

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF MONTEZUMA
PARKE COUNTY, INDIANA

January 1, 2011 to December 31, 2012



FILED
09/26/2013

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	11
Notes to Financial Statement	12-15
Supplementary Information - Unaudited: Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	18-25
Schedule of Payables and Receivables	27
Schedule of Leases and Debt	28
Schedule of Capital Assets	29
Audit Result and Comment: Internal Controls Over Financial Transactions and Reporting	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	37
Note to Schedule of Expenditures of Federal Awards	38
Schedule of Findings and Questioned Costs	39-41
Auditee Prepared Schedule: Corrective Action Plan	42
Exit Conference	43

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cathy L. Morgan	01-01-08 to 12-31-15
President of the Town Council	Allen Cobb	01-01-11 to 12-31-13
Superintendent of Utilities	Robert Allen	01-01-11 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 TOWN OF MONTEZUMA, PARKE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Montezuma (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to 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. 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 Town'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 Town'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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

As discussed in Note 1 of the financial statement, the Town 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.

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 Town for the period of January 1, 2011 to 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 Town for the period of January 1, 2011 to 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 September 19, 2013, on our consideration of the Town'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 Town'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 Town'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 Town's financial statement. The Combining Schedules 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

September 19, 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 TOWN OF MONTEZUMA, PARKE 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 Town of Montezuma (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated September 19, 2013, wherein we noted the Town 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 Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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

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)

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1.

Town of Montezuma's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Hartman
State Examiner

September 19, 2013

(This page intentionally left blank.)

FINANCIAL STATEMENT

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

(This page intentionally left blank.)

TOWN OF MONTEZUMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Years Ended December 31, 2011 And 2012

Fund	Cash and Investments			Cash and Investments			Cash and Investments
	01-01-11	Receipts	Disbursements	12-31-11	Receipts	Disbursements	12-31-12
General	\$ 206,632	\$ 150,454	\$ 157,891	\$ 199,195	\$ 160,263	\$ 150,688	\$ 208,770
Mvh	176,338	38,147	8,669	205,816	34,347	28,879	211,284
Local Road And Street	29,938	4,058	-	33,996	3,919	-	37,915
Law Enforcement Cont. Ed	3,333	300	500	3,133	433	600	2,966
Parks	6,256	5,612	6,494	5,374	5,057	7,606	2,825
Rainy Day Fund	7,481	-	-	7,481	-	-	7,481
Cumulative Capital Development	62,360	3,129	-	65,489	2,849	-	68,338
Cccif (Community Center)	1,650	391	-	2,041	567	-	2,608
EDIT	-	-	-	-	14,918	2,848	12,070
Cumulative Capital Improvement	17,613	3,386	-	20,999	2,711	6,500	17,210
Cemetery	8,731	16,105	11,927	12,909	11,146	11,835	12,220
Restricted Donations	1,725	1,200	1,000	1,925	1,200	1,000	2,125
Cemetery Perpetual Care	51,092	1,620	1,000	51,712	526	1,000	51,238
Excess Levy Fund	7,336	-	298	7,038	1,075	-	8,113
Fire Department Fund#1	15,344	15,956	17,842	13,458	14,968	17,971	10,455
Ocra Grant/Sewer Transfer	-	789,352	789,352	-	177,648	177,648	-
Park Donation Fund	3,537	11,072	8,923	5,686	8,507	9,183	5,010
Public Safety	21,499	12,809	14,752	19,556	14,915	8,691	25,780
Cops Hiring Recovery Program Grant	(3,273)	33,922	33,858	(3,209)	41,231	41,165	(3,143)
Payroll	2,037	368,145	367,954	2,228	396,395	396,929	1,694
Electric Operating	1,902,558	1,493,831	1,524,377	1,872,012	1,708,106	1,637,882	1,942,236
Electric Depreciation	380,970	30,340	-	411,310	30,095	-	441,405
Electric Cust Deposit Fund	28,445	7,525	7,680	28,290	4,641	4,481	28,450
Electric Reserve	800	800	-	1,600	700	-	2,300
Sewer Sinking Fund	-	107,730	15,427	92,303	181,980	94,069	180,214
Sewer Debt Service Reserve	-	-	-	-	3,153	-	3,153
Sewage Works Construction	202,460	4,862,437	4,963,478	101,419	810,439	911,857	1
Sewer Operating	9,932	145,439	110,668	44,703	244,579	275,005	14,277
Water Operating	118,855	179,070	200,282	97,643	177,304	208,304	66,643
Water Depreciation	40,025	1,610	-	41,635	1,040	-	42,675
Water Cust Deposit Fund	18,390	5,575	5,745	18,220	3,275	3,100	18,395
Water Reserve	600	300	-	900	200	-	1,100
Gas Operating	326,582	388,566	409,798	305,350	315,016	347,446	272,920
Gas Depreciation	149,813	7,384	-	157,197	3,401	-	160,598
Gas Cust Deposit Fund	23,940	5,405	5,770	23,575	3,835	3,370	24,040
Gas Reserve	700	500	-	1,200	300	-	1,500
Totals	\$ 3,823,699	\$ 8,692,170	\$ 8,663,685	\$ 3,852,184	\$ 4,380,739	\$ 4,348,057	\$ 3,884,866

