

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

TOWN OF PONETO

WELLS COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
10/11/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Roy D. Schoeff	01-01-08 to 12-31-15
President of the Town Council	Finley H. Lane	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 PONETO, WELLS COUNTY, INDIANA

We have examined the financial statements of the Town of Poneto (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

August 22, 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 PONETO
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	\$ 65,555	\$ 30,345	\$ 37,892	\$ 58,008
Motor Vehicle Highway	1,450	7,578	8,492	536
Local Road and Street	479	1,152	1,350	281
Riverboat	3,007	1,502	-	4,509
Rainy Day	30,057	10,021	24,597	15,481
Levy Excess	-	90	-	90
LOIT - Public Safety	1,862	1,072	-	2,934
Economic Development Income Tax	32,771	5,333	533	37,571
Cumulative Capital Improvement	10,840	703	315	11,228
Wastewater Utility - Operating	20,901	58,047	40,201	38,747
Payroll	599	7,826	8,425	-
Totals	<u>\$ 167,521</u>	<u>\$ 123,669</u>	<u>\$ 121,805</u>	<u>\$ 169,385</u>

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

TOWN OF PONETO
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	\$ 58,008	\$ 43,485	\$ 36,549	\$ 64,944
Motor Vehicle Highway	536	7,676	7,477	735
Local Road and Street	281	1,126	1,350	57
Riverboat	4,509	1,502	-	6,011
Rainy Day	15,481	5,000	-	20,481
Levy Excess	90	-	90	-
Cumulative Capital Improvement	11,228	689	1,919	9,998
LOIT - Public Safety	2,934	335	-	3,269
Economic Development Income Tax	37,571	469	47	37,993
Wastewater Utility - Operating	38,747	44,332	47,277	35,802
Payroll	-	7,826	7,826	-
Totals	<u>\$ 169,385</u>	<u>\$ 112,440</u>	<u>\$ 102,535</u>	<u>\$ 179,290</u>

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

TOWN OF PONETO
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, wastewater, 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.

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, 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.

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

TOWN OF PONETO
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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

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.

TOWN OF PONETO
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

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/.

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 PONETO
 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	Riverboat	Rainy Day	Levy Excess
Cash and investments - beginning	\$ 65,555	\$ 1,450	\$ 479	\$ 3,007	\$ 30,057	\$ -
Receipts:						
Taxes	5,728	-	-	-	-	-
Intergovernmental	16,605	7,022	1,152	1,502	-	-
Utility fees	-	-	-	-	-	-
Other receipts	8,012	556	-	-	10,021	90
Total receipts	<u>30,345</u>	<u>7,578</u>	<u>1,152</u>	<u>1,502</u>	<u>10,021</u>	<u>90</u>
Disbursements:						
Personal services	5,200	-	-	-	-	-
Supplies	4,783	8,492	-	-	-	-
Other services and charges	22,006	-	1,350	-	24,597	-
Capital outlay	103	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	5,800	-	-	-	-	-
Total disbursements	<u>37,892</u>	<u>8,492</u>	<u>1,350</u>	<u>-</u>	<u>24,597</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(7,547)</u>	<u>(914)</u>	<u>(198)</u>	<u>1,502</u>	<u>(14,576)</u>	<u>90</u>
Cash and investments - ending	<u>\$ 58,008</u>	<u>\$ 536</u>	<u>\$ 281</u>	<u>\$ 4,509</u>	<u>\$ 15,481</u>	<u>\$ 90</u>

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

	LOIT - Public Safety	Economic Development Income Tax	Cumulative Capital Improvement	Wastewater Utility - Operating	Payroll	Totals
Cash and investments - beginning	\$ 1,862	\$ 32,771	\$ 10,840	\$ 20,901	\$ 599	\$ 167,521
Receipts:						
Taxes	-	-	-	-	-	5,728
Intergovernmental	1,072	5,333	703	-	-	33,389
Utility fees	-	-	-	58,047	-	58,047
Other receipts	-	-	-	-	7,826	26,505
Total receipts	<u>1,072</u>	<u>5,333</u>	<u>703</u>	<u>58,047</u>	<u>7,826</u>	<u>123,669</u>
Disbursements:						
Personal services	-	-	-	-	-	5,200
Supplies	-	-	-	-	-	13,275
Other services and charges	-	533	-	-	-	48,486
Capital outlay	-	-	315	-	-	418
Utility operating expenses	-	-	-	40,201	-	40,201
Other disbursements	-	-	-	-	8,425	14,225
Total disbursements	<u>-</u>	<u>533</u>	<u>315</u>	<u>40,201</u>	<u>8,425</u>	<u>121,805</u>
Excess (deficiency) of receipts over disbursements	<u>1,072</u>	<u>4,800</u>	<u>388</u>	<u>17,846</u>	<u>(599)</u>	<u>1,864</u>
Cash and investments - ending	<u>\$ 2,934</u>	<u>\$ 37,571</u>	<u>\$ 11,228</u>	<u>\$ 38,747</u>	<u>\$ -</u>	<u>\$ 169,385</u>

