

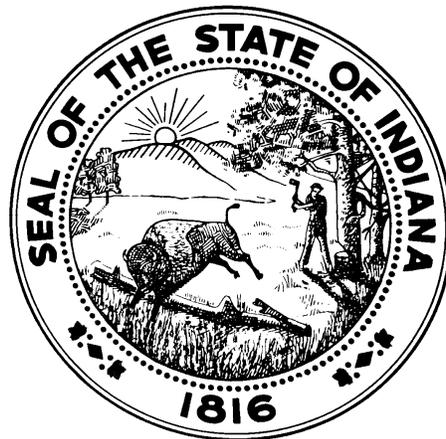
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2007

CITY OF MONTPELIER

BLACKFORD COUNTY, INDIANA



FILED
06/18/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Dennis L. Clouse Kelli J. Schriver	01-01-04 to 12-31-07 01-01-08 to 12-31-11
Mayor	James A. McPherson	01-01-04 to 12-31-11
President of the Board of Public Works and Safety	James A. McPherson	01-01-04 to 12-31-11
President of the Common Council	David W. Wall Thomas D. Mounsey	01-01-07 to 12-31-07 01-01-08 to 12-31-08
President of the Storm Water Board	David W. Wall Ronald D. Twibell	01-01-07 to 12-31-07 01-01-08 to 12-31-08



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montpelier (City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2007, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated May 29, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Schedules of Funding Progress and Schedule of Contributions From the Employer and Other Contributing Entities, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

May 29, 2008



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montpelier (City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the City's management and federal awarding agencies and pass-through entities 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

May 29, 2008

CITY OF MONTPELIER
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2007

Functions/Programs	Disbursements	Program Receipts			Net (Disbursement) Receipt and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 120,110	\$ -	\$ -	\$ -	\$ (120,110)	\$ -	\$ (120,110)
Public safety	593,118	-	-	130,000	(463,118)	-	(463,118)
Highways and streets	80,733	-	83,924	-	3,191	-	3,191
Culture and recreation	22,104	-	-	-	(22,104)	-	(22,104)
Economic development	1,635,496	-	-	722,403	(913,093)	-	(913,093)
Debt service	78,895	-	-	-	(78,895)	-	(78,895)
Total governmental activities	<u>2,530,456</u>	<u>-</u>	<u>83,924</u>	<u>852,403</u>	<u>(1,594,129)</u>	<u>-</u>	<u>(1,594,129)</u>
Business-type activities:							
Water	364,778	303,074	-	-	-	(61,704)	(61,704)
Wastewater	366,255	313,311	-	-	-	(52,944)	(52,944)
Storm water	51,748	44,742	-	-	-	(7,006)	(7,006)
Trash	102,835	96,513	-	-	-	(6,322)	(6,322)
Total business-type activities	<u>885,616</u>	<u>757,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(127,976)</u>	<u>(127,976)</u>
Total primary government	<u>\$ 3,416,072</u>	<u>\$ 757,640</u>	<u>\$ 83,924</u>	<u>\$ 852,403</u>	<u>(1,594,129)</u>	<u>(127,976)</u>	<u>(1,722,105)</u>
General receipts:							
Property taxes					284,214	-	284,214
Other local taxes					171,934	-	171,934
Grants not restricted to specific programs					26,260	-	26,260
Local match for grant					66,792	-	66,792
Unrestricted investment earnings					16,571	13,270	29,841
Other local sources					28,875	4,700	33,575
Net transfers between fund types					574	(574)	-
Total general receipts and net transfers between fund types					<u>595,220</u>	<u>17,396</u>	<u>612,616</u>
Change in net assets					(998,909)	(110,580)	(1,109,489)
Net assets - beginning					<u>1,229,497</u>	<u>553,159</u>	<u>1,782,656</u>
Net assets - ending					<u>\$ 230,588</u>	<u>\$ 442,579</u>	<u>\$ 673,167</u>
<u>Assets</u>							
Cash and investments					\$ 153,083	\$ 349,862	\$ 502,945
Cash with fiscal agent					77,505	34,711	112,216
Restricted assets:							
Cash and investments					-	58,006	58,006
Total assets					<u>\$ 230,588</u>	<u>\$ 442,579</u>	<u>\$ 673,167</u>
<u>Net Assets</u>							
Restricted for:							
Debt service					\$ -	\$ 92,717	\$ 92,717
Unrestricted					<u>230,588</u>	<u>349,862</u>	<u>580,450</u>
Total net assets					<u>\$ 230,588</u>	<u>\$ 442,579</u>	<u>\$ 673,167</u>