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

TOWN OF MONTEZUMA
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council 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, general administrative services, water, wastewater, electric, and gas.

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

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 Town.

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,

TOWN OF MONTEZUMA
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.

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.

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.

TOWN OF MONTEZUMA
NOTES TO FINANCIAL STATEMENT
(Continued)

F. Interfund Transfers

The Town 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 Town. 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 Town. 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 Town 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 Town 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 Town 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.

TOWN OF MONTEZUMA
NOTES TO FINANCIAL STATEMENT
(Continued)

State statutes authorize the Town 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 Town 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 Town 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 Plan

The Town contributes to a pension plan unique to the Town. Information regarding the plan may be obtained from the Town.

Note 7. Cash Balance Deficit

The financial statement contains one fund with a deficit in cash. This is a result of the fund accounting for a reimbursable grant. The reimbursements for expenditures made by the Town were not received by December 31, 2012.

(This page intentionally left blank.)

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town'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 Reports of the Town which are 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 Town. It is presented as intended by the Town.

TOWN OF MONTEZUMA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General	Mvh	Local Road And Street	Law Enforcement Cont. Ed	Parks	Rainy Day Fund	Cumulative Capital Development	Cccif (Community Center)	EDIT	Cumulative Capital Improvement
Cash and investments - beginning	\$ 206,632	\$ 176,338	\$ 29,938	\$ 3,333	\$ 6,256	\$ 7,481	\$ 62,360	\$ 1,650	\$ -	\$ 17,613
Receipts:										
Taxes	68,980	30,773	-	-	4,773	-	2,588	-	-	-
Licenses and permits	120	-	-	300	-	-	-	-	-	-
Intergovernmental	72,292	7,344	4,058	-	839	-	468	-	-	3,386
Charges for services	3,610	-	-	-	-	-	-	-	-	-
Fines and forfeits	1,351	-	-	-	-	-	-	391	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-	-
Other receipts	4,101	30	-	-	-	-	73	-	-	-
Total receipts	150,454	38,147	4,058	300	5,612	-	3,129	391	-	3,386
Disbursements:										
Personal services	71,625	2,623	-	-	-	-	-	-	-	-
Supplies	11,461	4,390	-	500	-	-	-	-	-	-
Other services and charges	50,750	1,656	-	-	6,494	-	-	-	-	-
Capital outlay	24,055	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-	-	-
Total disbursements	157,891	8,669	-	500	6,494	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	(7,437)	29,478	4,058	(200)	(882)	-	3,129	391	-	3,386
Cash and investments - ending	\$ 199,195	\$ 205,816	\$ 33,996	\$ 3,133	\$ 5,374	\$ 7,481	\$ 65,489	\$ 2,041	\$ -	\$ 20,999

