

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, 2008 to December 31, 2009



FILED
11/30/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kelli J. Schriver	01-01-08 to 12-31-11
Mayor	James A. McPherson	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	James A. McPherson	01-01-08 to 12-31-11
President of the Common Council	Thomas D. Mounsey Michael Lee	01-01-08 to 12-31-09 01-01-10 to 12-31-10
President of the Storm Water Board	Ronald D. Twibell Kathy Casterline	01-01-08 to 03-31-10 04-01-10 to 12-31-10



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, for the period of January 1, 2008 to December 31, 2009. The District'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 years ended December 31, 2008 and 2009, 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

September 27, 2010

CITY OF MONTPELIER
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2008 And 2009

	Cash and Investments		Cash and Investments	
	01-01-08	Receipts	Disbursements	12-31-08
Governmental Funds:				
General	\$ -	\$ 575,485	\$ 575,485	\$ -
Law Enforcement Continuing Education	1,509	2,576	1,039	3,046
Special Equipment	2,931	1,190	4,121	-
Riverboat	12,255	12,100	24,324	31
Motor Vehicle Highway	32,915	52,129	69,130	15,914
Local Road and Street	12,079	8,783	11,327	9,535
Street and Storm Water Construction	1	-	1	-
Cumulative Capital Improvement	1,308	6,273	-	7,581
Economic Development Income Tax	66,698	72,633	124,595	14,736
Rainy Day	6,956	3,773	556	10,173
Cumulative Capital Development	11,716	17,203	17,546	11,373
Park Donation	100	-	-	100
Levy Excess	4,617	-	-	4,617
Storm Water Bond and Interest	-	39,940	39,940	-
Redevelopment Authority	77,505	165,496	101,765	141,236
Proprietary Funds:				
Water Utility - Operating	-	338,726	338,726	-
Water Utility - Bond and Interest	170,648	77,470	148,296	99,822
Water Utility - Water Tower Servicing	21,023	11,340	17,956	14,407
Water Utility - Meter Deposits	11,127	9,308	6,367	14,068
Water Utility - Debt Service Reserve	58,006	-	-	58,006
Stormwater Utility - Operating	1,161	46,861	46,312	1,710
Wastewater Utility - Operating	-	367,832	367,832	-
Wastewater Utility - Bond and Interest 1995	65,387	78,320	113,513	30,194
Wastewater Utility - Bond and Interest 2001	18,959	102,844	108,614	13,189
Wastewater Utility - Construction	90	-	90	-
Wastewater Utility - Debt Service Reserve	34,711	84,493	-	119,204
Trash Utility - Operating	37,155	102,346	135,303	4,198
Trash Utility - New Packer	24,312	12,198	16,699	19,811
Fiduciary Funds:				
Court Costs Due County	5,186	-	5,186	-
County Court Clearing	154	-	154	-
Police Officers' Pension	9,535	5,055	11,514	3,076
Payroll	2,200	491,929	492,383	1,746
Totals	\$ 690,244	\$ 2,686,303	\$ 2,778,774	\$ 597,773
	Cash and Investments		Cash and Investments	
	01-01-09	Receipts	Disbursements	12-31-09
Governmental Funds:				
General	\$ -	\$ 772,309	\$ 695,047	\$ 77,262
Defibulator	-	250	-	250
Law Enforcement Continuing Education	3,046	1,038	1,600	2,484
Investigating or Investigating Equipment	-	2,800	1,314	1,486
Riverboat	31	12,072	10,666	1,437
Motor Vehicle Highway	15,914	50,861	55,337	11,438
Local Road and Street	9,535	8,336	12,514	5,357
State Grant Water Rate Study	-	15,000	15,000	-
Cumulative Capital Improvement	7,581	5,915	8,707	4,789
Economic Development Income Tax	14,736	111,789	26,096	100,429
Rainy Day	10,173	1,060	1,619	9,614
Cumulative Capital Development	11,373	22,484	23,064	10,793
Park Donation	100	-	100	-
Levy Excess	4,617	-	-	4,617
Storm Water Bond and Interest	-	44,060	38,662	5,398
Community Civic Center	-	170,600	10,929	159,671
Redevelopment Authority	141,236	85,636	85,505	141,367
Proprietary Funds:				
Water Utility - Operating	-	310,080	367,211	(57,131)
Water Utility - Bond and Interest	99,822	247,881	152,278	195,425
Water Utility - Water Tower Servicing	14,407	10,395	12,442	12,360
Water Utility - Meter Deposits	14,068	6,386	5,950	14,504
Water Utility - Debt Service Reserve	58,006	-	58,006	-
Stormwater Utility - Operating	1,710	46,555	54,330	(6,065)
Wastewater Utility - Operating	-	335,935	449,910	(113,975)
Wastewater Utility - Bond and Interest 1995	30,194	92,552	81,046	41,700
Wastewater Utility - Bond and Interest 2001	13,189	114,180	120,146	7,223
Wastewater Utility - Debt Service Reserve	119,204	46,750	-	165,954
Trash Utility - Operating	4,198	100,834	136,422	(31,390)
Trash Utility - New Packer	19,811	11,182	6,444	24,549
Fiduciary Funds:				
Police Officers' Pension	3,076	11,090	11,488	2,678
Payroll	1,746	510,983	510,380	2,349
Totals	\$ 597,773	\$ 3,149,013	\$ 2,952,213	\$ 794,573

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

CITY OF MONTPELIER
BLACKFORD COUNTY
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, general administrative services, and water, wastewater, storm water and trash utilities.

