

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, 2012 to December 31, 2012



FILED
05/30/2013

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's 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	6-7
Financial Statement:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	10
Notes to Financial Statement	11-16
Supplementary Information - Unaudited:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	18-24
Schedule of Payables and Receivables	25
Schedule of Leases and Debt	26
Schedule of Capital Assets	27
Audit Results and Comments:	
Delinquent Wastewater Accounts	28
Sales Tax Remittance	28
Utility Receipts Tax	29
Overdrawn Cash Balances	29
Bank Account Reconciliations	29-30
Wastewater Utility Revenue Bond Ordinances	30
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance	32-33
Schedule of Expenditures of Federal Awards	36
Note to Schedule of Expenditures of Federal Awards	37
Schedule of Findings and Questioned Costs	38
Exit Conference	39

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kelli J. Schriver	01-01-12 to 12-31-15
Mayor	Kathy J. Bantz	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Kathy J. Bantz	01-01-12 to 12-31-15
President of the Common Council	J. Michael Lee	01-01-12 to 12-31-13
President of the Storm Water Board	Kevin J. Stultz J. Michael Lee	01-01-12 to 12-31-12 01-01-13 to 12-31-13
Superintendent of Utilities	Bruce M. Haisley	01-01-12 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Montpelier (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2012.

Opinion on Regulatory Basis of Accounting

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, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 30, 2013, 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* in considering the City's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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 Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, 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 auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.



Bruce Hartman
State Examiner

April 30, 2013



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S 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, 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, the financial statement of the City of Montpelier (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated April 30, 2013, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

INDEPENDENT AUDITOR'S 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Hartman
State Examiner

April 30, 2013

(This page intentionally left blank.)

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, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ (130,883)	\$ 795,720	\$ 616,976	\$ 47,861
Motor Vehicle Highway	6,296	53,307	44,132	15,471
Local Roads and Streets	3,605	8,434	8,000	4,039
Economic Development	36,973	73,466	61,786	48,653
Local Police Continuing Education	4,671	1,401	1,000	5,072
Riverboat	13,930	10,718	5,022	19,626
Rainy Day	3,367	-	-	3,367
Cumulative Capital Development	14,497	12,727	24,081	3,143
Investigating or Investigative Equipment	1,252	-	-	1,252
Cumulative Capital Improvement	10,587	4,787	-	15,374
Police Pension	2,456	11,740	11,893	2,303
Police Vehicle Equipment	-	8,880	-	8,880
Safety Town	-	435	120	315
Street Sign Grant	-	31,115	31,115	-
Park Donation	1	-	-	1
Defibulator	250	-	-	250
Levy Excess	5,766	-	5,766	-
Storm Water Utility Operating	3,519	44,181	37,282	10,418
Storm Water Utility Bond and Interest	-	32,118	32,118	-
Sanitation Operating	-	170,297	186,036	(15,739)
Sanitation New Packer	30,930	25,926	56,856	-
Wastewater Utility 2001 Bond Reserve	165,870	138	-	166,008
Wastewater Utility Operating	-	336,214	468,088	(131,874)
Wastewater Utility Bond and Interest 1995	28,620	60,000	69,700	18,920
Wastewater Utility Bond and Interest 2001	-	118,828	94,955	23,873
Water Utility OCRA Grant Project	-	418,003	418,003	-
Water Utility Debt Service Reserve 2011	4,336	8,676	-	13,012
Water Utility USDA Grant Project	4,777	1,455,598	1,458,225	2,150
Water Utility Operating	-	634,196	520,417	113,779
Water Utility Bond and Interest	248,658	226,175	291,914	182,919
Water Utility Meter Deposit	18,685	12,690	7,520	23,855
Water Utility Tower Servicing	16,223	6,000	1,868	20,355
Payroll Clearing Net	-	322,874	322,874	-
Garnishment #1	-	28	28	-
Garnishment #2	-	98	98	-
Garnishment #3	-	10,500	10,500	-
Annual Support Fee	-	55	55	-
Payroll Support #1	-	3,120	3,120	-
Payroll Support #2	-	351	351	-
Payroll Support #3	-	2,059	2,059	-
Payroll Support #4	-	120	120	-
Payroll Support #5	-	7,675	7,675	-
HSA Contribution #1	-	800	800	-
HSA Contribution #2	-	50	50	-
Payroll PERF	1,459	9,515	10,835	139
Payroll Federal Withholding	-	36,565	36,565	-
Payroll State Withholding	-	14,864	14,864	-
Payroll FICA	-	29,716	29,726	(10)
Payroll COIT	-	6,065	6,069	(4)
Payroll Dependent Insurance	(436)	14,122	14,271	(585)
Payroll Medicare	-	12,703	12,706	(3)
Payroll Christmas	-	100	100	-
Payroll Garnishment	-	1,200	1,200	-
Payroll Pre-Paid Legal	(110)	247	259	(122)
Payroll Phone Deduction	(378)	5,679	5,932	(631)
Payroll Aflac	-	108	108	-
Payroll Garnishment Water	-	30	30	-
Totals	\$ 494,921	\$ 5,040,414	\$ 4,933,268	\$ 602,067