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

CITY OF MONTPELIER
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007

	General	Special Equipment	Motor Vehicle Highway	Economic Development Income Tax	Redevelopment Authority	Other Governmental Funds	Totals
Receipts:							
Taxes	\$ 248,010	\$ -	\$ -	\$ -	\$ -	\$ 36,204	\$ 284,214
Intergovernmental	143,809	130,000	69,042	30,986	722,403	38,396	1,134,636
Other	23,858	71,016	-	-	15,052	2,197	112,123
Total receipts	415,677	201,016	69,042	30,986	737,455	76,797	1,530,973
Disbursements:							
General government	117,840	-	-	-	-	2,270	120,110
Public safety	371,617	205,759	-	-	-	15,742	593,118
Highways and streets	-	-	70,495	-	-	10,238	80,733
Culture and recreation	22,104	-	-	-	-	-	22,104
Economic development	-	-	-	24,416	1,611,080	-	1,635,496
Debt service	6,577	-	-	11,868	-	60,450	78,895
Total disbursements	518,138	205,759	70,495	36,284	1,611,080	88,700	2,530,456
Deficiency of receipts over disbursements	(102,461)	(4,743)	(1,453)	(5,298)	(873,625)	(11,903)	(999,483)
Other financing sources (uses):							
Interfund loans	37,442	-	-	(37,442)	-	3,402	3,402
Transfers in	6,900	-	-	-	-	4,617	11,517
Transfers out	(6,856)	-	-	-	-	(7,489)	(14,345)
Total other financing sources (uses)	37,486	-	-	(37,442)	-	530	574
Deficiency of receipts and other financing sources over disbursements and other financing uses	(64,975)	(4,743)	(1,453)	(42,740)	(873,625)	(11,373)	(998,909)
Cash and investment fund balance - beginning	64,975	7,673	34,368	109,438	951,130	61,913	1,229,497
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 2,930</u>	<u>\$ 32,915</u>	<u>\$ 66,698</u>	<u>\$ 77,505</u>	<u>\$ 50,540</u>	<u>\$ 230,588</u>
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ 2,930	\$ 32,915	\$ 66,698	\$ -	\$ 50,540	\$ 153,083
Cash with fiscal agent	-	-	-	-	77,505	-	77,505
Total cash and investment assets - December 31	<u>\$ -</u>	<u>\$ 2,930</u>	<u>\$ 32,915</u>	<u>\$ 66,698</u>	<u>\$ 77,505</u>	<u>\$ 50,540</u>	<u>\$ 230,588</u>
Cash and Investment Fund Balance - December 31							
Unrestricted	<u>\$ -</u>	<u>\$ 2,930</u>	<u>\$ 32,915</u>	<u>\$ 66,698</u>	<u>\$ 77,505</u>	<u>\$ 50,540</u>	<u>\$ 230,588</u>

