

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF MONTPELIER
BLACKFORD COUNTY, INDIANA

January 1, 2011 to December 31, 2011



FILED
06/22/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kelli J. Schriver	01-01-08 to 12-31-15
Mayor	James A. McPherson Kathy J. Bantz	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Board of Public Works and Safety	James A. McPherson Kathy J. Bantz	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Common Council	J. Michael Lee	01-01-11 to 12-31-12
President of the Storm Water Board	Kathy L. Casterline Kevin J. Stultz	01-01-11 to 12-31-11 01-01-12 to 12-31-12
Superintendent of Utilities	Bruce M. Haisley	01-01-11 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the City of Montpelier (City), for the year ended December 31, 2011. The financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on the financial statement 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 statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 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.

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, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated June 6, 2012, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. 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 financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of 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, Common Council, others within the entity, 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

June 6, 2012



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

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

We have audited the financial statement of the City of Montpelier (City), for the year ended December 31, 2011, and have issued our report thereon dated June 6, 2012. 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 opinion on the financial statement, 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is 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, Common Council, others within the entity, 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

June 6, 2012

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, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 40,034	\$ 517,334	\$ 688,251	\$ (130,883)
Motor Vehicle Highway	11,786	50,754	56,244	6,296
Local Road and Street	725	8,290	5,410	3,605
Economic Development Income Tax	23,545	88,507	75,079	36,973
Law Enforcement Continuing Education	3,412	1,259	-	4,671
Riverboat	10,789	12,072	8,931	13,930
Rainy Day	16,778	-	13,411	3,367
Cumulative Capital Development	14,182	14,051	13,736	14,497
Investigating or Investigative Equipment	944	458	150	1,252
Cumulative Capital Improvement	5,047	5,540	-	10,587
Police Pension	2,348	11,768	11,660	2,456
Park Donation	1	-	-	1
Montpelier Civic Center Grant	-	12,347	12,347	-
Montpelier Civic Center	141,525	200,041	341,566	-
Defibrillator	250	-	-	250
Payroll	4,545	479,857	483,867	535
Levy Excess	5,766	-	-	5,766
Storm Water Utility Operating	127	42,536	39,144	3,519
Storm Water Utility Bond and Interest	-	31,747	31,747	-
Sanitation Operating	-	184,929	184,929	-
Sanitation New Packer	1,856	43,000	13,926	30,930
Wastewater Utility Debt Service Reserve 2001	166,183	143	456	165,870
Wastewater Utility Operating	-	492,580	492,580	-
Wastewater Utility Bond and Interest 1995	15,000	118,186	104,566	28,620
Wastewater Utility Bond and Interest 2001	9,001	139,832	148,833	-
Water Utility OCRA Grant Project	-	104,072	104,072	-
Water Utility Debt Service Reserve 2011	-	4,336	-	4,336
Water Utility USDA Grant Project	-	1,926,000	1,921,223	4,777
Water Utility Operating	-	439,069	439,069	-
Water Utility Bond and Interest	100,334	249,249	100,925	248,658
Water Utility Meter Deposit	16,797	7,333	5,445	18,685
Water Utility Tower Servicing	10,223	6,000	-	16,223
Totals	\$ 601,198	\$ 5,191,290	\$ 5,297,567	\$ 494,921

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, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, storm water, trash, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

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 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.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

CITY OF MONTPELIER
NOTES TO FINANCIAL STATEMENT
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

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

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

Penalties which include fees received for late payments.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements may include the following uses:

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

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

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

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

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

Utility operating expenses which include all outflows for operating the utilities.

CITY OF MONTPELIER
NOTES TO FINANCIAL STATEMENT
(Continued)

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

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.

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 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

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

CITY OF MONTPELIER
NOTES TO FINANCIAL STATEMENT
(Continued)

State statutes authorize 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 any 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 Indiana Public Retirement System (INPRS) 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 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

CITY OF MONTPELIER
NOTES TO FINANCIAL STATEMENT
(Continued)

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 Indiana Public Retirement System as provided under Indiana Code 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 Retirement System (INPRS) 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 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.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

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

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

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 audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was 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, 2011

