

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

EXAMINATION REPORT

OF

CITY OF MONTPELIER

BLACKFORD COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED

08/01/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Dennis L. Clouse	01-01-04 to 12-31-07
Mayor	James A. McPherson	01-01-04 to 12-31-07
President of the Common Council	David W. Wall	01-01-06 to 12-31-07
President of the Board of Public Works and Safety	James A. McPherson	01-01-06 to 12-31-07
President of the Stormwater Board	David W. Wall	01-01-06 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF MONTPELIER, BLACKFORD COUNTY, INDIANA

We have examined the financial information presented herein of the City of Montpelier (City), for the period of January 1, 2006 to December 31, 2006. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

June 21, 2007

CITY OF MONTPELIER
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 57,635	\$ 521,578	\$ 512,807	\$ 66,406
Motor Vehicle Highway	23,536	70,471	59,639	34,368
Local Road and Street	15,790	9,246	12,457	12,579
Law Enforcement Continuing Education	1,115	719	578	1,256
Riverboat	11,052	12,139	12,881	10,310
Rainy Day	2,389	-	-	2,389
Special Equipment	4,000	13,516	9,843	7,673
Cumulative Capital Improvement	1	6,891	6,891	1
Cumulative Capital Development	18,502	20,542	18,972	20,072
Street and Stormwater Construction	22,405	-	16,436	5,969
Economic Development Income Tax	88,910	32,496	11,968	109,438
Levy Excess	-	11,101	11,101	-
Proprietary Funds:				
Water Utility - Operating	38,786	317,103	332,494	23,395
Water Utility - Bond and Interest	205,579	97,058	113,852	188,785
Water Utility - Debt Service Reserve	58,006	-	-	58,006
Water Utility - Customer Deposit	10,817	5,600	5,881	10,536
Water Utility - Construction	2,234	-	-	2,234
Water Utility - Improvement	19,288	14,169	13,987	19,470
Water Utility - Grant PL-005	-	49,500	49,500	-
Water Utility - Retainage	18,022	41	18,063	-
Wastewater Utility - Operating	32,590	326,024	328,922	29,692
Wastewater Utility - Bond and Interest	177,845	136,051	172,303	141,593
Wastewater Utility - Construction	90	-	-	90
Stormwater Utility - Operating	35,916	48,513	72,860	11,569
Stormwater Utility - Bond and Interest	8,961	34,184	35,239	7,906
Trash Utility - Operating	48,725	98,803	100,233	47,295
Trash Utility - Improvement	8,296	12,198	-	20,494
Fiduciary Funds:				
Police Officers' Pension	20,544	5,245	9,531	16,258
City Court User Fee	5,186	-	-	5,186
Court Costs Due County	-	154	-	154
City Court	1,855	-	1,855	-
Payroll	1,801	450,119	450,023	1,897
Totals	\$ 939,876	\$ 2,293,461	\$ 2,378,316	\$ 855,021

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

CITY OF MONTPELIER
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, culture and recreation, utility services, and general administrative services.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the City 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.

CITY OF MONTPELIER
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Note 7. Subsequent Event

The City, through its Redevelopment Authority, is constructing a new industrial park. The City expects to pay \$87,500 towards this project (5% of the total project cost) from its Economic Development Income Tax Fund in 2007.

CITY OF MONTPELIER
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

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:	
Capital assets, not being depreciated:	
Land	\$ 312,982
Buildings	537,936
Improvements other than buildings	321,236
Machinery and equipment	<u>340,876</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 1,513,030</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 33,000
Buildings	988,103
Improvements other than buildings	889,043
Machinery and equipment	<u>343,005</u>
 Total Water Utility capital assets	 <u>2,253,151</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	121,728
Buildings	183,097
Improvements other than buildings	2,620,205
Machinery and equipment	<u>229,501</u>
 Total Wastewater Utility capital assets	 <u>3,154,531</u>
Trash Utility:	
Capital assets, not being depreciated:	
Buildings	10,000
Machinery and equipment	<u>92,112</u>
 Total Trash Utility capital assets	 <u>102,112</u>
Stormwater Utility:	
Capital assets, not being depreciated:	
Improvements other than buildings	59,225
Machinery and equipment	<u>44,010</u>
 Total Stormwater Utility capital assets	 <u>103,235</u>
 Total business-type activities capital assets	 <u>\$ 5,613,029</u>

CITY OF MONTPELIER
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

The City has entered into the following debt issues:

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
City buildings	\$ 165,702	\$ 6,556
Police cars	37,248	15,545
Loan:		
Police vests	2,503	1,122
Revenue bonds payable:		
Street and stormwater	<u>199,000</u>	<u>16,000</u>
Total governmental activities long-term debt	<u>\$ 404,453</u>	<u>\$ 39,223</u>
Business-type Activities:		
Water Utility		
Capital leases:		
Water tower	\$ 39,498	\$ 8,768
Revenue bonds:		
1988 issue	295,000	35,000
1993 issue	70,000	20,000
1995 issue	<u>115,000</u>	<u>5,000</u>
Total Water Utility	<u>519,498</u>	<u>68,768</u>
Wastewater Utility		
Revenue bonds:		
1995 issue	460,000	40,000
2001 SRF issue	<u>1,118,622</u>	<u>60,000</u>
Total Wastewater Utility	<u>1,578,622</u>	<u>100,000</u>
Stormwater Utility:		
Revenue bonds:		
1992 issue	<u>218,000</u>	<u>25,000</u>
Total Stormwater Utility	<u>218,000</u>	<u>25,000</u>
Total business-type activities long-term debt:	<u>\$ 2,316,120</u>	<u>\$ 193,768</u>

CITY OF MONTPELIER
EXAMINATION RESULTS AND COMMENTS

DELINQUENT ACCOUNTS RECEIVABLE

Section 50.02 of the City Code details the City's policy concerning discontinuation of Utility services for nonpayment. The policy has not been enforced consistently.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) a description of the premises, as shown by the records of the county auditor; and
 - (C) the amount of the delinquent fees, together with the penalty; or

CITY OF MONTPELIER
EXAMINATION RESULTS AND COMMENTS
(Continued)

(2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

BOND ORDINANCE REQUIREMENTS

The City's bond ordinances require that certain amounts be receipted to its funds. At December 31, 2006, said requirements were not met for the following funds:

The Wastewater Utility's Operating Fund is required to maintain a balance sufficient to pay two months' operating expenses. Based on 2004's operating expenses (unadjusted for inflation), the balance was insufficient by \$13,521.

The Wastewater Utility's Debt Service Reserve Fund is required to maintain a balance equal to the largest future annual debt service requirement. Even allowing for the surplus in the Bond and Interest Fund, the balance was insufficient by \$23,393.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF MONTPELIER
EXIT CONFERENCE

The contents of this report were discussed on June 21, 2007, with Dennis L. Clouse, Clerk-Treasurer; and James A. McPherson, Mayor. The officials concurred with our findings.