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

CITY OF MONTPELIER
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2007

	Water Utility	Wastewater Utility	Storm Water Utility	Trash Utility	Totals
Operating receipts:					
Customer billings	\$ 247,161	\$ 303,870	\$ 43,491	\$ 84,571	\$ 679,093
Fire protection receipts	37,272	-	-	-	37,272
Other	18,641	9,441	1,251	11,942	41,275
Total operating receipts	303,074	313,311	44,742	96,513	757,640
Operating disbursements:					
Salaries and wages	92,919	99,629	14,658	26,065	233,271
Employee pensions and benefits	43,805	36,241	1,905	7,188	89,139
Material and supplies	28,944	15,941	3,462	13,557	61,904
Insurance	26,882	19,786	4,000	1,167	51,835
Contracted services	25,266	16,348	14,209	7,152	62,975
Taxes	20,988	-	-	-	20,988
Landfill charges	-	-	-	38,611	38,611
Miscellaneous disbursements	23,066	16,178	614	9,095	48,953
Total operating disbursements	261,870	204,123	38,848	102,835	607,676
Excess (deficiency) of operating receipts over operating disbursements	41,204	109,188	5,894	(6,322)	149,964
Nonoperating receipts (disbursements):					
Interest receipts	12,553	717	-	-	13,270
Miscellaneous receipts	4,700	-	-	-	4,700
Debt service	(98,799)	(162,132)	(12,900)	-	(273,831)
Miscellaneous disbursements	(4,109)	-	-	-	(4,109)
Total nonoperating receipts (disbursements)	(85,655)	(161,415)	(12,900)	-	(259,970)
Deficiency of receipts over disbursements and nonoperating receipts (disbursements)	(44,451)	(52,227)	(7,006)	(6,322)	(110,006)
Interfund loans	-	-	(3,402)	-	(3,402)
Transfers in	2,828	-	-	-	2,828
Deficiency of receipts, contributions and transfers in over disbursements and transfers out	(41,623)	(52,227)	(10,408)	(6,322)	(110,580)
Cash and investment fund balance - beginning	302,427	171,374	11,569	67,789	553,159
Cash and investment fund balance - ending	<u>\$ 260,804</u>	<u>\$ 119,147</u>	<u>\$ 1,161</u>	<u>\$ 61,467</u>	<u>\$ 442,579</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 202,798	\$ 84,436	\$ 1,161	\$ 61,467	\$ 349,862
Cash with fiscal agent	-	34,711	-	-	34,711
Restricted assets:					
Cash and investments	58,006	-	-	-	58,006
Total cash and investment assets - December 31	<u>\$ 260,804</u>	<u>\$ 119,147</u>	<u>\$ 1,161</u>	<u>\$ 61,467</u>	<u>\$ 442,579</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Debt service	\$ 58,006	\$ 34,711	\$ -	\$ -	\$ 92,717
Unrestricted	202,798	84,436	1,161	61,467	349,862
Total cash and investment fund balance - December 31	<u>\$ 260,804</u>	<u>\$ 119,147</u>	<u>\$ 1,161</u>	<u>\$ 61,467</u>	<u>\$ 442,579</u>

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

CITY OF MONTPELIER
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2007

	Pension Trust Fund	Agency Funds
Additions:		
Contributions:		
State	\$ 4,967	\$ -
Investment earnings:		
Interest	53	-
Agency fund additions	-	469,241
Total additions	5,020	469,241
Deductions:		
Pension benefits	11,743	-
Agency fund deductions	-	468,938
Total deductions	11,743	468,938
Excess (deficiency) of total additions over total deductions	(6,723)	303
Cash and investment fund balance - beginning	16,258	7,237
Cash and investment fund balance - ending	\$ 9,535	\$ 7,540

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

CITY OF MONTPELIER
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor Town Council form of government and provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, economic development, general administrative services, and water, wastewater, storm water, and trash utilities.

The City's financial reporting entity is composed of the following:

Primary Government: City of Montpelier
Blended Component Unit: Montpelier Redevelopment Authority

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Blended Component Unit

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the City's governing body or the component unit provides services entirely to the City. The component unit's funds are blended into those of the City by appropriate fund type to constitute the primary government presentation. The blended component unit is presented below:

<u>Component Unit</u>	<u>Description/Inclusion Criteria</u>	<u>Fund Included In</u>
Redevelopment Authority	The primary government appoints a voting majority of the Authority's board and is able to impose its will. Although it is legally separate from the City, the Authority is reported as if it were a part of the City because the two boards are substantively the same.	Its own major fund

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and

CITY OF MONTPELIER
NOTES TO FINANCIAL STATEMENTS
(Continued)

disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The special equipment fund accounts for special purchases, including a fire truck in 2007.

