

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

TOWN OF MONROVIA

MORGAN COUNTY, INDIANA

January 1, 2010 to December 31, 2012



FILED
10/30/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Norieta M. Sighting Brenda Prough	01-01-10 to 12-31-10 01-01-11 to 12-31-14
President of the Town Council	Robert L. Marley	01-01-10 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MONROVIA, MORGAN COUNTY, INDIANA

We were engaged to examine the accompanying financial statements of the Town of Monrovia (Town), for the period of January 1, 2010 to December 31, 2012. The financial statements are the responsibility of the Town's management.

The Town did not properly maintain accounting records for the Town. The accounting records received did not reflect all activity observed in the bank account nor was the bank account balance sufficient to cover the fund balances reported at December 31, 2011 and 2012, in the Town's accounting records. The Town's records do not permit the application of other examination procedures to ascertain if the financial statements are fairly stated.

Since the Town did not properly maintain accounting records as discussed in the preceding paragraph and we were not able to apply other examination procedures to satisfy ourselves as to whether the financial statements are fairly stated, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these financial statements.

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, and Schedule of Leases and Debt, 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.

A handwritten signature in cursive script, appearing to read "Bruce Hartman".

Bruce Hartman
State Examiner

October 2, 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 MONROVIA
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	\$ 121,801	\$ 192,905	\$ 129,502	\$ 185,204
Motor Vehicle Highway	60,468	24,120	34,695	49,893
Local Road And Street	53,001	6,673	1,900	57,774
Riverboat	3,930	3,930	7,860	-
Police Computer	-	9,307	9,307	-
Rainy Day	9,312	9,810	-	19,122
Escrow	8,000	-	-	8,000
Law Enforcement	2,621	1,086	-	3,707
Operation Pullover	-	375	-	375
Nonreverting #2	1,750	-	-	1,750
Public Safety	24,849	13,439	-	38,288
County Economic Dev Income Tax	71,025	30,514	49,780	51,759
Cumulative Capital Improvement	1,926	1,838	1,950	1,814
Payroll	8,331	66,531	73,003	1,859
Wastewater Utility-Operating	73,001	348,033	341,875	79,159
Wastewater Util-Bond And Interest	419,997	132,954	64,634	488,317
Wastewater Utility-Construction	70,936	-	-	70,936
Totals	<u>\$ 930,948</u>	<u>\$ 841,515</u>	<u>\$ 714,506</u>	<u>\$ 1,057,957</u>

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

TOWN OF MONROVIA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Years Ended December 31, 2011 And 2012

Fund	Cash and Investments			Cash and Investments			Cash and Investments
	01-01-11	Receipts	Disbursements	12-31-11	Receipts	Disbursements	12-31-12
General	\$ 185,204	\$ 156,396	\$ 71,821	\$ 269,779	\$ 152,680	\$ 104,622	\$ 317,837
Motor Vehicle Highway	49,893	23,968	32,535	41,326	24,397	18,265	47,458
Local Road And Street	57,774	6,482	30	64,226	5,603	2,825	67,004
Riverboat	-	3,930	-	3,930	6,297	-	10,227
Rainy Day	19,122	-	-	19,122	-	-	19,122
Public Safety	38,288	14,061	8,938	43,411	11,780	10,909	44,282
County Economic Dev Income Tax	51,759	21,295	1,265	71,789	39,119	40,168	70,740
Law Enforcement	3,707	876	141	4,442	1,346	-	5,788
Operation Pullover	375	1,724	-	2,099	967	-	3,066
Nonreverting #2	1,750	5,360	2,747	4,363	-	-	4,363
Cumulative Capital Improvement	1,814	1,804	-	3,618	1,328	-	4,946
Escrow	8,000	-	-	8,000	3	-	8,003
Payroll	1,859	25,953	14,509	13,303	67,433	11,716	69,020
Wastewater Utility-Operating	79,159	354,074	366,219	67,014	373,215	343,869	96,360
Wastewater Util-Bond And Interest	488,317	136,666	87,817	537,166	130,809	87,836	580,139
Wastewater Utility-Construction	70,936	490	-	71,426	-	-	71,426
Totals	<u>\$ 1,057,957</u>	<u>\$ 753,079</u>	<u>\$ 586,022</u>	<u>\$ 1,225,014</u>	<u>\$ 814,977</u>	<u>\$ 620,210</u>	<u>\$ 1,419,781</u>

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

TOWN OF MONROVIA
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.

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 MONROVIA
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.

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.

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.

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.

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.

