

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

CITY OF MONTPELIER

BLACKFORD COUNTY, INDIANA

January 1, 2010 to December 31, 2010



FILED
11/30/2011

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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 Works and Public Safety	James A. McPherson	01-01-08 to 12-31-11
President of the Common Council	J. Michael Lee	01-01-10 to 12-31-11
President of the Storm Water Board	Ronald D. Twibell Kathy L. Casterline	01-01-10 to 02-07-10 02-08-10 to 12-31-11



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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial statement of the City of Montpelier (City), for the period of January 1, 2010 to December 31, 2010. The City's management is responsible for the financial statement. 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 statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2010, on the basis of accounting described in Note 1.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, 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 financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City's management and Common Council, 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

October 20, 2011

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF MONTPELIER
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 77,262	\$ 534,241	\$ 571,469	\$ 40,034
Motor Vehicle Highway	11,438	50,165	49,817	11,786
Local Road and Street	5,357	8,802	13,434	725
Economic Development Income Tax	100,429	60,917	137,801	23,545
Law Enforcement Continuing Education	2,484	928	-	3,412
Riverboat	1,437	12,072	2,720	10,789
Montpelier Civic Center Grant	-	487,626	487,626	-
Montpelier Civic Center	159,671	150	18,296	141,525
Rainy Day	9,614	8,306	1,142	16,778
Defibrillator	250	-	-	250
Cumulative Capital Development	10,793	14,616	11,227	14,182
Investigating or Investigating Equipment	1,486	-	542	944
Cumulative Capital Improvement	4,789	5,648	5,390	5,047
Redevelopment Authority	141,367	87,827	185,801	43,393
Police Pension	2,678	11,157	11,488	2,347
Payroll Clearing Net	-	354,138	354,138	-
Payroll PERF Withholding	2,244	9,173	9,119	2,298
Payroll Federal Withholding	-	35,627	35,627	-
Payroll State Withholding	75	16,540	16,615	-
Payroll FICA Withholding	-	40,305	40,305	-
Payroll County Withholding	30	6,779	6,809	-
Payroll Dependent Insurance	-	22,607	20,342	2,265
Levy Excess	4,617	1,149	-	5,766
Payroll Medicare	-	13,655	13,655	-
Payroll Christmas	-	1,200	1,200	-
Payroll Garnishment	-	1,300	1,300	-
Payroll Withholding Flex Spending	-	1,274	1,274	-
Payroll Property Taxes	-	35	35	-
Payroll Garnishment 2	-	1,019	1,019	-
Payroll Prepaid Legal	-	1,178	1,196	(18)
Payroll Withholding Other	-	4,625	4,625	-
Payroll Phone Deduction	-	4,607	4,607	-
Payroll AFLAC	-	3,225	3,225	-
Payroll Garnishment Water	-	1,800	1,800	-
Payroll Support	-	8,100	8,100	-
Sanitation Utility Operating	(31,390)	200,290	168,900	-
Storm Water Utility Operating	(6,065)	48,995	42,803	127
Storm Water Utility Bond and Interest	5,398	33,140	38,538	-
Sanitation Utility New Packer	24,549	36,746	59,439	1,856
Wastewater Utility Operating	(113,975)	591,959	477,984	-
Wastewater Utility Bond and Interest 1995	41,700	90,036	116,736	15,000
Wastewater Utility Bond and Interest 2001	7,223	114,180	112,402	9,001
Wastewater Utility Debt Service Reserve	165,954	229	-	166,183
Water Utility Operating	(57,131)	458,817	401,686	-
Water Utility Bond and Interest	195,425	278,973	374,064	100,334
Water Utility Meter Deposit	14,504	7,335	5,042	16,797
Water Utility Tower Servicing	12,360	11,340	13,477	10,223
Totals	<u>\$ 794,573</u>	<u>\$ 3,682,831</u>	<u>\$ 3,832,815</u>	<u>\$ 644,589</u>

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

CITY OF MONTPELIER
NOTES TO FINANCIAL STATEMENT

Note 1. 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 form of government and provides some or all of the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, storm water, and trash removal.