The motor vehicle highway fund accounts for state distributions used primarily to maintain the City's streets.

The economic development income tax fund accounts for income taxes to be used for economic development.

The redevelopment authority fund accounts for the funds held by the Redevelopment Authority, which is a blended component unit as discussed above. Its transactions include the development of a new industrial park in 2007 funded by a federal grant and 2006 bond proceeds.

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

The storm water utility fund accounts for the operation of the storm water collection system.

The trash utility fund accounts for the operation of trash collection system.

Additionally, the City reports the following fund types:

The pension trust fund accounts for the activities of the police pension fund, which accumulates resources for pension benefit payments.

Agency funds account for assets held by the City as payroll withholdings or as an agent for other governmental entities.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, 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.

CITY OF MONTPELIER
NOTES TO FINANCIAL STATEMENTS
(Continued)

The cash and investment 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. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and hydrant rent between the general fund and the water utility. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The City does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

CITY OF MONTPELIER
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.

CITY OF MONTPELIER
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

CITY OF MONTPELIER
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2007, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2007
Police Pension	\$ 1,734
Riverboat	11,053
Total	\$ 12,787

These disbursements were funded by available fund balances.

C. Interfund Loan Balances

Interfund loans were made to funds who did not receive their entire tax distributions by the usual dates. At December 31, 2007, two of these loans had not been repaid due to continued delays in billing and collecting taxes: the General Fund owed \$37,442 to the economic development income tax fund and the storm water bond and interest fund owed \$3,402 to the Storm Water Utility.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2007, the City had no investments.

CITY OF MONTPELIER
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2007, were as follows:

Transfer From	Transfer To	2007
General Fund	Other governmental funds	\$ 4,028
	Water Utility Fund	2,828
Economic Development Income Tax Fund	General Fund	37,442
Other governmental funds	General Fund	6,900
	Other governmental funds	589
Storm Water Utility Fund	Other governmental funds	3,402
		<u>55,189</u>
Total		<u>\$ 55,189</u>

The City typically uses transfers for cash flow purposes as provided by various statutory provisions.

C. Restatements and Reclassifications

For the year ended December 31, 2007, certain changes have been made to the financial statements to more appropriately reflect financial activity of the City. The following schedule presents a summary of restated beginning balances by opinion unit. New Funds represents the inclusion of existing funds which were not presented in the prior report. Prior period adjustments represent adjustments to correct reporting errors in the prior year.

Opinion Unit	Balance as Reported December 31, 2006	Fund Reclassification	New Funds	Prior Period Adjustments	Balance as Restated January 1, 2007
General Fund	\$ 66,406	\$ -	\$ -	\$ (1,431)	\$ 64,975
Redevelopment Authority Fund	-	-	951,130	-	951,130
Other governmental funds	52,576	7,906	-	1,431	61,913
Storm Water Utility Fund	19,475	(7,906)	-	-	11,569

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and job related illnesses or injuries to employees.

The risks of torts; theft of, damage to, and destruction of assets; and errors and omissions are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

CITY OF MONTPELIER
NOTES TO FINANCIAL STATEMENTS
(Continued)

Job Related Illnesses or Injuries to Employees

During 1997, the City joined the Indiana Public Employer's Plan, Inc., a public entity risk pool currently operating as a common risk management and insurance program for approximately 850 member governmental entities. This risk pool was formed in 1990. The purpose of the risk pool is to provide a medium for the funding and administration of workers compensation claims. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. Rate Structure – Enterprise Funds

Water Utility

On August 5, 1994, the Common Council adopted Ordinance No. 94-05 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on October 11, 1999.

Wastewater Utility

The current rate structure was approved by the Common Council on July 9, 2001.

Storm Water Utility

The current rate structure was approved by the Common Council on July 23, 1993.

Trash Utility

The current rate structure was approved by the Common Council on October 11, 1999.

C. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. 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 the 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 member's 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.