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

	Cemetery	Restricted Donations	Cemetery Perpetual Care	Excess Levy Fund	Fire Department Fund#1	Ocra Grant/Sewer Transfer	Park Donation Fund	Public Safety	Cops Hiring Recovery Program Grant	Payroll
Cash and investments - beginning	\$ 8,731	\$ 1,725	\$ 51,092	\$ 7,336	\$ 15,344	\$ -	\$ 3,537	\$ 21,499	\$ (3,273)	\$ 2,037
Receipts:										
Taxes	4,852	-	-	-	13,491	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Intergovernmental	878	-	-	-	2,465	-	-	12,809	-	-
Charges for services	10,375	-	1,550	-	-	-	-	-	33,922	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-	-
Other receipts	-	1,200	70	-	-	789,352	11,072	-	-	368,145
Total receipts	16,105	1,200	1,620	-	15,956	789,352	11,072	12,809	33,922	368,145
Disbursements:										
Personal services	1,020	-	-	-	1,586	-	-	-	33,858	-
Supplies	755	-	-	-	4,467	-	81	-	-	-
Other services and charges	10,152	1,000	1,000	-	11,789	-	236	14,752	-	-
Capital outlay	-	-	-	-	-	789,352	8,606	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	298	-	-	-	-	-	367,954
Total disbursements	11,927	1,000	1,000	298	17,842	789,352	8,923	14,752	33,858	367,954
Excess (deficiency) of receipts over disbursements	4,178	200	620	(298)	(1,886)	-	2,149	(1,943)	64	191
Cash and investments - ending	\$ 12,909	\$ 1,925	\$ 51,712	\$ 7,038	\$ 13,458	\$ -	\$ 5,686	\$ 19,556	\$ (3,209)	\$ 2,228

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

	Electric Operating	Electric Depriciation	Electric Cust Deposit Fund	Electric Reserve	Sewer Sinking Fund	Sewer Debt Service Reserve	Sewage Works Construction	Sewer Operating	Water Operating
Cash and investments - beginning	\$ 1,902,558	\$ 380,970	\$ 28,445	\$ 800	\$ -	\$ -	\$ 202,460	\$ 9,932	\$ 118,855
Receipts:									
Taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	4,862,437	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Utility fees	1,478,187	-	-	-	-	-	-	136,946	175,812
Penalties	7,015	-	-	-	-	-	-	-	2,298
Other receipts	8,629	30,340	7,525	800	107,730	-	-	8,493	960
Total receipts	1,493,831	30,340	7,525	800	107,730	-	4,862,437	145,439	179,070
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	4,963,478	-	-
Utility operating expenses	1,493,251	-	7,680	-	-	-	-	2,938	198,391
Other disbursements	31,126	-	-	-	15,427	-	-	107,730	1,891
Total disbursements	1,524,377	-	7,680	-	15,427	-	4,963,478	110,668	200,282
Excess (deficiency) of receipts over disbursements	(30,546)	30,340	(155)	800	92,303	-	(101,041)	34,771	(21,212)
Cash and investments - ending	\$ 1,872,012	\$ 411,310	\$ 28,290	\$ 1,600	\$ 92,303	\$ -	\$ 101,419	\$ 44,703	\$ 97,643

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

	Water Depreciation	Water Cust Deposit Fund	Water Reserve	Gas Operating	Gas Depreciation	Gas Cust Deposit Fund	Gas Reserve	Totals
Cash and investments - beginning	\$ 40,025	\$ 18,390	\$ 600	\$ 326,582	\$ 149,813	\$ 23,940	\$ 700	\$ 3,823,699
Receipts:								
Taxes	-	-	-	-	-	-	-	125,457
Licenses and permits	-	-	-	-	-	-	-	420
Intergovernmental	-	-	-	-	-	-	-	4,966,976
Charges for services	-	-	-	-	-	-	-	49,457
Fines and forfeits	-	-	-	-	-	-	-	1,742
Utility fees	-	-	-	384,321	-	-	-	2,175,266
Penalties	-	-	-	3,132	-	-	-	12,445
Other receipts	1,610	5,575	300	1,113	7,384	5,405	500	1,360,407
Total receipts	1,610	5,575	300	388,566	7,384	5,405	500	8,692,170
Disbursements:								
Personal services	-	-	-	-	-	-	-	110,712
Supplies	-	-	-	-	-	-	-	21,654
Other services and charges	-	-	-	-	-	-	-	97,829
Capital outlay	-	-	-	-	-	-	-	5,785,491
Utility operating expenses	-	-	-	375,289	-	5,770	-	2,083,319
Other disbursements	-	5,745	-	34,509	-	-	-	564,680
Total disbursements	-	5,745	-	409,798	-	5,770	-	8,663,685
Excess (deficiency) of receipts over disbursements	1,610	(170)	300	(21,232)	7,384	(365)	500	28,485
Cash and investments - ending	\$ 41,635	\$ 18,220	\$ 900	\$ 305,350	\$ 157,197	\$ 23,575	\$ 1,200	\$ 3,852,184