The accompanying financial statement presents the financial information for the City (primary government), and does not include financial information for any of the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the City (primary government.)

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts may include, but are not limited to, the following sources:

Taxes, which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Special assessments which include amounts levied against certain properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those properties.

License and permits which includes amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the

CITY OF MONTPELIER
NOTES TO FINANCIAL STATEMENT
(Continued)

permit. Examples of license and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which includes receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts includes, but is not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which includes receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Net proceeds from borrowings which includes receipts from general obligation bonds, notes, and loans.

Intergovernmental loan activity which includes amounts received from other funds as loans on a temporary basis.

Transfers in which includes funds authorized by statute, ordinance, resolution or court order to be transferred in from another fund.

Utility receipts which are comprised mostly of charges for current services.

Internal service receipts which are comprised mostly of fees received for services performed for other funds.

Fiduciary receipts which are comprised mostly of contributions to the pensions funds from state and local sources.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services which includes outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

CITY OF MONTPELIER
NOTES TO FINANCIAL STATEMENT
(Continued)

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but is not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

Capital outlay which includes all outflows for land, infrastructure, buildings, improvements, machinery, and equipment having an appreciable and calculable period of usefulness.

Interfund loan payments and loans made which includes amounts that are owed to a particular fund by another fund.

Transfers out which includes funds authorized by statute, ordinance, resolution or court order to be transferred to another fund.

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

CITY OF MONTPELIER
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 3. Property Taxes

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

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end 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.

Note 5. Risk Management

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement and replacement items purchased.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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

CITY OF MONTPELIER
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan 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

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11.

C. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is 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.

CITY OF MONTPELIER
NOTES TO FINANCIAL STATEMENT
(Continued)

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 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. 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:

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

Funding Policy

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

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and/or approved by management of the City. It is presented as intended by the City.

CITY OF MONTPELIER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road and Street	Economic Development Income Tax	Law Enforcement Continuing Education	Riverboat	Montpelier Civic Center Grant
Cash and investments - beginning	\$ 77,262	\$ 11,438	\$ 5,357	\$ 100,429	\$ 2,484	\$ 1,437	\$ -
Receipts:							
Taxes	374,884	-	-	-	-	-	-
Licenses and permits	25	-	-	-	925	-	-
Intergovernmental	146,792	50,165	7,797	60,917	-	12,072	487,626
Charges for services	8,639	-	-	-	-	-	-
Fines and forfeits	815	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	3,086	-	1,005	-	3	-	-
Total receipts	<u>534,241</u>	<u>50,165</u>	<u>8,802</u>	<u>60,917</u>	<u>928</u>	<u>12,072</u>	<u>487,626</u>
Disbursements:							
Personal services	360,138	6,632	-	-	-	-	-
Supplies	31,754	15,318	-	-	-	-	-
Other services and charges	130,348	27,867	13,434	137,801	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	10,550	-	-	-	-	2,720	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	38,679	-	-	-	-	-	487,626
Total disbursements	<u>571,469</u>	<u>49,817</u>	<u>13,434</u>	<u>137,801</u>	<u>-</u>	<u>2,720</u>	<u>487,626</u>
Excess (deficiency) of receipts over disbursements	<u>(37,228)</u>	<u>348</u>	<u>(4,632)</u>	<u>(76,884)</u>	<u>928</u>	<u>9,352</u>	<u>-</u>
Cash and investments - ending	<u>\$ 40,034</u>	<u>\$ 11,786</u>	<u>\$ 725</u>	<u>\$ 23,545</u>	<u>\$ 3,412</u>	<u>\$ 10,789</u>	<u>\$ -</u>