CITY OF MONTPELIER
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. The 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 plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

CITY OF MONTPELIER
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>
Annual required contribution	\$ 12,349	\$ 3,900
Interest on net pension obligation	(1,109)	(700)
Adjustment to annual required contribution	<u>1,264</u>	<u>800</u>
Annual pension cost	12,504	4,000
Contributions made	<u>10,750</u>	<u>6,102</u>
Increase (decrease) in net pension obligation	1,754	(2,102)
Net pension obligation, beginning of year	<u>(15,303)</u>	<u>(10,752)</u>
Net pension obligation, end of year	<u>\$ (13,549)</u>	<u>\$ (12,854)</u>

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>
Contribution rates:		
City	7%	Not applicable
Plan members	3%	Not applicable
Actuarial valuation date	07-01-06	01-01-06
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	30 years
Amortization period (from date)	07-01-97	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital

Actuarial Assumptions

Investment rate of return	7.25%	6%
Projected future salary increases:		
Total	5%	4%
Attributed to inflation	4%	4%
Attributed to merit/seniority	1%	0%
Cost-of-living adjustments	2%	2.75%

CITY OF MONTPELIER
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 7,362	129%	\$ (13,256)
	06-30-05	8,048	125%	(15,303)
	06-30-06	12,504	86%	(13,549)
1925 Police Officers' Pension Plan	12-31-03	6,800	98%	(12,224)
	12-31-04	7,300	80%	(10,752)
	12-31-05	4,000	153%	(12,854)

Membership in the 1925 Police Officers' Pension Plan at January 1, 2007, was comprised of the following:

	<u>1925 Police Officers' Pension</u>
Retirees and beneficiaries currently receiving benefits	1
Terminated employees entitled to but not yet receiving benefits	0
Current active employees	0

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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:

CITY OF MONTPELIER
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2007, 2006, and 2005, were \$27,231, \$26,687, and \$29,297, respectively, equal to the required contributions for each year.

CITY OF MONTPELIER
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 115,561	\$ 118,364	\$ (2,803)	98%	\$ 155,608	(2%)
07-01-05	124,175	158,655	(34,480)	78%	181,433	(19%)
07-01-06	164,898	166,933	(2,035)	99%	187,505	(1%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-01	\$ 13,228	\$ 60,400	\$ (47,172)	22%	\$ -	N/A
01-01-02	20,719	60,100	(39,381)	34%	-	N/A
01-01-03	23,675	59,700	(36,025)	40%	-	N/A
01-01-04	26,143	59,200	(33,057)	44%	-	N/A
01-01-05	23,434	55,100	(31,666)	43%	-	N/A
01-01-06	20,544	54,200	(33,656)	38%	-	N/A

N/A = Not available

CITY OF MONTPELIER
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS FROM THE
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

1925 Police Officers' Pension Plan					
	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed		
			City		State
			City	State	Total
1925 Police Officers' Pension Plan	12-31-00	\$ 5,900	52%	86%	
	12-31-01	6,100	57%	182%	
	12-31-02	6,300	66%	102%	
	12-31-03	6,500	60%	103%	
	12-31-04	6,700	0%	87%	
	12-31-05	3,900	0%	156%	

CITY OF MONTPELIER
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007

	Law Enforcement Continuing Education	Riverboat	Local Road and Street	Street and Storm Water Construction	Cumulative Capital Improvement	Rainy Day
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	115	12,164	9,316	-	6,775	4,567
Other	813	1,284	-	-	-	-
Total receipts	<u>928</u>	<u>13,448</u>	<u>9,316</u>	<u>-</u>	<u>6,775</u>	<u>4,567</u>
Disbursements:						
General government	-	-	-	-	-	-
Public safety	675	11,503	-	-	-	-
Highways and streets	-	-	-	-	-	-
Debt service	-	-	9,816	5,968	-	-
Total disbursements	<u>675</u>	<u>11,503</u>	<u>9,816</u>	<u>5,968</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>253</u>	<u>1,945</u>	<u>(500)</u>	<u>(5,968)</u>	<u>6,775</u>	<u>4,567</u>
Other financing sources (uses):						
Interfund loans	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(6,900)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,900)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>253</u>	<u>1,945</u>	<u>(500)</u>	<u>(5,968)</u>	<u>(125)</u>	<u>4,567</u>
Cash and investment fund balance - beginning	<u>1,256</u>	<u>10,310</u>	<u>12,579</u>	<u>5,969</u>	<u>1,432</u>	<u>2,389</u>
Cash and investment fund balance - ending	<u>\$ 1,509</u>	<u>\$ 12,255</u>	<u>\$ 12,079</u>	<u>\$ 1</u>	<u>\$ 1,307</u>	<u>\$ 6,956</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	<u>\$ 1,509</u>	<u>\$ 12,255</u>	<u>\$ 12,079</u>	<u>\$ 1</u>	<u>\$ 1,307</u>	<u>\$ 6,956</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Unrestricted	<u>\$ 1,509</u>	<u>\$ 12,255</u>	<u>\$ 12,079</u>	<u>\$ 1</u>	<u>\$ 1,307</u>	<u>\$ 6,956</u>