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 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 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.

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.

CITY OF MONTPELIER
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of disbursements exceeding cash receipts due to actual receipts being less than anticipated.

Note 8. Holding Corporation

The City has entered into a capital lease with Montpelier Improvement Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the City. The lessor has been determined to be a related party of the City. Lease payments during the year 2012 totaled \$13,155.

Note 9. Combined Funds

Funds related to payroll and withholdings are reported individually in the current financial statement but were combined into one fund in the prior financial statement.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 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, 2012

	General	Motor Vehicle Highway	Local Roads and Streets	Economic Development	Local Police Continuing Education	Riverboat	Rainy Day	Cumulative Capital Development	Investigating or Investigative Equipment
Cash and investments - beginning	\$ (130,883)	\$ 6,296	\$ 3,605	\$ 36,973	\$ 4,671	\$ 13,930	\$ 3,367	\$ 14,497	\$ 1,252
Receipts:									
Taxes	334,661	-	-	-	-	-	-	11,596	-
Licenses and permits	3,026	-	-	-	430	-	-	-	-
Intergovernmental	164,040	47,852	8,434	35,564	-	10,693	-	1,131	-
Charges for services	-	-	-	-	203	-	-	-	-
Fines and forfeits	1,095	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	292,898	5,455	-	37,902	768	25	-	-	-
Total receipts	795,720	53,307	8,434	73,466	1,401	10,718	-	12,727	-
Disbursements:									
Personal services	296,921	6,290	-	-	-	-	-	-	-
Supplies	15,780	6,042	-	-	418	-	-	-	-
Other services and charges	127,683	29,634	-	6,600	-	5,022	-	17,503	-
Debt service - principal and interest	6,621	1,667	8,000	21,100	582	-	-	6,578	-
Capital outlay	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	169,971	499	-	34,086	-	-	-	-	-
Total disbursements	616,976	44,132	8,000	61,786	1,000	5,022	-	24,081	-
Excess (deficiency) of receipts over disbursements	178,744	9,175	434	11,680	401	5,696	-	(11,354)	-
Cash and investments - ending	<u>\$ 47,861</u>	<u>\$ 15,471</u>	<u>\$ 4,039</u>	<u>\$ 48,653</u>	<u>\$ 5,072</u>	<u>\$ 19,626</u>	<u>\$ 3,367</u>	<u>\$ 3,143</u>	<u>\$ 1,252</u>

CITY OF MONTPELIER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Cumulative Capital Improvement	Police Pension	Police Vehicle Equipment	Safety Town	Street Sign Grant	Park Donation	Defibulator	Levy Excess	Storm Water Utility Operating
Cash and investments - beginning	\$ 10,587	\$ 2,456	\$ -	\$ -	\$ -	\$ 1	\$ 250	\$ 5,766	\$ 3,519
Receipts:									
Taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	4,787	-	-	-	31,115	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	44,055
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	-	11,740	8,880	435	-	-	-	-	126
Total receipts	4,787	11,740	8,880	435	31,115	-	-	-	44,181
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	120	-	-	-	-	-
Other services and charges	-	-	-	-	31,115	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	7,010
Capital outlay	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	29,672
Other disbursements	-	11,893	-	-	-	-	-	5,766	600
Total disbursements	-	11,893	-	120	31,115	-	-	5,766	37,282
Excess (deficiency) of receipts over disbursements	4,787	(153)	8,880	315	-	-	-	(5,766)	6,899
Cash and investments - ending	\$ 15,374	\$ 2,303	\$ 8,880	\$ 315	\$ -	\$ 1	\$ 250	\$ -	\$ 10,418