TOWN OF MONROVIA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

TOWN OF MONROVIA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Note 6. Subsequent Events

On May 15, 2013, the Town issued refunding bonds for the Wastewater Utility in the amount of \$770,000. This was done to avoid the balloon payment on the 1999 State Revolving Fund (SRF) debt due on January 1, 2021, in the amount of \$861,193. The Town used funds accumulated in the Wastewater Utility Bond and Interest Fund in the amount of \$453,105 in addition to the proceeds raised from the 2013 refunding issue to pay off the SRF debt. The 2013 refunding issue has a final maturity of January 1, 2023.

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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 MONROVIA
 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	Police Computer	Rainy Day	Escrow	Law Enforcement	Operation Pullover
Cash and investments - beginning	\$ 121,801	\$ 60,468	\$ 53,001	\$ 3,930	\$ -	\$ 9,312	\$ 8,000	\$ 2,621	\$ -
Receipts:									
Taxes	109,969	-	-	3,930	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	530	-
Intergovernmental	61,094	24,120	6,673	-	-	-	-	-	375
Fines and forfeits	-	-	-	-	-	-	-	556	-
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	21,842	-	-	-	9,307	9,810	-	-	-
Total receipts	<u>192,905</u>	<u>24,120</u>	<u>6,673</u>	<u>3,930</u>	<u>9,307</u>	<u>9,810</u>	<u>-</u>	<u>1,086</u>	<u>375</u>
Disbursements:									
Personal services	60,500	-	-	-	-	-	-	-	-
Debt service principal and interest	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	69,002	34,695	1,900	7,860	9,307	-	-	-	-
Total disbursements	<u>129,502</u>	<u>34,695</u>	<u>1,900</u>	<u>7,860</u>	<u>9,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>63,403</u>	<u>(10,575)</u>	<u>4,773</u>	<u>(3,930)</u>	<u>-</u>	<u>9,810</u>	<u>-</u>	<u>1,086</u>	<u>375</u>
Cash and investments - ending	<u>\$ 185,204</u>	<u>\$ 49,893</u>	<u>\$ 57,774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,122</u>	<u>\$ 8,000</u>	<u>\$ 3,707</u>	<u>\$ 375</u>

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

	Nonreverting #2	Public Safety	County Economic Dev Income Tax	Cumulative Capital Improvement	Payroll	Wastewater Utility-Operating	Wastewater Util-Bond And Interest	Wastewater Utility-Construction	Totals
Cash and investments - beginning	\$ 1,750	\$ 24,849	\$ 71,025	\$ 1,926	\$ 8,331	\$ 73,001	\$ 419,997	\$ 70,936	\$ 930,948
Receipts:									
Taxes	-	-	-	-	-	-	-	-	113,899
Licenses and permits	-	-	-	-	-	-	-	-	530
Intergovernmental	-	13,439	30,514	1,838	-	-	-	-	138,053
Fines and forfeits	-	-	-	-	-	-	-	-	556
Utility fees	-	-	-	-	-	348,033	-	-	348,033
Other receipts	-	-	-	-	66,531	-	132,954	-	240,444
Total receipts	-	13,439	30,514	1,838	66,531	348,033	132,954	-	841,515
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	60,500
Debt service principal and interest	-	-	-	-	-	23,183	64,634	-	87,817
Utility operating expenses	-	-	-	-	-	318,692	-	-	318,692
Other disbursements	-	-	49,780	1,950	73,003	-	-	-	247,497
Total disbursements	-	-	49,780	1,950	73,003	341,875	64,634	-	714,506
Excess (deficiency) of receipts over disbursements	-	13,439	(19,266)	(112)	(6,472)	6,158	68,320	-	127,009
Cash and investments - ending	\$ 1,750	\$ 38,288	\$ 51,759	\$ 1,814	\$ 1,859	\$ 79,159	\$ 488,317	\$ 70,936	\$ 1,057,957

TOWN OF MONROVIA
 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	Public Safety	County Economic Dev Income Tax	Law Enforcement	Operation Pullover
Cash and investments - beginning	\$ 185,204	\$ 49,893	\$ 57,774	\$ -	\$ 19,122	\$ 38,288	\$ 51,759	\$ 3,707	\$ 375
Receipts:									
Taxes	63,662	-	-	-	-	-	-	-	-
Licenses and permits	24,738	-	-	-	-	-	-	300	-
Intergovernmental	63,590	23,968	6,482	-	-	11,881	21,295	-	1,724
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	4,406	-	-	3,930	-	2,180	-	576	-
Total receipts	156,396	23,968	6,482	3,930	-	14,061	21,295	876	1,724
Disbursements:									
Personal services	24,689	-	-	-	-	1,750	-	-	-
Supplies	5,459	1,845	-	-	-	5,437	-	-	-
Other services and charges	41,323	30,690	30	-	-	1,751	-	-	-
Capital outlay	350	-	-	-	-	-	1,265	141	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-	-
Total disbursements	71,821	32,535	30	-	-	8,938	1,265	141	-
Excess (deficiency) of receipts over disbursements	84,575	(8,567)	6,452	3,930	-	5,123	20,030	735	1,724
Cash and investments - ending	\$ 269,779	\$ 41,326	\$ 64,226	\$ 3,930	\$ 19,122	\$ 43,411	\$ 71,789	\$ 4,442	\$ 2,099