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

	Montpelier Civic Center	Rainy Day	Defibrillator	Cumulative Capital Development	Investigating or Investigating Equipment	Cumulative Capital Improvement	Redevelopment Authority
Cash and investments - beginning	\$ 159,671	\$ 9,614	\$ 250	\$ 10,793	\$ 1,486	\$ 4,789	\$ 141,367
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	8,306	-	14,616	-	5,648	86,500
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	150	-	-	-	-	-	1,327
Total receipts	150	8,306	-	14,616	-	5,648	87,827
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	542	-	-
Other services and charges	-	-	-	11,227	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	78,405
Capital outlay	18,296	-	-	-	-	5,390	9,000
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	1,142	-	-	-	-	98,396
Total disbursements	18,296	1,142	-	11,227	542	5,390	185,801
Excess (deficiency) of receipts over disbursements	(18,146)	7,164	-	3,389	(542)	258	(97,974)
Cash and investments - ending	\$ 141,525	\$ 16,778	\$ 250	\$ 14,182	\$ 944	\$ 5,047	\$ 43,393

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

	Police Pension	Payroll Clearing Net	Payroll PERF Withholding	Payroll Federal Withholding	Payroll State Withholding	Payroll FICA Withholding	Payroll County Withholding
Cash and investments - beginning	\$ 2,678	\$ -	\$ 2,244	\$ -	\$ 75	\$ -	\$ 30
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	11,157	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	354,138	9,173	35,627	16,540	40,305	6,779
Total receipts	<u>11,157</u>	<u>354,138</u>	<u>9,173</u>	<u>35,627</u>	<u>16,540</u>	<u>40,305</u>	<u>6,779</u>
Disbursements:							
Personal services	11,488	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	354,138	9,119	35,627	16,615	40,305	6,809
Total disbursements	<u>11,488</u>	<u>354,138</u>	<u>9,119</u>	<u>35,627</u>	<u>16,615</u>	<u>40,305</u>	<u>6,809</u>
Excess (deficiency) of receipts over disbursements	<u>(331)</u>	<u>-</u>	<u>54</u>	<u>-</u>	<u>(75)</u>	<u>-</u>	<u>(30)</u>
Cash and investments - ending	<u>\$ 2,347</u>	<u>\$ -</u>	<u>\$ 2,298</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Payroll Dependent Insurance	Levy Excess	Payroll Medicare	Payroll Christmas	Payroll Garnishment	Payroll Withholding Flex Spending	Payroll Property Taxes
Cash and investments - beginning	\$ -	\$ 4,617	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	22,607	1,149	13,655	1,200	1,300	1,274	35
Total receipts	22,607	1,149	13,655	1,200	1,300	1,274	35
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	20,342	-	13,655	1,200	1,300	1,274	35
Total disbursements	20,342	-	13,655	1,200	1,300	1,274	35
Excess (deficiency) of receipts over disbursements	2,265	1,149	-	-	-	-	-
Cash and investments - ending	\$ 2,265	\$ 5,766	\$ -	\$ -	\$ -	\$ -	\$ -

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

	Payroll Garnishment 2	Payroll Prepaid Legal	Payroll Withholding Other	Payroll Phone Deduction	Payroll AFLAC	Payroll Garnishment Water	Payroll Support
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	1,019	1,178	4,625	4,607	3,225	1,800	8,100
Total receipts	<u>1,019</u>	<u>1,178</u>	<u>4,625</u>	<u>4,607</u>	<u>3,225</u>	<u>1,800</u>	<u>8,100</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1,019	1,196	4,625	4,607	3,225	1,800	8,100
Total disbursements	<u>1,019</u>	<u>1,196</u>	<u>4,625</u>	<u>4,607</u>	<u>3,225</u>	<u>1,800</u>	<u>8,100</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(18)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (18)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Sanitation Utility Operating	Storm Water Utility Operating	Storm Water Utility Bond and Interest	Sanitation Utility New Packer	Wastewater Utility Operating	Wastewater Utility Bond and Interest 1995	Wastewater Utility Bond and Interest 2001
Cash and investments - beginning	\$ (31,390)	\$ (6,065)	\$ 5,398	\$ 24,549	\$ (113,975)	\$ 41,700	\$ 7,223
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	27	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	116,217	48,163	-	-	314,369	-	-
Penalties	-	832	-	-	11,562	-	-
Other receipts	84,073	-	33,113	36,746	266,028	90,036	114,180
Total receipts	<u>200,290</u>	<u>48,995</u>	<u>33,140</u>	<u>36,746</u>	<u>591,959</u>	<u>90,036</u>	<u>114,180</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	11,065	38,538	-	204,216	70,550	93,942
Capital outlay	34,144	4,139	-	4,890	-	-	-
Utility operating expenses	66,036	27,599	-	-	216,843	-	-
Other disbursements	68,720	-	-	54,549	56,925	46,186	18,460
Total disbursements	<u>168,900</u>	<u>42,803</u>	<u>38,538</u>	<u>59,439</u>	<u>477,984</u>	<u>116,736</u>	<u>112,402</u>
Excess (deficiency) of receipts over disbursements	<u>31,390</u>	<u>6,192</u>	<u>(5,398)</u>	<u>(22,693)</u>	<u>113,975</u>	<u>(26,700)</u>	<u>1,778</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 127</u>	<u>\$ -</u>	<u>\$ 1,856</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 9,001</u>

