

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF MONTPELIER

BLACKFORD COUNTY, INDIANA

January 1, 2021 to December 31, 2022



FILED
09/01/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Margaret A. Willmann	01-01-21 to 12-31-23
Mayor	Kathy J. Bantz	01-01-21 to 12-31-23
President of the Board of Public Works and Safety	Thomas D. Mounsey (Vacant) Robert W. Benbow Kathy J. Bantz	01-01-21 to 02-15-21 02-16-21 to 03-07-21 03-08-21 to 01-11-22 01-12-22 to 12-31-23
President Pro Tempore of the Common Council	J. Michael Lee	01-01-21 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to the audit report of the City of Montpelier (City), for the period from January 1, 2021 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with the Financial Statement Audit Report of the City, which provides our opinions on the City's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

August 29, 2023

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CLERK-TREASURER
CITY OF MONTPELIER

CLERK-TREASURER
CITY OF MONTPELIER
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The City had not established effective internal controls over the AFR information entered into Gateway which resulted in the following errors:

Capital Assets

The capital asset information entered into Gateway did not reflect the City's capital asset detailed listing. The capital asset information entered into Gateway was \$7,241,154 more than the City's capital asset detailed listing. As a result, the City approved the omission of the Schedule of Capital Assets from the Financial Statement Audit Report for the City.

Leases and Debt

1. A lease with the Montpelier Redevelopment Authority with an annual lease payment of \$8,700 was not reported.
2. A lease with the Montpelier Improvement Corporation with an annual lease payment of \$8,835 was not reported.
3. The 2022 General Obligation (GO) Bond with an ending principal balance of \$270,000 and Principal Due within One Year of \$40,000 was not reported.
4. The Note Payable for a Dodge Police Car with an ending principal balance of \$6,560 and Principal Due within One Year of \$3,280 was not reported.
5. The 2020 General Obligation (GO) Bond was incorrectly reported. The bond had been paid off before December 31, 2022.

Adjustments were proposed, accepted by the City, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report for the City.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

CLERK-TREASURER
CITY OF MONTPELIER
AUDIT RESULTS AND COMMENTS
(Continued)

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

CAPITAL ASSETS

A similar comment also appeared in prior Report B58024, entitled *CAPITAL ASSETS*.

Condition and Context

The capital asset detailed listing contained errors as of December 31, 2022. Of the 18 assets tested, 1 asset was no longer owned by the City and 1 asset was recorded at the annual lease payment amount rather than the acquisition value.

The City has a capital asset policy that details the threshold at which an item is considered a capital asset, but several assets were recorded on the listing that were below the threshold.

The City was unable to provide evidence of a complete physical inventory taking place at least every two years.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
CITY OF MONTPELIER
EXIT CONFERENCE

The contents of this report were discussed on August 29, 2023, with Margaret A. Willmann, Clerk-Treasurer; Kathy J. Bantz, Mayor; J. Michael Lee, President Pro Tempore of the Common Council; and William Smith, Common Council member.