CITY OF MONTPELIER
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Cumulative Capital Development	Park Donation	Levy Excess	Storm Water Bond and Interest	Totals
Receipts:					
Taxes	\$ 12,575	\$ -	\$ -	\$ 23,629	\$ 36,204
Intergovernmental	1,940	-	-	3,519	38,396
Other	-	100	-	-	2,197
Total receipts	14,515	100	-	27,148	76,797
Disbursements:					
General government	2,270	-	-	-	2,270
Public safety	3,564	-	-	-	15,742
Highways and streets	10,238	-	-	-	10,238
Debt service	6,578	-	-	38,088	60,450
Total disbursements	22,650	-	-	38,088	88,700
Excess (deficiency) of receipts over disbursements	(8,135)	100	-	(10,940)	(11,903)
Other financing sources (uses):					
Interfund loans	-	-	-	3,402	3,402
Transfers in	-	-	4,617	-	4,617
Transfers out	(221)	-	-	(368)	(7,489)
Total other financing sources (uses)	(221)	-	4,617	3,034	530
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(8,356)	100	4,617	(7,906)	(11,373)
Cash and investment fund balance - beginning	20,072	-	-	7,906	61,913
Cash and investment fund balance - ending	\$ 11,716	\$ 100	\$ 4,617	\$ -	\$ 50,540
Cash and Investment Assets - December 31					
Cash and investments	\$ 11,716	\$ 100	\$ 4,617	\$ -	\$ 50,540
Cash and Investment Fund Balance - December 31					
Unrestricted	\$ 11,716	\$ 100	\$ 4,617	\$ -	\$ 50,540

CITY OF MONTPELIER
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2007

	City Court User Fee	Court Costs Due County	Payroll	Totals
Additions:				
Agency fund additions	\$ -	\$ -	\$ 469,241	\$ 469,241
Deductions:				
Agency fund deductions	-	-	468,938	468,938
Excess of total additions over total deductions	-	-	303	303
Cash and investment fund balance - beginning	5,186	154	1,897	7,237
Cash and investment fund balance - ending	\$ 5,186	\$ 154	\$ 2,200	\$ 7,540

CITY OF MONTPELIER
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2007

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. General infrastructure assets and assets of the City's Redevelopment Authority are excluded.

	<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>
 Storm Water Utility:	
Capital assets, not being depreciated:	
Improvements other than buildings	59,225
Machinery and equipment	<u>44,010</u>
Total Gas Utility capital assets	<u>103,235</u>
 Trash Utility:	
Capital assets, not being depreciated:	
Buildings	10,000
Machinery and equipment	<u>92,112</u>
Total Electric Utility capital assets	<u>102,112</u>
 Total business-type activities capital assets	 <u>\$ 5,613,029</u>