	General	Motor Vehicle Highway	Local Road and Street	Economic Development Income Tax	Law Enforcement Continuing Education	Riverboat	Rainy Day
Cash and investments - beginning	\$ 40,034	\$ 11,786	\$ 725	\$ 23,545	\$ 3,412	\$ 10,789	\$ 16,778
Receipts:							
Taxes	375,774	-	-	-	-	-	-
Licenses and permits	10	-	-	-	470	-	-
Intergovernmental	124,172	50,754	8,290	38,189	-	12,072	-
Charges for services	2,675	-	-	-	-	-	-
Fines and forfeits	10,354	-	-	-	789	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	4,349	-	-	50,318	-	-	-
Total receipts	<u>517,334</u>	<u>50,754</u>	<u>8,290</u>	<u>88,507</u>	<u>1,259</u>	<u>12,072</u>	<u>-</u>
Disbursements:							
Personal services	341,783	5,173	-	-	-	-	-
Supplies	21,377	11,392	-	-	-	8,931	-
Other services and charges	97,133	36,429	-	16,177	-	-	7,913
Debt service - principal and interest	-	3,250	5,410	21,000	-	-	5,498
Capital outlay	22,500	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	205,458	-	-	37,902	-	-	-
Total disbursements	<u>688,251</u>	<u>56,244</u>	<u>5,410</u>	<u>75,079</u>	<u>-</u>	<u>8,931</u>	<u>13,411</u>
Excess (deficiency) of receipts over disbursements	<u>(170,917)</u>	<u>(5,490)</u>	<u>2,880</u>	<u>13,428</u>	<u>1,259</u>	<u>3,141</u>	<u>(13,411)</u>
Cash and investments - ending	<u>\$ (130,883)</u>	<u>\$ 6,296</u>	<u>\$ 3,605</u>	<u>\$ 36,973</u>	<u>\$ 4,671</u>	<u>\$ 13,930</u>	<u>\$ 3,367</u>

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

	Cumulative Capital Development	Investigating or Investigative Equipment	Cumulative Capital Improvement	Police Pension	Park Donation	Montpelier Civic Center Grant	Montpelier Civic Center
Cash and investments - beginning	\$ 14,182	\$ 944	\$ 5,047	\$ 2,348	\$ 1	\$ -	\$ 141,525
Receipts:							
Taxes	14,051	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	5,540	11,768	-	12,347	200,000
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	458	-	-	-	-	41
Total receipts	<u>14,051</u>	<u>458</u>	<u>5,540</u>	<u>11,768</u>	<u>-</u>	<u>12,347</u>	<u>200,041</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	150	-	-	-	-	-
Other services and charges	7,158	-	-	-	-	-	-
Debt service - principal and interest	6,578	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	12,347	316,410
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	11,660	-	-	25,156
Total disbursements	<u>13,736</u>	<u>150</u>	<u>-</u>	<u>11,660</u>	<u>-</u>	<u>12,347</u>	<u>341,566</u>
Excess (deficiency) of receipts over disbursements	<u>315</u>	<u>308</u>	<u>5,540</u>	<u>108</u>	<u>-</u>	<u>-</u>	<u>(141,525)</u>
Cash and investments - ending	<u>\$ 14,497</u>	<u>\$ 1,252</u>	<u>\$ 10,587</u>	<u>\$ 2,456</u>	<u>\$ 1</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, 2011
 (Continued)

	Defibrillator	Payroll	Levy Excess	Storm Water Utility Operating	Storm Water Utility Bond and Interest	Sanitation Operating	Sanitation New Packer
Cash and investments - beginning	\$ 250	\$ 4,545	\$ 5,766	\$ 127	\$ -	\$ -	\$ 1,856
Receipts:							
Taxes	-	-	-	-	29,150	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	2,597	-	-
Charges for services	-	-	-	-	-	119,626	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	41,627	-	-	-
Penalties	-	-	-	909	-	2,910	-
Other receipts	-	479,857	-	-	-	62,393	43,000
Total receipts	-	479,857	-	42,536	31,747	184,929	43,000
Disbursements:							
Personal services	-	-	-	-	-	43,447	-
Supplies	-	-	-	-	-	11,996	-
Other services and charges	-	-	-	-	-	64,761	-
Debt service - principal and interest	-	-	-	5,000	30,534	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	34,144	-	-	-
Other disbursements	-	483,867	-	-	1,213	64,725	13,926
Total disbursements	-	483,867	-	39,144	31,747	184,929	13,926
Excess (deficiency) of receipts over disbursements	-	(4,010)	-	3,392	-	-	29,074
Cash and investments - ending	\$ 250	\$ 535	\$ 5,766	\$ 3,519	\$ -	\$ -	\$ 30,930