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
BLACKFORD COUNTY
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. Interfund Loan Balances

The following interfund loan balances were outstanding at December 31 of the indicated year:

Year	Fund Due From	Fund Due To	Amount
2008	General	Economic Development Income Tax	\$ 76,447
2008	General	Water Bond and Interest	30,000
2008	Storm Water Bond and Interest	Storm Water Operating	3,574
2008	Wastewater Operating	Water Bond and Interest	40,264
2008	Water Operating	Water Bond and Interest	16,696
2009	General	Water Bond and Interest	23,368

CITY OF MONTPELIER
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2009

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	\$ 291,877
Buildings	556,643
Improvements other than buildings	338,180
Machinery and equipment	<u>551,223</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 1,737,923</u>
 Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 33,000
Buildings	710,783
Improvements other than buildings	1,324,606
Machinery and equipment	<u>194,462</u>
 Total Water Utility capital assets	 <u>2,262,851</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	26,600
Buildings	183,097
Improvements other than buildings	2,664,679
Machinery and equipment	<u>280,645</u>
 Total Wastewater Utility capital assets	 <u>3,155,021</u>
 Storm Water Utility:	
Capital assets, not being depreciated:	
Improvements other than buildings	59,225
Machinery and equipment	<u>11,399</u>
 Total Storm Water Utility capital assets	 <u>70,624</u>
 Trash Utility:	
Capital assets, not being depreciated:	
Improvements other than buildings	4,305
Machinery and equipment	<u>2,680</u>
 Total Trash Utility capital assets	 <u>6,985</u>
 Total business-type activities capital assets	 <u>\$ 5,495,481</u>

CITY OF MONTPELIER
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2009

The Town 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	\$ 145,228	\$ 13,155
General obligation bonds:		
1992 storm water issue	168,000	37,937
2005 street and storm water issue	145,000	26,860
2006 redevelopment authority issue	<u>1,100,000</u>	<u>78,405</u>
Total governmental activities debt	<u>\$ 1,558,228</u>	<u>\$ 156,357</u>
Business-type activities:		
Water Utility:		
Capital lease:		
Water tower	\$ 9,735	\$ 9,905
Revenue bonds:		
1988 issue	183,000	52,523
1995 issue	<u>100,000</u>	<u>36,750</u>
Total Water Utility	<u>292,735</u>	<u>99,178</u>
Wastewater Utility:		
Revenue bonds:		
1995 issue	335,000	9,975
2001 issue	<u>933,622</u>	<u>93,942</u>
Total Wastewater Utility	<u>1,268,622</u>	<u>103,917</u>
Total business-type activities debt	<u>\$ 1,561,357</u>	<u>\$ 203,095</u>

CITY OF MONTPELIER
BLACKFORD COUNTY
EXAMINATION RESULTS AND COMMENTS

INTERFUND LOANS

Several interfund loans were made to avoid negative cash balances. None of these loans were repaid by June 30 of the following year. Two of the loans were never formally approved by the Common Council.

IC 36-1-8-4 concerning temporary loans states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs; (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
 - (A) A statement that the fiscal body has determined that an emergency exists.
 - (B) A brief description of the grounds for the emergency.
 - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and department of local government finance."

PERSONAL EXPENSES

Almost \$700 of personal items were purchased from accounts other than the promotion of business account. Most of these purchases were for the employee Christmas party.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL FINANCIAL REPORTS

The Annual City and Town Financial Report for 2009 was not filed with the State Board of Accounts until March 24, 2010, and has not been published in any newspaper. The Annual City and Town Financial Report for 2008 was not completed until May 24, 2009, and was published five days later.

CITY OF MONTPELIER
BLACKFORD COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 5-11-1-4 states in part:

"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."

IC 5-3-1-3(a) states:

"Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town during the preceding calendar year."

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
General	2008	\$ 3,164
Motor Vehicle Highway	2009	8,179
Cumulative Capital Improvement	2009	2,913
Cumulative Capital Development	2009	6,593

IC 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."

OVERDRAWN CASH BALANCES

The Operating Funds of all four Utilities were each overdrawn at December 31, 2009.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (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, which would result in a lien against the property, nor were they certified to the County Auditor, which would have enabled them to be added to the next property tax billing.

CITY OF MONTPELIER
BLACKFORD COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 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. . . ."

BOND ORDINANCE REQUIREMENTS

The City's bond ordinances require that the Operating Funds of the Water Utility and Wastewater Utility maintain balances sufficient to cover two months' operating expenses. Even after applying surplus monies in each Utility's Bond and Interest Fund, their respective balances at December 31, 2009, were \$30,430 and \$99,290 less than the estimated requirements.

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)

ADVANCE PAYMENT OF SALARIES

All salaries for 2009 were paid in 25 equal installments, with the last paychecks issued on December 18, 2009, which was 13 days before the end of the year.

IC 5-7-3-1 states:

"(a) Public officers may not draw or receive their salaries in advance."

CITY OF MONTPELIER
BLACKFORD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 27, 2010, with Kelli J. Schriver, Clerk-Treasurer; James A. McPherson, Mayor; and Michael Lee, President of the Common Council. The officials concurred with our findings.