CITY OF MONTPELIER
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The Unittyp has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
City hall and police station	\$ 159,146	\$ 13,155
Police cars	21,703	16,738
Loan:		
Police vests	1,382	1,223
General obligation bonds:		
1992 storm water issue	193,000	36,037
2005 street and storm water issue	174,000	13,263
2006 redevelopment authority issue	<u>1,150,000</u>	<u>65,705</u>
Total governmental activities debt	<u>\$ 1,699,231</u>	<u>\$ 146,121</u>
Business-type Activities:		
Water Utility		
Capital lease:		
Water tower	\$ 29,920	\$ 9,905
Revenue bonds:		
1988 issue	260,000	50,886
1993 issue	50,000	28,500
1995 issue	<u>110,000</u>	<u>12,250</u>
Total Water Utility	<u>449,920</u>	<u>101,541</u>
Wastewater Utility		
Revenue bonds:		
1995 issue	420,000	66,955
2001 issue	<u>1,058,622</u>	<u>92,817</u>
Total Wastewater Utility	<u>1,478,622</u>	<u>159,772</u>
Total business-type activities debt	<u>\$ 1,928,542</u>	<u>\$ 261,313</u>

CITY OF MONTPELIER
AUDIT RESULTS AND COMMENTS

DEPOSITS

Collections were often retained for up to a week before being deposited into the City's bank accounts.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

PENALTIES, INTEREST, AND OTHER CHARGES

Two remittals of sales tax collections were made late, including one which was over three months late. These late payments resulted in \$435.79 of penalties, interest and late charges being paid by the City. (See Summary, page 41)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion . . . 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)

SUPPORTING DOCUMENTATION

Several payments to credit card companies 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. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INCONSISTENT ENFORCEMENT OF SHUT-OFF POLICY

Section 50.02 of the City Code details the City's policy concerning discontinuation of utility services for nonpayment. The policy was not enforced against several customers, including a business operated by the Mayor.

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
AUDIT RESULTS AND COMMENTS
(Continued)

APPROPRIATIONS

Disbursements exceeded approved appropriations by \$1,734.37 in the Police Pension Fund. Also, the Riverboat Fund, which had \$11,503.37 of disbursements, was not appropriated by the Common Council as required by Indiana Code 36-1-8-9.

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."

DELINQUENT WASTEWATER ACCOUNTS

As stated in our prior Report B30200, 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
- (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 . . ."

CITY OF MONTPELIER
AUDIT RESULTS AND COMMENTS
(Continued)

BOND ORDINANCE REQUIREMENTS

Per City Ordinance 2001-08, the Wastewater Utility's Operating Fund is required to maintain a balance sufficient to pay two months' operating expenses. Based on operating expenses of 2007 the balance was insufficient by \$34,020 at December 31, 2007.

Per the same ordinance, 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 \$45,928 at December 31, 2007.

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)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
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Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Montpelier (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2007. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the City's management and federal awarding agencies and pass-through entities 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

May 29, 2008

CITY OF MONTPELIER
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended December 31, 2007

Federal Grantor Agency/Pass-Through Entity/Program Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>ECONOMIC DEVELOPMENT ADMINISTRATION, U.S. DEPARTMENT OF COMMERCE</u>			
Direct Grant			
Investments for Public Works and Economic Development Facilities	11.300	06-01-04954	\$ 722,403
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Office of Community and Rural Affairs			
Community Development Block Grants/State's Program	14.228	CF-06-104	130,000
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DPS-002	<u>5,565</u>
 Total federal awards expended			 <u>\$ 857,968</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF MONTPELIER
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Montpelier (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF MONTPELIER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program
11.300	Investments for Public Works and Economic Development Facilities

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF MONTPELIER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF MONTPELIER
EXIT CONFERENCE

The contents of this report were discussed on May 29, 2008, with James A. McPherson, Mayor; Kelli J. Schriver, Clerk-Treasurer; Thomas D. Mounsey, President of the Common Council; and Dennis L. Clouse, former Clerk-Treasurer. The officials concurred with our audit findings.

CITY OF MONTPELIER
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Dennis L. Clouse, former Clerk-Treasurer:			
Penalties, Interest, and Other Charges, page 30	\$ 435.79	\$	\$
Received from Dennis L. Clouse on May 30, 2008	<u> -</u>	<u>435.79</u>	<u> -</u>
Totals	<u>\$ 435.79</u>	<u>\$ 435.79</u>	<u>\$ -</u>