CITY OF MONTPELIER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Storm Water Utility Bond and Interest	Sanitation Operating	Sanitation New Packer	Wastewater Utility 2001 Bond Reserve	Wastewater Utility Operating	Wastewater Utility Bond and Interest 1995	Wastewater Utility Bond and Interest 2001	Water Utility OCRA Grant Project
Cash and investments - beginning	\$ -	\$ -	\$ 30,930	\$ 165,870	\$ -	\$ 28,620	\$ -	\$ -
Receipts:								
Taxes	28,716	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	2,802	-	-	-	-	-	-	418,003
Charges for services	-	131,179	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	325,676	-	-	-
Penalties	-	-	-	-	9,834	-	-	-
Other receipts	600	39,118	25,926	138	704	60,000	118,828	-
Total receipts	32,118	170,297	25,926	138	336,214	60,000	118,828	418,003
Disbursements:								
Personal services	-	33,613	-	-	-	-	-	-
Supplies	-	3,046	-	-	-	-	-	-
Other services and charges	-	74,985	20,684	-	-	-	-	-
Debt service - principal and interest	32,118	-	-	-	-	69,100	94,955	-
Capital outlay	-	-	-	-	-	-	-	418,003
Utility operating expenses	-	-	-	-	173,975	-	-	-
Other disbursements	-	74,392	36,172	-	294,113	600	-	-
Total disbursements	32,118	186,036	56,856	-	468,088	69,700	94,955	418,003
Excess (deficiency) of receipts over disbursements	-	(15,739)	(30,930)	138	(131,874)	(9,700)	23,873	-
Cash and investments - ending	\$ -	\$ (15,739)	\$ -	\$ 166,008	\$ (131,874)	\$ 18,920	\$ 23,873	\$ -

CITY OF MONTPELIER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Water Utility Debt Service Reserve 2011	Water Utility USDA Grant Project	Water Utility Operating	Water Utility Bond and Interest	Water Utility Meter Deposit	Water Utility Tower Servicing	Payroll Clearing Net	Garnishment #1
Cash and investments - beginning	\$ 4,336	\$ 4,777	\$ -	\$ 248,658	\$ 18,685	\$ 16,223	\$ -	\$ -
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	1,455,598	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	548,576	-	-	-	-	-
Penalties	-	-	4,369	-	-	-	-	-
Other receipts	8,676	-	81,251	226,175	12,690	6,000	322,874	28
Total receipts	8,676	1,455,598	634,196	226,175	12,690	6,000	322,874	28
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	137,419	-	-	-	-
Capital outlay	-	1,458,225	413	-	-	-	-	-
Utility operating expenses	-	-	265,746	-	-	1,868	-	-
Other disbursements	-	-	254,258	154,495	7,520	-	322,874	28
Total disbursements	-	1,458,225	520,417	291,914	7,520	1,868	322,874	28
Excess (deficiency) of receipts over disbursements	8,676	(2,627)	113,779	(65,739)	5,170	4,132	-	-
Cash and investments - ending	\$ 13,012	\$ 2,150	\$ 113,779	\$ 182,919	\$ 23,855	\$ 20,355	\$ -	\$ -

CITY OF MONTPELIER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	<u>Garnishment #2</u>	<u>Garnishment #3</u>	<u>Annual Support Fee</u>	<u>Payroll Support #1</u>	<u>Payroll Support #2</u>	<u>Payroll Support #3</u>	<u>Payroll Support #4</u>	<u>Payroll Support #5</u>
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	<u>98</u>	<u>10,500</u>	<u>55</u>	<u>3,120</u>	<u>351</u>	<u>2,059</u>	<u>120</u>	<u>7,675</u>
Total receipts	<u>98</u>	<u>10,500</u>	<u>55</u>	<u>3,120</u>	<u>351</u>	<u>2,059</u>	<u>120</u>	<u>7,675</u>
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	<u>98</u>	<u>10,500</u>	<u>55</u>	<u>3,120</u>	<u>351</u>	<u>2,059</u>	<u>120</u>	<u>7,675</u>
Total disbursements	<u>98</u>	<u>10,500</u>	<u>55</u>	<u>3,120</u>	<u>351</u>	<u>2,059</u>	<u>120</u>	<u>7,675</u>
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	-	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2012
 (Continued)