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

	Wastewater Utility Debt Service Reserve 2001	Wastewater Utility Operating	Wastewater Utility Bond and Interest 1995	Wastewater Utility Bond and Interest 2001	Water Utility OCRA Grant Project	Water Utility Debt Service Reserve 2011
Cash and investments - beginning	\$ 166,183	\$ -	\$ 15,000	\$ 9,001	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	104,072	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	315,414	-	-	-	-
Penalties	-	10,053	-	-	-	-
Other receipts	143	167,113	118,186	139,832	-	4,336
Total receipts	<u>143</u>	<u>492,580</u>	<u>118,186</u>	<u>139,832</u>	<u>104,072</u>	<u>4,336</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	67,650	97,004	-	-
Capital outlay	-	-	-	-	104,072	-
Utility operating expenses	-	184,528	-	-	-	-
Other disbursements	456	308,052	36,916	51,829	-	-
Total disbursements	<u>456</u>	<u>492,580</u>	<u>104,566</u>	<u>148,833</u>	<u>104,072</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(313)</u>	<u>-</u>	<u>13,620</u>	<u>(9,001)</u>	<u>-</u>	<u>4,336</u>
Cash and investments - ending	<u>\$ 165,870</u>	<u>\$ -</u>	<u>\$ 28,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,336</u>

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

	Water Utility USDA Grant Project	Water Utility Operating	Water Utility Bond and Interest	Water Utility Meter Deposit	Water Utility Tower Servicing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 100,334	\$ 16,797	\$ 10,223	\$ 601,198
Receipts:						
Taxes	-	-	-	-	-	418,975
Licenses and permits	-	-	-	-	-	480
Intergovernmental	1,926,000	-	-	-	-	2,495,801
Charges for services	-	-	-	-	-	122,301
Fines and forfeits	-	-	-	-	-	11,143
Utility fees	-	375,492	-	7,333	-	739,866
Penalties	-	3,749	-	-	-	17,621
Other receipts	-	59,828	249,249	-	6,000	1,385,103
Total receipts	<u>1,926,000</u>	<u>439,069</u>	<u>249,249</u>	<u>7,333</u>	<u>6,000</u>	<u>5,191,290</u>
Disbursements:						
Personal services	-	-	-	-	-	390,403
Supplies	-	-	-	-	-	53,846
Other services and charges	-	-	-	-	-	229,571
Debt service - principal and interest	-	-	100,925	-	-	342,849
Capital outlay	1,921,223	-	-	-	-	2,376,552
Utility operating expenses	-	248,619	-	5,445	-	472,736
Other disbursements	-	190,450	-	-	-	1,431,610
Total disbursements	<u>1,921,223</u>	<u>439,069</u>	<u>100,925</u>	<u>5,445</u>	<u>-</u>	<u>5,297,567</u>
Excess (deficiency) of receipts over disbursements	<u>4,777</u>	<u>-</u>	<u>148,324</u>	<u>1,888</u>	<u>6,000</u>	<u>(106,277)</u>
Cash and investments - ending	<u>\$ 4,777</u>	<u>\$ -</u>	<u>\$ 248,658</u>	<u>\$ 18,685</u>	<u>\$ 16,223</u>	<u>\$ 494,921</u>

CITY OF MONTPELIER
SCHEDULE OF RECEIVABLES
December 31, 2011

<u>Enterprise</u>	<u>Accounts Receivable</u>
Storm Water	\$ 9,115
Sanitation	22,547
Wastewater	81,364
Water	<u>87,089</u>
Total	<u>\$ 200,115</u>

CITY OF MONTPELIER
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Montpelier Redevelopment Authority	Industrial Park	\$ 9,100	07-15-08	01-15-29
Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year	
Type	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year	
Governmental activities:				
General obligation bonds	Road Bond 2005	\$ 105,000	\$ 26,875	
Notes and loans payable	City Hall and Police Station	130,118	13,155	
Total governmental activities		235,118	40,030	
Storm Water:				
General obligation bonds	Storm Water Improvements	65,000	2,064	
Wastewater:				
Revenue bonds	Sewer Works 1995	235,000	7,050	
Revenue bonds	Sewer Bond 2001	798,622	94,757	
Total Wastewater		1,033,622	101,807	
Water:				
Revenue bonds	Water Bond 1987	97,000	49,789	
Revenue bonds	Water Bond 1995	35,000	36,181	
Revenue bonds	Water Bond 2011	1,926,000	-	
Total Water		2,058,000	85,970	
Totals		\$ 3,391,740	\$ 229,871	

CITY OF MONTPELIER
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

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.

