of balances of vacation, sick, and personal leave. A similar comment appeared in prior Report B28499.

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)

PAYROLL RELATED REPORTING

State and federal reporting of payroll for the 4th quarter of 2007 contained the following errors:

1. Gross payroll on form 941 was understated by \$154 which resulted in a tax liability underpayment of \$34.
2. The payment to the Public Employees Retirement Fund (PERF) was calculated using an incorrect rate which resulted in an underpayment of \$176.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PERSONAL USE OF TOWN OWNED VEHICLE

A truck is being furnished by the Town to a Town employee. The Town Council has approved the use of the truck for his personal driving as well as for Town business. The employee did not maintain a log of personal miles driven. No additional income was shown on the employee's W-2 form.

Whenever an item or other asset owned by the political subdivision is entrusted to an officer or employee, to be used at times outside the normal work time for business purposes, such as a cellular phone, or vehicle, a log should be maintained which clearly shows the business use. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Page Chapter 7)

RECEIPT DEPOSITS

In a test of the deposit of receipts written, 80% of the receipts tested were deposited 10 or more days from the date of the receipt. A similar comment appeared in prior Report B28499.

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."

TOWN OF MONROE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Additionally, the composition (cash, check, money order) of deposits could not be verified to the original receipts. Receipts were deposited in total; however, receipts written did not indicate the type of payment (cash, check, money order) that was received.

Public funds shall be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

There is no record maintained of additions, disposals or balances of capital assets purchased with the Town's governmental funds. A similar comment appeared in prior Report B28499.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

The following expenditures were in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Park and Recreation	2006	\$ 16,000
General	2007	27,145

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."

SALE OF REAL PROPERTY

The Town sold a parcel of land in the industrial park for \$25,000. No appraisals were obtained. The Town Council determined the sales price to cover the costs associated with making the parcel available for sale.

Indiana Code 36-1-11-4.2(b) states in part: "The disposing agent shall first have the property appraised by two (2) appraisers."

Indiana Code 36-1-11-4.2(c) states in part: "The disposing agent may ... dispose of the real property; at a value that is not less than the appraised value determined under subsection (b)."

TOWN OF MONROE
EXAMINATION RESULTS AND COMMENTS
(Continued)

COLLECTION OF AMOUNTS DUE

Accounts receivable of \$8,158 (approximately 19% of total accounts receivable) were 90 or more days past due at December 31, 2007.

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)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

(1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

(A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;

(B) a description of the premises, as shown by the records of the county auditor; and

(C) the amount of the delinquent fees, together with the penalty; or

(2) an individual instrument for each lot or parcel of real property on which the fees are delinquent.

(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . .

(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

PENALTIES ON DELINQUENT CUSTOMER ACCOUNTS

The Town has an ordinance concerning penalties on delinquent water utility bills. Penalties on delinquent wastewater bills are governed by Indiana Code 36-9-23-31. The Town did not properly calculate penalties on delinquent water or wastewater bills.

TOWN OF MONROE
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

Per Indiana Code 36-9-23-31 "If fees assessed against real property under this chapter . . . are not paid within the time fixed by the municipal legislative body, they are delinquent. A penalty of ten percent (10%) of the amount of the fees attaches to the delinquent fees."

UTILITY RECEIPTS TAX

Utility Receipts Tax reporting to the Indiana Department of Revenue contained the following errors:

1. The Utility did not claim the annual \$1,000 exemption.
2. Payments were calculated using the old rate of 1.2%. The correct rate was 1.4%.
3. Payments were not made in a timely manner.
4. An annual utility receipts tax return (Form URT) was not completed or filed for years 2006 or 2007.

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 MONROE
EXIT CONFERENCE

The contents of this report were discussed on October 15, 2008, with Rachel A. Burkhart, Clerk-Treasurer; Jill I. Ellenberger, former Clerk-Treasurer; and C. Allen Lehman, President of the Town Council. The official response has been made a part of this report and may be found on pages 14 through 18.

Town Of Monroe
Po Box 1
Monroe, IN 46772
“Grow With Monroe”

October 20, 2008

To: Gary Dewitt with the
State Board of accounts

Dear Mr. Dewitt,

I'm responding to the Town Of Monroe examination results and comments preformed on October 15, 2008.

In regards to:

*Service & time records—I have passed out correct time sheets to every employee on the payroll and located a record of balances for vacation, sick, and personal leave.

*Payroll related reporting---

(1) We have made contact and sent in the remaining \$34.00 underpayment

(2) On 2/12/08 check# 7306 for \$175.83 was sent to PERF to correct the underpayment and incorrect rate used

*Personal use of town vehicle

--\$3.00 a day charge will be added to Marty Shaffer's W-2's at the end of each year

*Receipt Deposits

--We will do a better job at complying with this request. The current Clerk-treasurer did note she takes her deposits to the bank daily.

*Capitol Asset Records

--This record is still trying to be located however Clerk-Treasurer Rachel Burkhart will work on trying to replicate the book.

