

B40589

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF MONTEREY

PULASKI COUNTY, INDIANA

January 1, 2010 to December 31, 2011



**FILED**  
07/19/2012



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Linda S. McCune	01-01-08 to 12-31-15
President of the Town Council	James C. Fleury	01-01-10 to 12-31-12



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MONTEREY, PULASKI COUNTY, INDIANA

We have examined the financial statements of the Town of Monterey (Town), for the period of January 1, 2010 to December 31, 2011. The Town's management is responsible for the financial statements. 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2010 and 2011, on the basis of accounting described in Note 1.

The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town's management, Town Council, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 11, 2012

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## FINANCIAL STATEMENTS

The financial statements and accompanying notes were approved by management of the Town. The financial statements and notes are presented as intended by the Town.

TOWN OF MONTEREY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2010

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 48,218	\$ 82,355	\$ 69,381	\$ 61,192
Motor Vehicle Highway	19,952	5,977	5,000	20,929
Local Road And Street	23,868	885	3,000	21,753
Rainy Day	2,353	3,172	-	5,525
Levy Excess	1,992	131	-	2,123
Cumulative Capital Imprv (Tax Levy)	6,667	677	2,848	4,496
Cedit Capital Projects	12,044	5,108	1,000	16,152
Wastewater Utility-Operating	24,100	87,210	85,010	26,300
Wastewater Utility-Bond And Interest	30,636	21,000	20,075	31,561
Wastewater Utility-Deprec/Improve	21,075	3,600	-	24,675
Totals	<u>\$ 190,905</u>	<u>\$ 210,115</u>	<u>\$ 186,314</u>	<u>\$ 214,706</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF MONTEREY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 61,192	\$ 84,232	\$ 78,462	\$ 66,962
Motor Vehicle Highway	20,929	6,043	2,450	24,522
Local Road And Street	21,753	854	-	22,607
Rainy Day	5,525	-	-	5,525
Levy Excess	2,123	-	2,123	-
Cumulative Capital Imprv (Tax Levy)	4,496	663	-	5,159
Cedit Capital Projects	16,152	3,726	1,000	18,878
Wastewater Utility-Operating	26,300	97,314	90,930	32,684
Wastewater Utility-Bond And Interest	31,561	21,000	20,850	31,711
Wastewater Utility-Deprec/Improve	24,675	3,600	15,336	12,939
Totals	<u>\$ 214,706</u>	<u>\$ 217,432</u>	<u>\$ 211,151</u>	<u>\$ 220,987</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF MONTEREY  
NOTES TO FINANCIAL STATEMENTS

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statements present the financial information for the Town.

*B. Basis of Accounting*

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

TOWN OF MONTEREY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Penalties which include fees received for late payments.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies, which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

TOWN OF MONTEREY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

TOWN OF MONTEREY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**Note 4. *Deposits and Investments***

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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.

**Note 5. *Risk Management***

The Town may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement any replacement items purchased.

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## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 2010 Annual Report can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

For additional financial information, the Town's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Town which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was approved by management of the Town. It is presented as intended by the Town.

TOWN OF MONTEREY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road And Street	Rainy Day	Levy Excess	Cumulative Capital Imprv (Tax Levy)
Cash and investments - beginning	\$ 48,218	\$ 19,952	\$ 23,868	\$ 2,353	\$ 1,992	\$ 6,667
Receipts:						
Taxes	43,277	-	-	-	-	-
Intergovernmental	36,814	5,977	885	3,172	131	677
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	2,264	-	-	-	-	-
Total receipts	<u>82,355</u>	<u>5,977</u>	<u>885</u>	<u>3,172</u>	<u>131</u>	<u>677</u>
Disbursements:						
Personal services	14,048	-	-	-	-	-
Supplies	494	-	-	-	-	-
Other services and charges	54,764	5,000	-	-	-	500
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	75	-	3,000	-	-	2,348
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>69,381</u>	<u>5,000</u>	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>2,848</u>
Excess (deficiency) of receipts over disbursements	<u>12,974</u>	<u>977</u>	<u>(2,115)</u>	<u>3,172</u>	<u>131</u>	<u>(2,171)</u>
Cash and investments - ending	<u>\$ 61,192</u>	<u>\$ 20,929</u>	<u>\$ 21,753</u>	<u>\$ 5,525</u>	<u>\$ 2,123</u>	<u>\$ 4,496</u>

