

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT

OF

TOWN OF MONTGOMERY

DAVISS COUNTY, INDIANA

January 1, 2004 to December 31, 2005



FILED
10/31/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mary Sue Showalter Michelle Fuhs	01-01-04 to 12-31-04 01-01-05 to 12-31-07
President of the Town Council	John M. Healy	01-01-04 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MONTGOMERY, DAVIESS COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Montgomery (Town), for the period of January 1, 2004 to December 31, 2005. The Town's management is responsible for the schedules. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedules referred to above present fairly, in all material respects, the cash transactions of the Town for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

September 28, 2006

TOWN OF MONTGOMERY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2004 And 2005

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ 19,373	\$ 74,790	\$ 53,303	\$ 40,860
Motor Vehicle Highway	19,816	34,440	21,602	32,654
Local Road and Street	2,678	2,117	-	4,795
Firefighting	11,975	61,358	45,249	28,084
Cumulative Capital Improvement	20,480	1,373	-	21,853
Proprietary Funds:				
Water Utility - Operating	423,343	113,521	87,289	449,575
Water Utility - Depreciation	24,566	1,371	-	25,937
Water Utility - Customer Deposit	10,029	480	197	10,312
Wastewater Utility - Operating	17,944	97,441	97,614	17,771
Wastewater Utility - Bond and Interest	9,550	12,000	12,500	9,050
Wastewater Utility - Depreciation	10,000	1,000	-	11,000
Wastewater Utility - Sinking	13,708	103	-	13,811
Totals	<u>\$ 583,462</u>	<u>\$ 399,994</u>	<u>\$ 317,754</u>	<u>\$ 665,702</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 40,860	\$ 62,520	\$ 63,500	\$ 39,880
Motor Vehicle Highway	32,654	27,382	36,484	23,552
Local Road and Street	4,795	2,117	-	6,912
Firefighting	28,084	40,116	44,727	23,473
Economic Development Income Tax	-	4,532	-	4,532
Cumulative Capital Improvement	21,853	1,138	-	22,991
Proprietary Funds:				
Water Utility - Operating	449,575	113,199	85,882	476,892
Water Utility - Depreciation	25,937	1,000	-	26,937
Water Utility - Customer Deposit	10,312	460	110	10,662
Wastewater Utility - Operating	17,771	72,260	80,234	9,797
Wastewater Utility - Bond and Interest	9,050	12,000	12,050	9,000
Wastewater Utility - Depreciation	11,000	1,000	-	12,000
Wastewater Utility - Improvement	13,811	104	-	13,915
Totals	<u>\$ 665,702</u>	<u>\$ 337,828</u>	<u>\$ 322,987</u>	<u>\$ 680,543</u>

The accompanying notes are an integral part of the schedules.

TOWN OF MONTGOMERY
NOTES TO SCHEDULES

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

TOWN OF MONTGOMERY
NOTES TO SCHEDULES

Note 5. Deposits and Investments

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

State statute (IC 5-13-9) authorizes the 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 6. Long-Term Debt

The Town has entered into bonds for wastewater system improvements. The outstanding principal at December 31, 2005, was \$52,000.

Note 7. Subsequent Event

On July 3, 2006, the Town Council awarded a bid to Phoenix Tank Services for painting of the water tank for a total cost of \$97,100 and awarded a quote to Graber Post Buildings, Inc., for an addition to the fire station for a total cost of \$43,685.

TOWN OF MONTGOMERY
EXAMINATION RESULTS AND COMMENTS

PENALTIES, INTEREST AND OTHER CHARGES

Penalties and interest totaling \$73.83 were paid to the Indiana Department of Revenue during 2005 for late remittance of state and county withholding taxes.

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)

PRORATING EXPENSES

The Water Utility is paying 100% of the cost of items such as utility billing software maintenance, uniforms, office supplies, utility billing cards, postage for utility bills, office computer, fax machine, and Clerk-Treasurer's health insurance. The Town and Wastewater Utility are benefiting from the purchase of these items but are not paying any portion of the cost.

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. Furthermore, the utility funds should not be used to pay for personal items. The cost of shared employees and equipment by two or more utilities should be prorated in a rational manner. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MONTGOMERY
EXIT CONFERENCE

The contents of this report were discussed on September 28, 2006, with Michelle Fuhs, Clerk-Treasurer.