

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

TOWN OF MERIDIAN HILLS

MARION COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
05/21/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	John Taylor	01-01-08 to 12-31-15
President of the Town Council	James Rush Walter Freihofer	01-01-10 to 12-31-11 01-01-12 to 12-31-13



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MERIDIAN HILLS, MARION COUNTY, INDIANA

We have examined the accompanying financial statements of the Town of Meridian Hills (Town), for the period of January 1, 2010 to December 31, 2011. The financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on the financial statements 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 effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the period of January 1, 2010 to December 31, 2011.

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 period of January 1, 2010 to December 31, 2011, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the Town's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, 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.

Bruce Hartman
State Examiner

April 1, 2013

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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 MERIDIAN HILLS
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 Fund	\$ 130,134	\$ 306,326	\$ 216,323	\$ 220,137
Motor Vehicle Highway	28,938	72,662	85,882	15,718
Local Road And Street	3,653	82,869	97,233	(10,711)
Donations	33,283	-	-	33,283
Law Enforcement Continuing Ed	829	697	-	1,526
Rainy Day	128,000	11,000	11,000	128,000
Town Beautification Fund	3,565	3,495	-	7,060
Totals	<u>\$ 328,402</u>	<u>\$ 477,049</u>	<u>\$ 410,438</u>	<u>\$ 395,013</u>

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

TOWN OF MERIDIAN HILLS
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 Fund	\$ 220,137	\$ 197,426	\$ 217,718	\$ 199,845
Motor Vehicle Highway	15,718	74,689	66,493	23,914
Local Road And Street	(10,711)	92,375	106,593	(24,929)
Law Enforcement Continuing Ed	1,526	292	-	1,818
Rainy Day	128,000	30,000	50,000	108,000
Town Beautification Fund	7,060	2,361	-	9,421
Donations	33,283	-	-	33,283
Totals	<u>\$ 395,013</u>	<u>\$ 397,143</u>	<u>\$ 440,804</u>	<u>\$ 351,352</u>

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

TOWN OF MERIDIAN HILLS
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 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.

TOWN OF MERIDIAN HILLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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).

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 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.

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

TOWN OF MERIDIAN HILLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Reports for years prior to 2011 can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the Town's Annual Report information for years 2011 and later 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 MERIDIAN HILLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General Fund	Motor Vehicle Highway	Local Road And Street	Donations	Law Enforcement Continuing Ed	Rainy Day	Town Beautification Fund	Totals
Cash and investments - beginning	\$ 130,134	\$ 28,938	\$ 3,653	\$ 33,283	\$ 829	\$ 128,000	\$ 3,565	\$ 328,402
Receipts:								
Taxes	250,006	-	-	-	-	-	-	250,006
Intergovernmental	45,428	72,662	71,809	-	-	-	-	189,899
Fines and forfeits	-	-	-	-	697	-	-	697
Other receipts	10,892	-	11,060	-	-	11,000	3,495	36,447
Total receipts	<u>306,326</u>	<u>72,662</u>	<u>82,869</u>	<u>-</u>	<u>697</u>	<u>11,000</u>	<u>3,495</u>	<u>477,049</u>
Disbursements:								
Personal services	166,085	-	-	-	-	-	-	166,085
Supplies	1,838	-	-	-	-	-	-	1,838
Other services and charges	39,452	85,882	97,233	-	-	-	-	222,567
Capital outlay	8,948	-	-	-	-	-	-	8,948
Other disbursements	-	-	-	-	-	11,000	-	11,000
Total disbursements	<u>216,323</u>	<u>85,882</u>	<u>97,233</u>	<u>-</u>	<u>-</u>	<u>11,000</u>	<u>-</u>	<u>410,438</u>
Excess (deficiency) of receipts over disbursements	<u>90,003</u>	<u>(13,220)</u>	<u>(14,364)</u>	<u>-</u>	<u>697</u>	<u>-</u>	<u>3,495</u>	<u>66,611</u>
Cash and investments - ending	<u>\$ 220,137</u>	<u>\$ 15,718</u>	<u>\$ (10,711)</u>	<u>\$ 33,283</u>	<u>\$ 1,526</u>	<u>\$ 128,000</u>	<u>\$ 7,060</u>	<u>\$ 395,013</u>

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

	General Fund	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Ed	Rainy Day	Town Beautification Fund	Donations	Totals
Cash and investments - beginning	\$ 220,137	\$ 15,718	\$ (10,711)	\$ 1,526	\$ 128,000	\$ 7,060	\$ 33,283	\$ 395,013
Receipts:								
Taxes	142,898	-	-	-	-	-	-	142,898
Intergovernmental	43,694	74,689	42,375	-	-	-	-	160,758
Fines and forfeits	-	-	-	292	-	-	-	292
Other receipts	10,834	-	50,000	-	30,000	2,361	-	93,195
Total receipts	<u>197,426</u>	<u>74,689</u>	<u>92,375</u>	<u>292</u>	<u>30,000</u>	<u>2,361</u>	<u>-</u>	<u>397,143</u>
Disbursements:								
Personal services	141,070	-	-	-	-	-	-	141,070
Supplies	2,295	-	-	-	-	-	-	2,295
Other services and charges	44,353	66,493	106,593	-	-	-	-	217,439
Other disbursements	30,000	-	-	-	50,000	-	-	80,000
Total disbursements	<u>217,718</u>	<u>66,493</u>	<u>106,593</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>440,804</u>
Excess (deficiency) of receipts over disbursements	<u>(20,292)</u>	<u>8,196</u>	<u>(14,218)</u>	<u>292</u>	<u>(20,000)</u>	<u>2,361</u>	<u>-</u>	<u>(43,661)</u>
Cash and investments - ending	<u>\$ 199,845</u>	<u>\$ 23,914</u>	<u>\$ (24,929)</u>	<u>\$ 1,818</u>	<u>\$ 108,000</u>	<u>\$ 9,421</u>	<u>\$ 33,283</u>	<u>\$ 351,352</u>

TOWN OF MERIDIAN HILLS
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

The Town had expenditures in excess of the approved budget. The following indicates the funds that had expenditures that exceeded the budget:

Fund	Year	Amount
Motor Vehicle Highway	2010	\$ 38,928
Local Road And Street	2010	55,142
Motor Vehicle Highway	2011	19,539
Local Road And Street	2011	78,593

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."

RECEIPT ISSUANCE

Receipts were not issued during the examination period. Monies received were posted to a ledger; however, a receipt was not prepared for monies received.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MERIDIAN HILLS
EXAMINATION RESULTS AND COMMENTS
(Continued)

ANNUAL REPORT

The annual reports for 2010 and 2011 were not accurate and did not reflect all the activity for the Town. Transfers between funds were not included in the Annual Financial Report; therefore the financial statements presented for examination did not properly report these transfers. The following adjustments were recommended and made to the original financial statements:

<u>Transfers To</u>	<u>Transfers From</u>	<u>Year</u>	<u>Amount</u>
Local Road And Street	Rainy Day	2010	\$ 11,000
Rainy Day	Motor Vehicle Highway	2010	11,000
Rainy Day	General Fund	2011	30,000

Additional adjustments were recommended to ensure that all receipts were receipted to the proper fund. State and county distributions were reported appropriately in total but were not posted and reported in the proper funds. All adjustments were approved by the Clerk-Treasurer.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

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 Special Districts, Chapter 10)

TOWN OF MERIDIAN HILLS
EXIT CONFERENCE

The contents of this report were discussed on April 1, 2013, with John Taylor, Clerk-Treasurer, and Bernard Bruno, Assistant Clerk-Treasurer. The officials concurred with our findings.