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

EXAMINATION REPORT
OF
TOWN OF MONROE CITY
KNOX COUNTY, INDIANA
January 1, 2007 to December 31, 2009



FILED
11/01/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Nancee Scott	01-01-04 to 12-31-11
President of the Town Board	Bill Sampson	01-01-07 to 12-31-10
Superintendent of Water Utility	Don Davis	01-01-07 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MONROE CITY, KNOX COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Monroe City (Town), for the period of January 1, 2007 to December 31, 2009. 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, 2008 and 2009, 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

July 28, 2010

TOWN OF MONROE CITY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2007, 2008 And 2009

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 1,427	\$ 48,255	\$ 48,483	\$ 1,199
Motor Vehicle Highway	50,818	19,676	29,400	41,094
Local Road and Street	14,726	2,982	-	17,708
Rainy Day	976	3,437	-	4,413
Cumulative Capital Improvement	9,473	7,184	5,105	11,552
County Economic Development Income Tax	1,591	1,547	1,591	1,547
Proprietary Funds:				
Water Utility - Operating	13,928	72,560	67,027	19,461
Water Utility - Customer Deposit	15,503	1,320	1,545	15,278
Wastewater Utility - Operating	19,571	132,782	121,329	31,024
Wastewater Utility - Bond and Interest	18,062	21,865	21,355	18,572
Wastewater Utility - Depreciation	8,228	-	-	8,228
Wastewater Utility - Customer Deposit	7,805	1,200	1,320	7,685
Wastewater Utility - Construction	34,786	-	-	34,786
Totals	\$ 196,894	\$ 312,808	\$ 297,155	\$ 212,547
	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 1,199	\$ 47,156	\$ 32,573	\$ 15,782
Motor Vehicle Highway	41,094	14,863	24,285	31,672
Local Road and Street	17,708	2,776	16,957	3,527
Rainy Day	4,413	1,973	-	6,386
Cumulative Capital Improvement	11,552	1,980	-	13,532
County Economic Development Income Tax	1,547	1,552	-	3,099
Proprietary Funds:				
Water Utility - Operating	19,461	77,292	72,262	24,491
Water Utility - Customer Deposit	15,278	1,240	680	15,838
Wastewater Utility - Operating	31,024	197,276	189,916	38,384
Wastewater Utility - Bond and Interest	18,572	21,217	20,889	18,900
Wastewater Utility - Depreciation	8,228	-	-	8,228
Wastewater Utility - Customer Deposit	7,685	1,120	623	8,182
Wastewater Utility - Construction	34,786	-	-	34,786
Totals	\$ 212,547	\$ 368,445	\$ 358,185	\$ 222,807
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 15,782	\$ 191,209	\$ 170,813	\$ 36,178
Motor Vehicle Highway	31,672	14,577	14,540	31,709
Local Road and Street	3,527	2,657	830	5,354
Rainy Day	6,386	1,080	135	7,331
Cumulative Capital Improvement	13,532	6,778	5,000	15,310
Cumulative Capital Development Income Tax	3,099	1,600	-	4,699
Proprietary Funds:				
Water Utility - Operating	24,491	64,869	71,598	17,762
Water Utility - Customer Deposit	15,838	1,120	1,120	15,838
Wastewater Utility - Operating	38,384	246,211	152,939	131,656
Wastewater Utility - Bond and Interest	18,900	950	19,850	-
Wastewater Utility - Depreciation	8,228	-	-	8,228
Wastewater Utility - Customer Deposit	8,182	1,120	1,080	8,222
Wastewater Utility - Construction	34,786	-	4,884	29,902
Totals	\$ 222,807	\$ 532,171	\$ 442,789	\$ 312,189

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

TOWN OF MONROE CITY
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 MONROE CITY
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.

Note 7. Subsequent Event

The Town is constructing a Storm Water project in 2010. The total estimated cost is \$876,600 and the project is expected to be completed by October 2010.