	HSA Contribution #1	HSA Contribution #2	Payroll PERF	Payroll Federal Withholding	Payroll State Withholding	Payroll FICA	Payroll COIT	Payroll Dependent Insurance
Cash and investments - beginning	\$ -	\$ -	\$ 1,459	\$ -	\$ -	\$ -	\$ -	\$ (436)
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	800	50	9,515	36,565	14,864	29,716	6,065	14,122
Total receipts	800	50	9,515	36,565	14,864	29,716	6,065	14,122
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	800	50	10,835	36,565	14,864	29,726	6,069	14,271
Total disbursements	800	50	10,835	36,565	14,864	29,726	6,069	14,271
Excess (deficiency) of receipts over disbursements	-	-	(1,320)	-	-	(10)	(4)	(149)
Cash and investments - ending	\$ -	\$ -	\$ 139	\$ -	\$ -	\$ (10)	\$ (4)	\$ (585)

CITY OF MONTPELIER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Payroll Medicare	Payroll Christmas	Payroll Garnishment	Payroll Pre-Paid Legal	Payroll Phone Deduction	Payroll Aflac	Payroll Garnishment Water	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (110)	\$ (378)	\$ -	\$ -	\$ 494,921
Receipts:								
Taxes	-	-	-	-	-	-	-	374,973
Licenses and permits	-	-	-	-	-	-	-	3,456
Intergovernmental	-	-	-	-	-	-	-	2,180,019
Charges for services	-	-	-	-	-	-	-	131,382
Fines and forfeits	-	-	-	-	-	-	-	1,095
Utility fees	-	-	-	-	-	-	-	918,307
Penalties	-	-	-	-	-	-	-	14,203
Other receipts	12,703	100	1,200	247	5,679	108	30	1,416,979
Total receipts	12,703	100	1,200	247	5,679	108	30	5,040,414
Disbursements:								
Personal services	-	-	-	-	-	-	-	336,824
Supplies	-	-	-	-	-	-	-	25,406
Other services and charges	-	-	-	-	-	-	-	313,226
Debt service - principal and interest	-	-	-	-	-	-	-	385,150
Capital outlay	-	-	-	-	-	-	-	1,876,641
Utility operating expenses	-	-	-	-	-	-	-	471,261
Other disbursements	12,706	100	1,200	259	5,932	108	30	1,524,760
Total disbursements	12,706	100	1,200	259	5,932	108	30	4,933,268
Excess (deficiency) of receipts over disbursements	(3)	-	-	(12)	(253)	-	-	107,146
Cash and investments - ending	\$ (3)	\$ -	\$ -	\$ (122)	\$ (631)	\$ -	\$ -	\$ 602,067

CITY OF MONTPELIER
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2012

<u>Enterprise</u>	<u>Accounts Receivable</u>
Storm Water	\$ 8,384
Trash	19,442
Wastewater	72,741
Water	<u>75,635</u>
Total	<u>\$ 176,202</u>

*City did not report their payables.

CITY OF MONTPELIER
SCHEDULE OF LEASES AND DEBT
December 31, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Pacesetter Bank	City Hall and Police Station	\$ 13,155	08-23-04	08-23-24
Total of annual lease payments		<u>\$ 13,155</u>		

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose	
Governmental activities:		
General obligation bonds	Road Bond	\$ 83,000
Notes and loans payable	Industrial Park Loan	151,200
Notes and loans payable	Police Car Loan	<u>34,071</u>
Total governmental activities		<u>268,271</u>
Storm Water:		
General obligation bonds	Storm Water Improvements	<u>35,000</u>
Wastewater:		
Revenue bonds	Sewer Works Bond 1995	180,000
Revenue bonds	Sewer Bond 2001	<u>728,622</u>
Total Wastewater		<u>908,622</u>
Water:		
Revenue bonds	Water Works Bond 1987	50,000
Revenue bonds	Water Works Bond 2011	<u>2,105,000</u>
Total Water		<u>2,155,000</u>
Totals		<u>\$ 3,366,893</u>