*Collection of amount due

---Past due customers have been set up on a 4 month payment plan as the Ordinance states; the re-connect fee has been raised also. We have become more aggressive with this matter and are working nicely with the Town Attorney filing claims and will begin the lien process as necessary. The council and Clerk-Treasurer will work closing in managing this problem together.

*Penalties on delinquent customer accounts

--I have enclosed Ordinance 1984-2 which covers the rates and charges rendered by the waterworks system of the Town Of Monroe. Per the Town Council President Al Lehman, he states that there is nothing wrong with the rates and fees and how they are being calculated. The penalty is calculated on the whole unpaid balance of all combined utilities. When the penalty goes unpaid it becomes part of the unpaid balance. Collection charge is 10% of the first \$3.00 and 3% of the balance.

*Utility Receipts Tax

--The Town Of Monroe was not aware of the annual URT report and the filing of. We have done the report for the year 2007 and will continue to complete this for the years to follow.

--The rate change has been corrected

--Payments were not made in a timely manner because we did not realize we were to estimate the figures. This will be handled correctly for the Month of November 2008 and so on.

Thank you,



Rachel A Burkhardt
Town Of Monroe, Clerk-Treasurer
260-692-6704

ORDINANCE NO. 1984-2

An Ordinance establishing rates and charges for the use of and services rendered by the waterworks system of the Town of Monroe

WHEREAS, the Town of Monroe has caused a financial study of the municipal waterworks to be made by H. J. Umbaugh & Associates, Indianapolis and Plymouth, Indiana; and

WHEREAS, such study prepared by such firm indicates that the rates and charges are not sufficient to meet the reasonable financial requirements of the utility and that said rates and charges should be increased; and

WHEREAS, the Board of Trustees of the Town of Monroe now finds that the existing rates and charges for the use of and service rendered by the waterworks of said Town are too low and are insufficient to enable the Town to properly operate and maintain its waterworks plant, provide for depreciation, service outstanding and proposed indebtedness, finance necessary extensions and improvements to the system and provide for a payment in lieu of taxes and a reasonable return on its utility plant, which the Board of Trustees hereby elects, and that the existing rates and charges should be increased; now therefore,

BE IT ORDAINED BY THE BOARD OF TRUSTEES OF THE TOWN OF MONROE, INDIANA:

Section 1. There shall be and there are hereby established for the use of and the service rendered by the waterworks system of the Town of Monroe, the following rates and charges, based, except as is otherwise provided, on the use of water supplied by said waterworks system:

Inside Corporation

<u>Monthly Consumption</u>	<u>Rate Per</u> <u>1,000 Gallons</u>
First 2,000 gallons	\$ 3.60
Next 3,000 gallons	2.36
Next 5,000 gallons	1.96
Next 15,000 gallons	1.70
Over 25,000 gallons	1.31

Minimum Monthly Charge
Meter Size

5/8 - 3/4 inch meter	\$ 7.20
1 inch meter	14.30
1 1/2 inch meter	24.10
2 inch meter	34.30
3 inch meter	56.15
4 inch meter	82.35
6 inch meter	147.85

Fire Protection Service

Municipal fire protection - per annum	\$5,236.00
Private fire protection - per annum	
Per hydrant	\$ 154.00
Per sprinkler connection	154.00

Outside Corporation

Monthly Consumption

First 2,000 gallons	\$ 4.25
Next 3,000 gallons	2.36
Next 5,000 gallons	1.96
Next 15,000 gallons	1.70
Over 25,000 gallons	1.31

Minimum Monthly Charge
Meter Size

5/8 - 3/4 inch meter	\$ 8.50
1 inch meter	15.60
1 1/2 inch meter	25.40
2 inch meter	35.60
3 inch meter	57.45
4 inch meter	83.65
6 inch meter	149.15

Temporary Users

Water furnished to temporary users such as contractors, etc., shall be charged on the basis of the metered gallon rates hereinbefore set forth as estimated and established by the Waterworks Superintendent.

Collection and Deferred Payment Charges

All bills for water services not paid within fifteen days from the due date thereof, as stated in such bills, shall

be subject to the collection or deferred payment charge of 10% on the first \$3.00 and 3% on the excess over \$3.00.

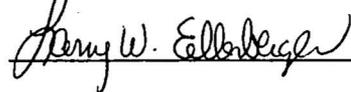
Section 2. All ordinances and parts of ordinances in conflict herewith are repealed; provided, however, that the existing schedule of water rates and charges shall remain in full force and effect until the schedule of rates and charges fixed by this ordinance shall be approved by the Public Service Commission of Indiana, and until such time as the order of said Commission approving said new rates and charges shall direct.

Section 3. This ordinance shall be in full force and effect from and after its passage; provided, however, that the schedule of rates and charges herein set out shall not become effective unless approved by the Public Service Commission of Indiana or until such time as said Commission shall direct.

Passed and adopted by the Board of Trustees of the Town of Monroe on the 9th day of February, 1984.

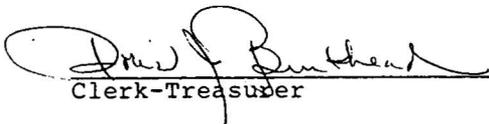






Board of Trustees

Attest:


Clerk-Treasurer