TOWN OF MONTEZUMA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	General	Mvh	Local Road And Street	Law Enforcement Cont. Ed	Parks	Rainy Day Fund	Cumulative Capital Development	Cccif (Community Center)	EDIT	Cumulative Capital Improvement
Cash and investments - beginning	\$ 199,195	\$ 205,816	\$ 33,996	\$ 3,133	\$ 5,374	\$ 7,481	\$ 65,489	\$ 2,041	\$ -	\$ 20,999
Receipts:										
Taxes	65,579	-	-	-	4,313	-	2,410	-	-	-
Licenses and permits	1,348	-	-	430	-	-	-	-	-	-
Intergovernmental	89,351	34,347	-	-	744	-	416	-	14,918	2,711
Charges for services	1,148	-	-	3	-	-	-	567	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-	-
Other receipts	2,837	-	3,919	-	-	-	23	-	-	-
Total receipts	160,263	34,347	3,919	433	5,057	-	2,849	567	14,918	2,711
Disbursements:										
Personal services	72,196	2,528	-	-	-	-	-	-	-	-
Supplies	7,768	760	-	600	1,152	-	-	-	-	-
Other services and charges	49,130	3,681	-	-	6,454	-	-	-	-	-
Capital outlay	16,402	21,726	-	-	-	-	-	-	2,848	6,500
Utility operating expenses	-	-	-	-	-	-	-	-	-	-
Other disbursements	5,192	184	-	-	-	-	-	-	-	-
Total disbursements	150,688	28,879	-	600	7,606	-	-	-	2,848	6,500
Excess (deficiency) of receipts over disbursements	9,575	5,468	3,919	(167)	(2,549)	-	2,849	567	12,070	(3,789)
Cash and investments - ending	\$ 208,770	\$ 211,284	\$ 37,915	\$ 2,966	\$ 2,825	\$ 7,481	\$ 68,338	\$ 2,608	\$ 12,070	\$ 17,210

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

	Cemetery	Restricted Donations	Cemetery Perpetual Care	Excess Levy Fund	Fire Department Fund#1	Ocra Grant/Sewer Transfer	Park Donation Fund	Public Safety	Cops Hiring Recovery Program Grant	Payroll
Cash and investments - beginning	\$ 12,909	\$ 1,925	\$ 51,712	\$ 7,038	\$ 13,458	\$ -	\$ 5,686	\$ 19,556	\$ (3,209)	\$ 2,228
Receipts:										
Taxes	3,643	-	-	-	12,766	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Intergovernmental	628	-	-	-	2,201	-	-	14,915	-	-
Charges for services	6,875	1,200	500	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	26	1,075	1	177,648	8,507	-	41,231	396,395
Total receipts	11,146	1,200	526	1,075	14,968	177,648	8,507	14,915	41,231	396,395
Disbursements:										
Personal services	983	-	-	-	1,555	-	-	-	32,547	-
Supplies	554	-	-	-	1,080	-	311	-	-	-
Other services and charges	10,152	1,000	1,000	-	15,336	-	1,064	529	6,040	-
Capital outlay	-	-	-	-	-	-	7,808	8,162	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-	-
Other disbursements	146	-	-	-	-	177,648	-	-	2,578	396,929
Total disbursements	11,835	1,000	1,000	-	17,971	177,648	9,183	8,691	41,165	396,929
Excess (deficiency) of receipts over disbursements	(689)	200	(474)	1,075	(3,003)	-	(676)	6,224	66	(534)
Cash and investments - ending	\$ 12,220	\$ 2,125	\$ 51,238	\$ 8,113	\$ 10,455	\$ -	\$ 5,010	\$ 25,780	\$ (3,143)	\$ 1,694