TOWN OF PONETO
 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	Riverboat	Rainy Day	Levy Excess
Cash and investments - beginning	\$ 58,008	\$ 536	\$ 281	\$ 4,509	\$ 15,481	\$ 90
Receipts:						
Taxes	27,898	-	-	-	-	-
Intergovernmental	15,587	7,676	1,126	1,502	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	5,000	-
Total receipts	<u>43,485</u>	<u>7,676</u>	<u>1,126</u>	<u>1,502</u>	<u>5,000</u>	<u>-</u>
Disbursements:						
Personal services	5,569	-	-	-	-	-
Supplies	8,143	-	-	-	-	-
Other services and charges	17,837	7,477	1,350	-	-	90
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	5,000	-	-	-	-	-
Total disbursements	<u>36,549</u>	<u>7,477</u>	<u>1,350</u>	<u>-</u>	<u>-</u>	<u>90</u>
Excess (deficiency) of receipts over disbursements	<u>6,936</u>	<u>199</u>	<u>(224)</u>	<u>1,502</u>	<u>5,000</u>	<u>(90)</u>
Cash and investments - ending	<u>\$ 64,944</u>	<u>\$ 735</u>	<u>\$ 57</u>	<u>\$ 6,011</u>	<u>\$ 20,481</u>	<u>\$ -</u>

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

	Cumulative Capital Improvement	LOIT - Public Safety	Economic Development Income Tax	Wastewater Utility - Operating	Payroll	Totals
Cash and investments - beginning	\$ 11,228	\$ 2,934	\$ 37,571	\$ 38,747	\$ -	\$ 169,385
Receipts:						
Taxes	-	-	-	-	-	27,898
Intergovernmental	689	335	469	-	-	27,384
Utility fees	-	-	-	44,332	-	44,332
Other receipts	-	-	-	-	7,826	12,826
Total receipts	<u>689</u>	<u>335</u>	<u>469</u>	<u>44,332</u>	<u>7,826</u>	<u>112,440</u>
Disbursements:						
Personal services	-	-	-	-	-	5,569
Supplies	-	-	-	-	-	8,143
Other services and charges	-	-	47	-	-	26,801
Capital outlay	1,919	-	-	-	-	1,919
Utility operating expenses	-	-	-	37,527	-	37,527
Other disbursements	-	-	-	9,750	7,826	22,576
Total disbursements	<u>1,919</u>	<u>-</u>	<u>47</u>	<u>47,277</u>	<u>7,826</u>	<u>102,535</u>
Excess (deficiency) of receipts over disbursements	<u>(1,230)</u>	<u>335</u>	<u>422</u>	<u>(2,945)</u>	<u>-</u>	<u>9,905</u>
Cash and investments - ending	<u>\$ 9,998</u>	<u>\$ 3,269</u>	<u>\$ 37,993</u>	<u>\$ 35,802</u>	<u>\$ -</u>	<u>\$ 179,290</u>

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

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ 194	\$ -
Wastewater Utility	-	3,102
Totals	\$ 194	\$ 3,102

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

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Wastewater:			
Notes and loans payable	Sewer system - constructed wet lands 0% loan	\$ 54,000	\$ 9,000

TOWN OF PONETO
 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.

	Ending Balance
Governmental activities:	
Land	\$ 3,340
Buildings	27,190
Improvements other than buildings	860
Machinery, equipment and vehicles	6,181
Total governmental activities	37,571
Wastewater:	
Land	7,117
Infrastructure	1,005,864
Machinery, equipment and vehicles	29,346
Total Wastewater	1,042,327
Total capital assets	\$ 1,079,898

TOWN OF PONETO
EXIT CONFERENCE

The contents of this report were discussed on August 6, 2012, with Roy D. Schoeff, Clerk-Treasurer. Our examination disclosed no material items that warrant comment at this time.