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

	Wastewater Utility Debt Service Reserve	Water Utility Operating	Water Utility Bond and Interest	Water Utility Meter Deposit	Water Utility Tower Servicing	Totals
Cash and investments - beginning	\$ 165,954	\$ (57,131)	\$ 195,425	\$ 14,504	\$ 12,360	\$ 794,573
Receipts:						
Taxes	-	-	-	-	-	374,884
Licenses and permits	-	-	-	-	-	950
Intergovernmental	-	-	-	-	-	891,623
Charges for services	-	-	-	-	-	8,639
Fines and forfeits	-	-	-	-	-	815
Utility fees	-	317,666	-	-	-	796,415
Penalties	-	3,293	-	-	-	15,687
Other receipts	229	137,858	278,973	7,335	11,340	1,593,818
Total receipts	<u>229</u>	<u>458,817</u>	<u>278,973</u>	<u>7,335</u>	<u>11,340</u>	<u>3,682,831</u>
Disbursements:						
Personal services	-	-	-	-	-	378,258
Supplies	-	-	-	-	-	47,614
Other services and charges	-	-	-	-	-	320,677
Debt service - principal and interest	-	107,820	374,064	-	-	978,600
Capital outlay	-	6,300	-	-	13,477	108,906
Utility operating expenses	-	233,723	-	1,013	-	545,214
Other disbursements	-	53,843	-	4,029	-	1,453,546
Total disbursements	<u>-</u>	<u>401,686</u>	<u>374,064</u>	<u>5,042</u>	<u>13,477</u>	<u>3,832,815</u>
Excess (deficiency) of receipts over disbursements	<u>229</u>	<u>57,131</u>	<u>(95,091)</u>	<u>2,293</u>	<u>(2,137)</u>	<u>(149,984)</u>
Cash and investments - ending	<u>\$ 166,183</u>	<u>\$ -</u>	<u>\$ 100,334</u>	<u>\$ 16,797</u>	<u>\$ 10,223</u>	<u>\$ 644,589</u>

CITY OF MONTPELIER
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2010

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.

	Total
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 291,877
Buildings	556,643
Improvements other than buildings	337,372
Machinery and equipment	551,224
Total governmental activities, capital assets not being depreciated	\$ 1,737,116
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	194,462
Total Water Utility capital assets	2,262,851
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	26,600
Buildings	183,097
Improvements other than buildings	2,664,679
Machinery and equipment	280,645
Total Wastewater Utility capital assets	3,155,021
Storm Water Utility:	
Capital assets, not being depreciated:	
Improvements other than buildings	59,225
Machinery and equipment	11,399
Total Storm Water Utility capital assets	70,624
Trash Utility:	
Capital assets, not being depreciated:	
Improvements other than buildings	4,305
Machinery and equipment	2,680
Total Trash Utility capital assets	6,985
Total business-type activities capital assets	\$ 5,495,481