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

	Electric Operating	Electric Depriciation	Electric Cust Deposit Fund	Electric Reserve	Sewer Sinking Fund	Sewer Debt Service Reserve	Sewage Works Construction	Sewer Operating	Water Operating
Cash and investments - beginning	\$ 1,872,012	\$ 411,310	\$ 28,290	\$ 1,600	\$ 92,303	\$ -	\$ 101,419	\$ 44,703	\$ 97,643
Receipts:									
Taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	632,791	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Utility fees	1,670,485	-	-	-	-	-	-	240,241	173,000
Penalties	7,943	-	-	-	-	-	-	2,332	1,905
Other receipts	29,678	30,095	4,641	700	181,980	3,153	177,648	2,006	2,399
Total receipts	1,708,106	30,095	4,641	700	181,980	3,153	810,439	244,579	177,304
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-	-
Capital outlay	36,500	-	-	-	-	-	-	13,415	13,415
Utility operating expenses	1,486,950	-	4,480	-	-	-	911,857	76,457	153,754
Other disbursements	114,432	-	1	-	94,069	-	-	185,133	41,135
Total disbursements	1,637,882	-	4,481	-	94,069	-	911,857	275,005	208,304
Excess (deficiency) of receipts over disbursements	70,224	30,095	160	700	87,911	3,153	(101,418)	(30,426)	(31,000)
Cash and investments - ending	\$ 1,942,236	\$ 441,405	\$ 28,450	\$ 2,300	\$ 180,214	\$ 3,153	\$ 1	\$ 14,277	\$ 66,643

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

	Water Depreciation	Water Cust Deposit Fund	Water Reserve	Gas Operating	Gas Depreciation	Gas Cust Deposit Fund	Gas Reserve	Totals
Cash and investments - beginning	\$ 41,635	\$ 18,220	\$ 900	\$ 305,350	\$ 157,197	\$ 23,575	\$ 1,200	\$ 3,852,184
Receipts:								
Taxes	-	-	-	-	-	-	-	88,711
Licenses and permits	-	-	-	-	-	-	-	1,778
Intergovernmental	-	-	-	-	-	-	-	793,022
Charges for services	-	-	-	-	-	-	-	10,293
Utility fees	-	-	-	295,932	-	3,780	-	2,383,438
Penalties	-	-	-	2,306	-	-	-	14,486
Other receipts	1,040	3,275	200	16,778	3,401	55	300	1,089,011
Total receipts	1,040	3,275	200	315,016	3,401	3,835	300	4,380,739
Disbursements:								
Personal services	-	-	-	-	-	-	-	109,809
Supplies	-	-	-	-	-	-	-	12,225
Other services and charges	-	-	-	-	-	-	-	94,386
Capital outlay	-	-	-	13,415	-	-	-	140,191
Utility operating expenses	-	-	-	294,154	-	3,247	-	2,930,899
Other disbursements	-	3,100	-	39,877	-	123	-	1,060,547
Total disbursements	-	3,100	-	347,446	-	3,370	-	4,348,057
Excess (deficiency) of receipts over disbursements	1,040	175	200	(32,430)	3,401	465	300	32,682
Cash and investments - ending	\$ 42,675	\$ 18,395	\$ 1,100	\$ 272,920	\$ 160,598	\$ 24,040	\$ 1,500	\$ 3,884,866

(This page intentionally left blank.)

TOWN OF MONTEZUMA
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ -	\$ 3,142
Electric	-	30,983
Wastewater	-	6,093
Water	-	6,395
Gas	-	-
	-	-
Totals	\$ -	\$ 46,613

TOWN OF MONTEZUMA
SCHEDULE OF LEASES AND DEBT
December 31, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Pitney Bowes	Postage Meter	\$ <u>120</u>	08-30-12	08-31-16
Electric: Pitney Bowes	Postage Meter	<u>261</u>	08-30-12	08-31-16
Wastewater: Pitney Bowes	Postage Meter	<u>261</u>	08-30-12	08-31-16
Water: Pitney Bowes	Postage Meter	<u>261</u>	08-30-12	08-31-16
Gas: Pitney Bowes	Postage Meter	<u>261</u>	08-30-12	08-31-16
Total of annual lease payments		<u>\$ 1,164</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities: Notes and loans payable	Postage Meter	\$ 1,462	\$ 468
Notes and loans payable	Police Car	<u>-</u>	<u>-</u>
Total governmental activities		<u>1,462</u>	<u>468</u>
Wastewater: Revenue bonds	Sewage Treatment Plant & Distribution System	<u>4,788,000</u>	<u>188,730</u>
Totals		<u>\$ 4,789,462</u>	<u>\$ 189,198</u>