TOWN OF MONROE CITY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For the Years Ended December 31, 2007, 2008 and 2009

	December 31, 2007 Ending Balance	December 31, 2008 Ending Balance	December 31, 2009 Ending Balance
<u>Primary Government</u>			
Governmental activities:			
Capital assets, not being depreciated:			
Land	\$ 8,093	\$ 8,093	\$ 8,093
Improvements other than buildings	15,997	15,997	15,997
Machinery and equipment	8,443	8,443	8,443
Transportation equipment	<u>7,000</u>	<u>7,000</u>	<u>12,000</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 39,533</u>	<u>\$ 39,533</u>	<u>\$ 44,533</u>
	December 31, 2007 Ending Balance	December 31, 2008 Ending Balance	December 31, 2009 Ending Balance
<u>Primary Government</u>			
Business-type activities:			
Water Utility:			
Capital assets, not being depreciated:			
Land	\$ 8,400	\$ 8,400	\$ 8,400
Buildings	17,653	17,653	17,653
Improvements other than buildings	652,836	652,836	663,334
Machinery and equipment	17,207	17,207	17,207
Transportation equipment	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
Total Water Utility capital assets	<u>698,096</u>	<u>698,096</u>	<u>708,594</u>
Wastewater Utility:			
Capital assets, not being depreciated:			
Land	5,945	5,945	5,945
Buildings	388,259	388,259	388,259
Improvements other than buildings	697,686	697,686	697,686
Machinery and equipment	17,247	17,247	20,838
Transportation equipment	<u>11,124</u>	<u>11,124</u>	<u>5,500</u>
Total Wastewater Utility capital assets	<u>1,120,261</u>	<u>1,120,261</u>	<u>1,118,228</u>
Total business-type activities capital assets	<u>\$ 1,818,357</u>	<u>\$ 1,818,357</u>	<u>\$ 1,826,822</u>

TOWN OF MONROE CITY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007, 2008 and 2009

The Town has entered into the following debt:

Description of Debt	December 31, 2007 Ending Principal Balance	Principal Due Within One Year
Business-type activities:		
Water Utility:		
Note payable	\$ 36,287	\$ 6,122
Wastewater Utility:		
Revenue bonds:		
1989 Wastewater Refunding	<u>24,000</u>	<u>19,000</u>
Total business-type activities debt	<u>\$ 60,287</u>	<u>\$ 25,122</u>

Description of Debt	December 31, 2008 Ending Principal Balance	Principal Due Within One Year
Business-type activities:		
Water Utility:		
Note payable	\$ 30,164	\$ 6,122
Wastewater Utility:		
Revenue bonds:		
1989 Wastewater Refunding	<u>5,000</u>	<u>5,000</u>
Total business-type activities debt	<u>\$ 35,164</u>	<u>\$ 11,122</u>

Description of Debt	December 31, 2009 Ending Principal Balance	Principal Due Within One Year
Business-type activities:		
Water Utility:		
Note payable	<u>\$ 24,042</u>	<u>\$ 6,122</u>

TOWN OF MONROE CITY
EXAMINATION RESULT AND COMMENT

ORDINANCES AND RESOLUTIONS - WATER UTILITY

The Water Utility has a rate ordinance (08-01-05) which establishes the schedule of rates and charges to be collected by the Town of Monroe City.

However, the Water Utility did not have the correct monthly rates coded into the billing system for the four customers that have 2" water meters. Of these four customers, three accounts are being billed at a monthly rate of **\$4.50**, which is the rate for a 5/8" water meter. The remaining account is being billed at a monthly rate of **\$58.67**, which is the rate for a 1 1/2" water meter. The correct rate of billing for these four accounts is **\$112.95 per month**.

Three of the four accounts have been incorrectly billed for multiple years (one as far back as 1999) and one account has been incorrectly billed for 2009 and 2010.

The Water Utility needs to either: (1) amend their ordinance to charge all customers the 5/8" rate of \$4.50 per month, (2) correctly bill the 2" water meters at a rate of \$112.95 per month, or (3) physically replace the 2" water meters with 5/8" water meters.

This error in billing affects revenues of the utilities materially and needs to be corrected.

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)

TOWN OF MONROE CITY
EXIT CONFERENCE

The contents of this report were discussed on July 28, 2010, with Nancee Scott, Clerk-Treasurer; and C.B. Vories, Town Board member.