CITY OF MONTPELIER
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

The City 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	\$ 137,826	\$ 13,155
General obligation bonds:		
1992 storm water issue	95,000	3,016
2005 street and storm water issue	125,000	25,880
2006 redevelopment authority issue	<u>1,070,000</u>	<u>87,080</u>
Total governmental activities debt	<u>\$ 1,427,826</u>	<u>\$ 129,131</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
1988 issue	\$ 141,000	\$ 48,054
1995 issue	<u>70,000</u>	<u>37,363</u>
Total Water Utility	<u>211,000</u>	<u>85,417</u>
Wastewater Utility:		
Revenue bonds:		
1995 issue	285,000	8,525
2001 issue	<u>868,622</u>	<u>96,927</u>
Total Wastewater Utility	<u>1,153,622</u>	<u>105,452</u>
Total business-type activities debt	<u>\$ 1,364,622</u>	<u>\$ 190,869</u>

CITY OF MONTPELIER
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances contained unidentified variances. At December 31, 2010, net bank balances exceeded fund balances by \$634.

Indiana Code 5-13-6-1(e) states:

"All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

Expenditures were in excess of budgeted appropriations for the Local Road and Street Fund (\$254); the Economic Development Income Tax Fund (\$2,576); and the Storm Water Utility Bond and Interest Fund (\$100). A similar comment appeared in prior Report B37956.

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."

INTERFUND LOANS

Several interfund loans were made to avoid negative cash balances. One loan from 2009 had an outstanding balance of \$11,368 at December 31, 2010; officials are repaying the loan at a rate of \$1,000 per month. The repayment of one loan resulted in it being overpaid by \$3,000. Additionally, loans made by Resolution 2010-8 adopted on December 29, 2010, totaling \$264,162.30 were not repaid by June 30, 2011. A similar comment appeared in prior Report B37956.

Indiana Code 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:

CITY OF MONTPELIER
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (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."

SALES TAX REMITTANCES

Amounts remitted to the Indiana Department of Revenue for sales tax on taxable water sales was greater than amounts billed by \$528.

Collections by a city or town from the retail sale of tangible property, utility service, or commodities in the performance of private or proprietary activities are subject to sales tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UTILITY RECEIPTS TAX

The utility receipts tax was not properly calculated for the year 2010. Nontaxable water sales were included in determining total taxable utility receipts. City officials remitted \$4,739 for the year of 2010; the amount due was \$3,517 as calculated. This resulted in an overpayment of \$1,222.

Additionally, Officials remitted \$780 of Utility Receipts Tax on its trash collection fees for the first two quarters of 2010. This is in addition to total amounts of Utility Receipts Tax remitted on trash collections of \$3,591 for 2008 and 2009. Officials have requested a refund of the 2008 and 2009 total but have yet to receive it. Trash collections are not subject to the Utility Receipts Tax.

Indiana Utility Receipt Tax Return, Form URT-1 was not presented for examination for 2010.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF MONTPELIER
EXAMINATION RESULTS AND COMMENTS
(Continued)

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Supporting documentation such as receipts, canceled checks, 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)

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. A similar comment appeared in prior Report B37956.

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.
 - (C) The amount of the delinquent fees, together with the penalty.
- (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 has bond ordinances that require the Operating Funds of the Water and Wastewater Utilities to maintain balances sufficient to cover two months' operating expenses. As of December 31, 2010, the balance in each of the Water Utility Operating and Wastewater Utility Operating funds was zero. Negative balances in each of these funds were eliminated through interfund loans. A similar comment appeared in prior Report B37956.

CITY OF MONTPELIER
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

ASSIGNMENT OF EASEMENT

The City entered into an "Easement and Assignment Agreement" whereby the City sold future lease payments it was to receive to a third party for an "up front" payment of \$27,288. There is no evidence of any appraisal of the value of the future lease payments that were to be received.

Indiana Code 36-1-11-4 states in part:

"(a) A disposing agent who wants to sell or transfer real property must comply with this section, . . .

(b) The disposing agent shall first have the property appraised by two (2) appraisers . . .

(c) After the property is appraised, the disposing agent shall publish a notice in accordance with IC 5-3-1 setting forth the terms and conditions of the sale . . ."

CITY OF MONTPELIER
EXIT CONFERENCE

The contents of this report were discussed on October 20, 2011, with Kelli J. Schriver, Clerk-Treasurer; James A. McPherson, Mayor; and J. Michael Lee, President of the Common Council. The officials concurred with our findings.