TOWN OF MONTEREY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Cedit Capital Projects	Wastewater Utility-Operating	Wastewater Utility-Bond And Interest	Wastewater Utility-Deprec/Improve	Totals
Cash and investments - beginning	\$ 12,044	\$ 24,100	\$ 30,636	\$ 21,075	\$ 190,905
Receipts:					
Taxes	-	-	-	-	43,277
Intergovernmental	5,108	-	-	-	52,764
Utility fees	-	82,845	-	-	82,845
Penalties	-	1,259	-	-	1,259
Other receipts	-	3,106	21,000	3,600	29,970
Total receipts	<u>5,108</u>	<u>87,210</u>	<u>21,000</u>	<u>3,600</u>	<u>210,115</u>
Disbursements:					
Personal services	-	-	-	-	14,048
Supplies	-	-	-	-	494
Other services and charges	1,000	-	-	-	61,264
Debt service - principal and interest	-	-	20,075	-	20,075
Capital outlay	-	-	-	-	5,423
Utility operating expenses	-	55,416	-	-	55,416
Other disbursements	-	29,594	-	-	29,594
Total disbursements	<u>1,000</u>	<u>85,010</u>	<u>20,075</u>	<u>-</u>	<u>186,314</u>
Excess (deficiency) of receipts over disbursements	<u>4,108</u>	<u>2,200</u>	<u>925</u>	<u>3,600</u>	<u>23,801</u>
Cash and investments - ending	<u>\$ 16,152</u>	<u>\$ 26,300</u>	<u>\$ 31,561</u>	<u>\$ 24,675</u>	<u>\$ 214,706</u>

TOWN OF MONTEREY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Local Road And Street	Rainy Day	Levy Excess	Cumulative Capital Imprv (Tax Levy)
Cash and investments - beginning	\$ 61,192	\$ 20,929	\$ 21,753	\$ 5,525	\$ 2,123	\$ 4,496
Receipts:						
Taxes	41,605	-	-	-	-	-
Intergovernmental	34,853	6,043	854	-	-	663
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	7,774	-	-	-	-	-
Total receipts	<u>84,232</u>	<u>6,043</u>	<u>854</u>	<u>-</u>	<u>-</u>	<u>663</u>
Disbursements:						
Personal services	9,973	-	-	-	-	-
Supplies	439	-	-	-	-	-
Other services and charges	51,386	2,450	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	1,126	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	15,538	-	-	-	2,123	-
Total disbursements	<u>78,462</u>	<u>2,450</u>	<u>-</u>	<u>-</u>	<u>2,123</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>5,770</u>	<u>3,593</u>	<u>854</u>	<u>-</u>	<u>(2,123)</u>	<u>663</u>
Cash and investments - ending	<u>\$ 66,962</u>	<u>\$ 24,522</u>	<u>\$ 22,607</u>	<u>\$ 5,525</u>	<u>\$ -</u>	<u>\$ 5,159</u>

TOWN OF MONTEREY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Cedit Capital Projects	Wastewater Utility-Operating	Wastewater Utility-Bond And Interest	Wastewater Utility-Deprec/Improve	Totals
Cash and investments - beginning	\$ 16,152	\$ 26,300	\$ 31,561	\$ 24,675	\$ 214,706
Receipts:					
Taxes	-	-	-	-	41,605
Intergovernmental	3,726	-	-	-	46,139
Utility fees	-	90,660	-	-	90,660
Penalties	-	1,598	-	-	1,598
Other receipts	-	5,056	21,000	3,600	37,430
Total receipts	<u>3,726</u>	<u>97,314</u>	<u>21,000</u>	<u>3,600</u>	<u>217,432</u>
Disbursements:					
Personal services	-	-	-	-	9,973
Supplies	-	-	-	-	439
Other services and charges	1,000	-	-	-	54,836
Debt service - principal and interest	-	-	20,850	-	20,850
Capital outlay	-	6,158	-	15,336	22,620
Utility operating expenses	-	52,579	-	-	52,579
Other disbursements	-	32,193	-	-	49,854
Total disbursements	<u>1,000</u>	<u>90,930</u>	<u>20,850</u>	<u>15,336</u>	<u>211,151</u>
Excess (deficiency) of receipts over disbursements	<u>2,726</u>	<u>6,384</u>	<u>150</u>	<u>(11,736)</u>	<u>6,281</u>
Cash and investments - ending	<u>\$ 18,878</u>	<u>\$ 32,684</u>	<u>\$ 31,711</u>	<u>\$ 12,939</u>	<u>\$ 220,987</u>

TOWN OF MONTEREY  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2011

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 1,312	\$ -
Wastewater	2,039	3,992
Totals	\$ 3,351	\$ 3,992

TOWN OF MONTEREY  
 SCHEDULE OF LEASES AND DEBT  
 December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater: Revenue Bonds	Sewer Project	\$ 324,000	\$ 20,580
Totals		<u>\$ 324,000</u>	<u>\$ 20,580</u>

TOWN OF MONTEREY  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2011

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>Ending Balance</u>
Governmental activities:	
Land	\$ 15,940
Buildings	8,635
Improvements other than buildings	71,367
Machinery, equipment and vehicles	<u>259,649</u>
Total governmental activities	<u>355,591</u>
Wastewater:	
Buildings	285,394
Improvements other than buildings	1,242,458
Machinery, equipment and vehicles	<u>163,684</u>
Total Wastewater	<u>1,691,536</u>
Total capital assets	<u><u>\$ 2,047,127</u></u>

TOWN OF MONTEREY  
EXIT CONFERENCE

The contents of this report were discussed on June 11, 2012, with Linda S. McCune, Clerk-Treasurer, and James C. Fleury, President of the Town Council. Our examination disclosed no material items that warrant comment at this time.