CITY OF MONTPELIER
SCHEDULE OF CAPITAL ASSETS
December 31, 2012

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	\$ 291,877
Buildings	556,643
Improvements other than buildings	338,179
Machinery, equipment, and vehicles	533,224
Total governmental activities	1,719,923
Storm Water:	
Improvements other than buildings	59,225
Machinery, equipment, and vehicles	11,399
Total Storm Water	70,624
Trash:	
Machinery, equipment, and vehicles	6,985
Total Trash	6,985
Wastewater:	
Land	26,600
Buildings	183,097
Improvements other than buildings	2,664,679
Machinery, equipment, and vehicles	280,645
Total Wastewater	3,155,021
Water:	
Land	33,000
Buildings	710,783
Improvements other than buildings	5,145,703
Machinery, equipment, and vehicles	194,462
Total Water	6,083,948
Total capital assets	\$ 11,036,501

CITY OF MONTPELIER
AUDIT RESULTS AND COMMENTS

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 the prior Report B40536.

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."

SALES TAX REMITTANCE

Officials of the Water Utility collected the proper sales tax for utility services from customers. However, they did not remit the correct sales tax amount for June 2012. As a result, remittances to the Indiana Department of Revenue for sales tax for utility services were under remitted by \$668.

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)

All questions concerning the law or procedure for paying and collecting sales tax should be directed to the Indiana Department of Revenue, Sales Tax Division. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF MONTPELIER
AUDIT RESULTS AND COMMENTS
(Continued)

UTILITY RECEIPTS TAX

The officials of the Water Utility did not pay estimated quarterly Utility Receipts Tax to the Indiana Department of Revenue for 2012. Because the Utility has an annual tax liability exceeding \$2,500 it is required to file quarterly estimated payments. The tax liability was calculated and remitted with the submission of Indiana Utility Receipts Tax Form URT-1 on February 4, 2013. The amount of tax calculated as being owed and remitted with the return was \$9,060. The correct Utility Receipts Tax owed was \$5,796 plus a penalty of 10 percent for late remittance in the amount of \$580 for a total tax liability of \$6,376. Therefore, Utility Receipts Tax for the year of 2012 was overpaid by \$2,684.

Officials filed the 2011 Utility Receipts Tax Form URT-1 on February 4, 2013, and remitted the balance due of \$2,079. Included in this payment was a penalty of \$473 for late remittance. The penalty was calculated on the total tax liability and did not take into consideration quarterly estimates paid by the Water Utility on a timely basis in 2011. The State erroneously issued a refund of the \$2,079 which was received by the Water Utility and receipted to the Operating Fund on March 7, 2013.

Additionally, overpayments to the Indiana Department of Revenue for Utility Receipts Tax for years prior to 2011 in the amount of \$5,593 have not been refunded. A similar comment appeared in prior Report B40536.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES

The cash balances of the Sanitation Operating and Wastewater Utility Operating Funds were overdrawn at December 31, 2012, by \$15,739 and \$131,874, respectively.

The 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 were conducted; however, the reconciliations contained unidentified variances. At December 31, 2012, net bank balances exceeded fund cash balances by \$1,069. A similar comment appeared in prior Report B40536.

CITY OF MONTPELIER
AUDIT RESULTS AND COMMENTS
(Continued)

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."

WASTEWATER UTILITY REVENUE BOND ORDINANCES

The City has ordinances related to the 1995 and 2001 revenue bond issues that require the Operating Fund of the Wastewater Utility to maintain a balance sufficient to cover two months' operating expenses. As of December 31, 2012, the balance of the Wastewater Utility Operating Fund was overdrawn \$131,874. A similar comment appeared in prior Report B40536.

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

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Montpelier's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Bruce Hartman
State Examiner

April 30, 2013

(This page intentionally left blank.)

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, 2012

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Agriculture</u>				
Water and Waste Program Cluster				
Water and Waste Disposal Systems for Rural Communities	Direct	10.760		
Loan			91-04	\$ 191,777
Grant			91-04	<u>1,249,260</u>
Total - Department of Agriculture				<u>1,441,037</u>
<u>Department of Housing and Urban Development</u>				
CDBG - State-Administered CDBG Cluster				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs	14.228	CF-10-211	<u>418,003</u>
Total - Department of Housing and Urban Development				<u>418,003</u>
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster				
ARRA - Highway Planning and Construction	Indiana Department of Transportation	20.205	1173494	<u>31,115</u>
Total - Department of Transportation				<u>31,115</u>
Total federal awards expended				<u>\$ 1,890,155</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
EXIT CONFERENCE

The contents of this report were discussed on April 30, 2013, 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.