TOWN OF MONTEZUMA
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	\$ 103,690
Infrastructure	59,345
Buildings	1,035,430
Improvements other than buildings	149,931
Machinery, equipment, and vehicles	557,563
Total governmental activities	1,905,959
Electric:	
Buildings	54,050
Improvements other than buildings	72,813
Machinery, equipment, and vehicles	502,579
Total Electric	629,442
Wastewater:	
Infrastructure	6,632,000
Machinery, equipment, and vehicles	13,414
Total Wastewater	6,645,414
Water:	
Buildings	206,592
Improvements other than buildings	98,831
Machinery, equipment, and vehicles	78,132
Total Water	383,555
Gas:	
Buildings	45,000
Improvements other than buildings	506,781
Machinery, equipment, and vehicles	114,911
Total Gas	666,692
Total capital assets	\$ 10,231,062

TOWN OF MONTEZUMA
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted a deficiency in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiency constitutes a material weakness:

The Town did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted that expenditures were understated on a direct award from the U.S. Department of Agriculture and expenditures were understated on a grant passed through the Office of Rural and Community Affairs. Audit adjustments were proposed, accepted by the Town, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (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 TOWN OF MONTEZUMA, PARKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Town of Montezuma's (Town) 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 period of January 1, 2011 to December 31, 2012. The Town'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 Town'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 Town'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 Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town 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 period of January 1, 2011 to 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 Town 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 Town'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 Town'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

September 19, 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 Town. The schedule and note are presented as intended by the Town.

(This page intentionally left blank.)

TOWN OF MONTEZUMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2011 And 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 12-31-11	Total Federal Awards Expended 12-31-12
<u>Department of Agriculture</u>					
Water and Waste Program Cluster					
ARRA - Water and Waste Disposal Systems for Rural Communities - ARRA Wastewater Treatment Facility and Distribution System	Direct Grant	10.781	IN-705-00-02	\$ 4,174,126	\$ 734,209
Total - Water and Waste Program Cluster				4,174,126	734,209
Total - Department of Agriculture				4,174,126	734,209
<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 Wastewater Treatment Facility and Distribution System	Indiana Office of Community and Rural Affairs	14.228	DR2-09-070	789,352	177,648
Total - CDBG - State-Administered CDBG Cluster				789,352	177,648
Total - Department of Housing and Urban Development				789,352	177,648
<u>Department of Justice</u>					
Public Safety Partnership and Community Policing Grants COPS Grant	Direct Grant	16.710	2009RKWX0351	33,922	41,231
Total - Department of Justice				33,922	41,231
<u>Department of Transportation</u>					
Highway Safety Cluster					
Alcohol Impaired Driving Countermeasures Incentive Grants I OP Blitz	Parke County	20.601	OP-10-02-02-12	266	-
Total - Highway Safety Cluster				266	-
Total - Department of Transportation				266	-
Total federal awards expended				\$ 4,997,666	\$ 953,088

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

TOWN OF MONTEZUMA
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 Town of Montezuma 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.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1 et seq.), audits of towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF MONTEZUMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	no

Identification of Major Programs:

_____ Name of Federal Program or Cluster _____
Water and Waste Program Cluster
CDBG – State-Administered CDBG Cluster

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

FINDING 2012-1 - INTERNAL CONTROLS OVER REPORTING

We noted a deficiency in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiency constitutes a material weakness:

The Town did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

TOWN OF MONTEZUMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

During the audit of the SEFA, we noted that expenditures were understated on a direct award from the U.S. Department of Agriculture and expenditures were understated on a grant passed through the Office of Rural and Community Affairs. Audit adjustments were proposed, accepted by the Town, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310 (b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.

TOWN OF MONTEZUMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

**TOWN OF MONTEZUMA
1243 N JACKSON STREET
MONTEZUMA, INDIANA 47862
765-592-0996**

CORRECTIVE ACTION PLAN

SECTION II – FINANCIAL STATEMENT FINDING

FINDING 2012-1, INTERNAL CONTROLS OVER REPORTING

Will start using the Catalog of Federal Domestic Assistance to ensure that the correct name of the Federal Award is reported.

Secondly, the Town Council President will review a printout of the Federal Awards before the final report is submitted.

Signed: _____

Cathy Morgan
Cathy Morgan, Clerk-Treasurer

Signed: _____

Allen Cobb
Allen Cobb, Town Council President

TOWN OF MONTEZUMA
EXIT CONFERENCE

The contents of this report were discussed on September 19, 2013, with Cathy L. Morgan, Clerk-Treasurer, and Allen Cobb, President of the Town Council. The officials concurred with our audit findings.