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

	Nonreverting #2	Cumulative Capital Improvement	Escrow	Payroll	Wastewater Utility-Operating	Wastewater Util-Bond And Interest	Wastewater Utility-Construction	Totals
Cash and investments - beginning	\$ 1,750	\$ 1,814	\$ 8,000	\$ 1,859	\$ 79,159	\$ 488,317	\$ 70,936	\$ 1,057,957
Receipts:								
Taxes	-	-	-	-	-	-	-	63,662
Licenses and permits	-	-	-	-	-	-	-	25,038
Intergovernmental	-	1,804	-	-	-	-	-	130,744
Utility fees	-	-	-	-	354,074	-	-	354,074
Other receipts	5,360	-	-	25,953	-	136,666	490	179,561
Total receipts	5,360	1,804	-	25,953	354,074	136,666	490	753,079
Disbursements:								
Personal services	-	-	-	14,509	-	-	-	40,948
Supplies	-	-	-	-	-	-	-	12,741
Other services and charges	2,747	-	-	-	-	-	-	76,541
Capital outlay	-	-	-	-	-	-	-	1,756
Utility operating expenses	-	-	-	-	366,219	-	-	366,219
Other disbursements	-	-	-	-	-	87,817	-	87,817
Total disbursements	2,747	-	-	14,509	366,219	87,817	-	586,022
Excess (deficiency) of receipts over disbursements	2,613	1,804	-	11,444	(12,145)	48,849	490	167,057
Cash and investments - ending	\$ 4,363	\$ 3,618	\$ 8,000	\$ 13,303	\$ 67,014	\$ 537,166	\$ 71,426	\$ 1,225,014

TOWN OF MONROVIA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	General	Motor Vehicle Highway	Local Road And Street	Riverboat	Rainy Day	Public Safety	County Economic Dev Income Tax	Law Enforcement	Operation Pullover
Cash and investments - beginning	\$ 269,779	\$ 41,326	\$ 64,226	\$ 3,930	\$ 19,122	\$ 43,411	\$ 71,789	\$ 4,442	\$ 2,099
Receipts:									
Taxes	62,804	-	-	-	-	-	-	-	-
Licenses and permits	19,334	-	-	-	-	-	-	650	-
Intergovernmental	66,173	24,397	5,603	-	-	11,780	39,119	-	967
Fines and forfeits	-	-	-	-	-	-	-	696	-
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	4,369	-	-	6,297	-	-	-	-	-
Total receipts	<u>152,680</u>	<u>24,397</u>	<u>5,603</u>	<u>6,297</u>	<u>-</u>	<u>11,780</u>	<u>39,119</u>	<u>1,346</u>	<u>967</u>
Disbursements:									
Personal services	15,399	-	-	-	-	1,000	-	-	-
Supplies	3,868	1,263	-	-	-	6,925	-	-	-
Other services and charges	52,722	17,002	2,250	-	-	2,984	2,084	-	-
Capital outlay	32,633	-	575	-	-	-	38,084	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-	-
Total disbursements	<u>104,622</u>	<u>18,265</u>	<u>2,825</u>	<u>-</u>	<u>-</u>	<u>10,909</u>	<u>40,168</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>48,058</u>	<u>6,132</u>	<u>2,778</u>	<u>6,297</u>	<u>-</u>	<u>871</u>	<u>(1,049)</u>	<u>1,346</u>	<u>967</u>
Cash and investments - ending	<u>\$ 317,837</u>	<u>\$ 47,458</u>	<u>\$ 67,004</u>	<u>\$ 10,227</u>	<u>\$ 19,122</u>	<u>\$ 44,282</u>	<u>\$ 70,740</u>	<u>\$ 5,788</u>	<u>\$ 3,066</u>