	Ending Balance
Governmental activities:	
Land	\$ 312,982
Buildings	537,936
Improvements other than buildings	312,236
Machinery, equipment and vehicles	340,876
Total governmental activities	1,504,030
Storm Water:	
Improvements other than buildings	59,225
Machinery, equipment and vehicles	44,010
Total Storm Water	103,235
Sanitation:	
Buildings	10,000
Machinery, equipment and vehicles	92,112
Total Sanitation	102,112
Wastewater:	
Land	121,728
Buildings	183,097
Improvements other than buildings	2,620,205
Machinery, equipment and vehicles	229,501
Total Wastewater	3,154,531
Water:	
Land	33,000
Buildings	988,103
Improvements other than buildings	889,043
Machinery, equipment and vehicles	343,005
Construction in progress	2,025,295
Total Water	4,278,446
Total capital assets	\$ 9,142,354

CITY OF MONTPELIER
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The cash balance of the General Fund was overdrawn by \$130,883 at December 31, 2011. The overdraft was created when a \$148,235 interfund loan was erroneously posted to the General Fund.

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)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances contained unidentified variances. At December 31, 2011, net bank balances exceeded fund balances by \$807. A similar comment appeared in prior Report B39842.

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

The Rainy Day Fund expenditures for 2011 exceeded budgeted appropriations by \$5,105. A similar comment appeared in prior Report B39842.

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 of these loans from 2009 had an outstanding balance of \$2,368 at December 31, 2011. Loans made by Resolution 2010-8, adopted on December 29, 2010, totaling \$264,162 were not repaid by June 30, 2011. Resolution 2011-11, adopted December 28, 2011, authorized a loan from the Water Utility Bond and Interest Fund in the amount of \$148,235 to various funds. However, this loan was incorrectly made from the City General Fund. A similar comment appeared in prior Report B39842.

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 . . .

CITY OF MONTPELIER
AUDIT RESULTS AND COMMENTS
(Continued)

(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."

WASTEWATER UTILITY RATE ORDINANCE

On June 9, 2008, the Common Council passed and adopted Ordinance No. 2008-02 that increased sewer rates. The rates were to increase every July 1 through the year 2012. These increases have not been implemented since July 1, 2009.

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)

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 B39842.

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.

CITY OF MONTPELIER
AUDIT RESULTS AND COMMENTS
(Continued)

(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 . . ."

UTILITY RECEIPTS TAX

Overpayments to the Indiana Department of Revenue for Utility Receipts Tax from prior periods in the amount of \$5,593 have not been refunded. In addition, the Indiana Utility Receipt Tax Return (Form URT-1) was not prepared and filed for the year 2011. A similar comment appeared in prior report B39842.

Governmental units should collect any overpayments made. (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)

UTILITY 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, 2011, 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 B39842.

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
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ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE 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 its major federal program for the year ended December 31, 2011. The City's major federal program is 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 its major federal program 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 its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A deficiency in 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 and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

June 6, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the City. The schedule and note are presented as intended by the City.

CITY OF MONTPELIER
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended December 31, 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Direct Grant			
Water and Waste Disposal Systems for Rural Communities Loan	10.760	91-04	\$ 1,921,223
Direct Grant			
Community Facilities Loans and Grants	10.766	97-01	<u>200,000</u>
Total for federal grantor agency			<u>2,121,223</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Office of Community and Rural Affairs CDBG – State-Administered CDBG Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CF-09-119 CF-10-211	12,347 <u>104,072</u>
Total for federal grantor agency			<u>116,419</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Bulletproof Vest Partnership Program	16.607	FY 2011	<u>3,310</u>
Total for federal grantor agency			<u>3,310</u>
Total federal awards expended			<u>\$ 2,240,952</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 and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

CITY OF MONTPELIER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to the financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	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 Program:

CFDA Number	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities

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

Auditee qualified as low-risk auditee? no

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 June 6, 2012, with Kelli J. Schriver, Clerk-Treasurer; Kathy J. Bantz, Mayor; and J. Michael Lee, President of the Common Council. The officials concurred with our audit findings.