TOWN OF MONROVIA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Nonreverting #2	Cumulative Capital Improvement	Escrow	Payroll	Wastewater Utility-Operating	Wastewater Util-Bond And Interest	Wastewater Utility-Constructor	Totals
Cash and investments - beginning	\$ 4,363	\$ 3,618	\$ 8,000	\$ 13,303	\$ 67,014	\$ 537,166	\$ 71,426	\$ 1,225,014
Receipts:								
Taxes	-	-	-	-	-	-	-	62,804
Licenses and permits	-	-	-	-	-	-	-	19,984
Intergovernmental	-	1,328	-	-	-	-	-	149,367
Fines and forfeits	-	-	-	-	-	-	-	696
Utility fees	-	-	-	-	373,215	-	-	373,215
Other receipts	-	-	3	67,433	-	130,809	-	208,911
Total receipts	-	1,328	3	67,433	373,215	130,809	-	814,977
Disbursements:								
Personal services	-	-	-	11,716	-	-	-	28,115
Supplies	-	-	-	-	-	-	-	12,056
Other services and charges	-	-	-	-	-	-	-	77,042
Capital outlay	-	-	-	-	-	-	-	71,292
Utility operating expenses	-	-	-	-	343,869	-	-	343,869
Other disbursements	-	-	-	-	-	87,836	-	87,836
Total disbursements	-	-	-	11,716	343,869	87,836	-	620,210
Excess (deficiency) of receipts over disbursements	-	1,328	3	55,717	29,346	42,973	-	194,767
Cash and investments - ending	\$ 4,363	\$ 4,946	\$ 8,003	\$ 69,020	\$ 96,360	\$ 580,139	\$ 71,426	\$ 1,419,781

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TOWN OF MONROVIA
 SCHEDULE OF LEASES AND DEBT
 December 31, 2012

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater:			
General obligation bonds	SRF LOAN	\$ 1,240,377	\$ 42,902
Totals		<u>\$ 1,240,377</u>	<u>\$ 42,902</u>

TOWN OF MONROVIA
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

The Annual Reports for the years 2010, 2011, and 2012 contained a number of errors and did not properly reflect the financial activity of the Town.

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."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances for the Town funds were not presented for examination for the period of January 1, 2011 to date.

The only attempted reconciliation presented for examination was for January 31, 2011. We attempted to prepare bank reconciliations at December 31, 2011 and 2012, during the examination; however, we were unable to do so as a result of transactions not being posted to the records.

The Town needs to review the posting of receipts, vendor checks and payroll from January 1, 2011 to date and balance the bank statement with the amount reported on the Fund Report on a monthly basis.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Town. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

Beginning January 1, 2011, the Clerk-Treasurer began relying on their Keystone financial software to account for the financial activity of the Town funds. The software was used previously; however, receipts and disbursements were recorded manually on the Ledger of Receipts, Disbursements, and Balances (General Form No. 358) and this was used to balance the bank account with the fund balances for the Town funds. The Revenue Detail History, Appropriation History Report, Check Register, and Fund Report were requested for 2011 and 2012. The Town had to contact their software vendor before they were able to produce these reports for the examination.

When the bank account balance was compared to the fund balance report at December 31, 2011 and 2012, the fund balance reports showed significantly more than what was available in the bank account. A proof of cash for 2011 was performed for receipts and there were bank deposits found that were not recorded on the Revenue Detail History report. Likewise, there were more withdrawals on the bank statements than were represented in the check register. It appeared that payroll was not being posted correctly to the financial reports.

TOWN OF MONROVIA
EXAMINATION RESULTS AND COMMENTS
(Continued)

In 2012, there were state distributions that were electronically transferred into the bank account that were not posted to the Revenue Detail History. November 2012 tax distributions from the county were observed deposited to the bank account, but not observed posted to the Revenue Detail History. The Clerk-Treasurer also stated that interest credited to the bank account had not been posted to the ledger in 2011 or 2012.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PUBLIC RECORDS RETENTION

At year end, history reports showing activity for the calendar year either need to be available for review on the Town's computer equipment or reports printed and maintained showing all activity for revenues, disbursements and appropriations, employee earnings, payroll withholdings, bank reconcilements, and fund reports. In addition, any computer reports such as wastewater account histories that are not available to be printed upon request need to be printed and filed annually. A request was made to review some wastewater accounts for 2010 and 2011. We were told that these years could not be viewed and therefore were unavailable for examination.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

PENALTIES, INTEREST, AND OTHER CHARGES

The Town paid penalties, interest and other charges during the examination period to the Internal Revenue Service in the amount of \$3,584.53 and to the Indiana Department of Revenue in the amount of \$1,186.27 because the Town did not remit payments and/or submit required reports on a timely basis.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MONROVIA
EXIT CONFERENCE

The contents of this report were discussed on October 2, 2013, with Brenda Prough, Clerk-Treasurer, and Robert L. Marley, President of the Town Council. The officials concurred with our findings.