

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

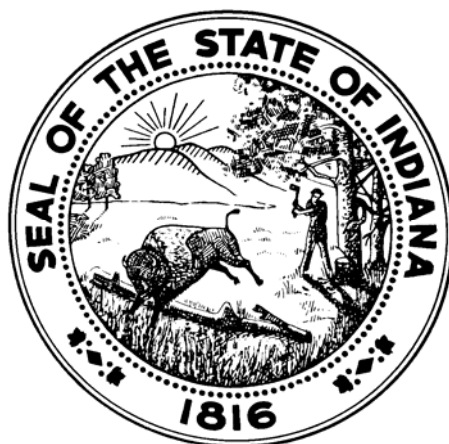
EXAMINATION REPORT

OF

TOWN OF MONTEZUMA

PARKE COUNTY, INDIANA

January 1, 2005 to December 31, 2006



**FILED**  
10/25/2007



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Accountant's Report .....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances .....	4-5
Notes to Financial Information.....	6-7
Supplementary Information:	
Schedule of Capital Assets .....	8
Schedule of Long-Term Debt.....	9
Examination Result and Comment:	
Errors on Claims .....	10
Exit Conference .....	11

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cathy L. Morgan	01-01-04 to 12-31-07
President of the Town Council	Allen Cobb	01-01-06 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MONTEZUMA, PARKE COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Montezuma (Town), for the period of January 1, 2005 to December 31, 2006. The Town's management is responsible for the financial information presented herein. 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 financial information presented herein 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 financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

August 27, 2007

TOWN OF MONTEZUMA  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
<b>Governmental Funds:</b>				
General	\$ 92,231	\$ 155,853	\$ 95,039	\$ 153,045
Motor Vehicle Highway	106,077	58,116	15,189	149,004
Local Road and Street	12,850	4,879	-	17,729
Park and Recreation	2,831	7,532	5,299	5,064
Law Enforcement Continuing Education	1,370	191	-	1,561
Donation	3,114	-	2,000	1,114
Cumulative Capital Improvement	12,714	3,644	-	16,358
Cumulative Capital Development	41,756	6,980	-	48,736
Cemetery	17,768	12,995	14,722	16,041
Cemetery Perpetual Care	43,945	2,211	500	45,656
Cumulative Building and Firefighting Equipment	3,483	27,682	18,404	12,761
<b>Proprietary Funds:</b>				
Water Utility - Operating	53,428	202,853	166,302	89,979
Water Utility - Depreciation	13,097	5,183	-	18,280
Water Utility - Customer Deposit	13,621	3,540	2,961	14,200
Water Utility - Reserve	628	1,000	-	1,628
Light Utility - Operating	1,323,185	1,046,742	896,960	1,472,967
Light Utility - Depreciation	189,494	29,761	-	219,255
Light Utility - Customer Deposit	21,740	7,362	6,112	22,990
Light Utility - Reserve	1,342	1,723	-	3,065
Gas Utility - Operating	322,969	601,921	630,586	294,304
Gas Utility - Depreciation	85,066	9,070	-	94,136
Gas Utility - Customer Deposit	19,823	3,960	3,478	20,305
Gas Utility - Reserve	547	599	-	1,146
Gas Utility - Sinking Fund	10,054	31,083	28,637	12,500
Gas Utility - Debt Service Reserve	38,919	-	1,945	36,974
<b>Fiduciary Fund:</b>				
Payroll	2,018	257,921	258,174	1,765
<b>Totals</b>	<u>\$ 2,434,070</u>	<u>\$ 2,482,801</u>	<u>\$ 2,146,308</u>	<u>\$ 2,770,563</u>

The accompanying notes are an integral part of the financial information.

TOWN OF MONTEZUMA  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2005 And 2006  
(Continued)

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
<b>Governmental Funds:</b>				
General	\$ 153,045	\$ 166,721	\$ 173,817	\$ 145,949
Motor Vehicle Highway	149,004	51,219	122,827	77,396
Local Road and Street	17,729	4,697	5,000	17,426
Park and Recreation	5,064	5,143	6,028	4,179
Law Enforcement Continuing Education	1,561	165	-	1,726
Excess Levy	-	5,408	5,408	-
Donation	1,114	2,400	1,589	1,925
Cumulative Capital Improvement	16,358	4,212	4,000	16,570
Cumulative Capital Development	48,736	5,153	229	53,660
Cemetery	16,041	8,804	14,999	9,846
Cemetery Perpetual Care	45,656	2,024	500	47,180
Cumulative Building and Firefighting Equipment	12,761	12,214	17,003	7,972
<b>Proprietary Funds:</b>				
Water Utility - Operating	89,979	199,125	193,937	95,167
Water Utility - Depreciation	18,280	5,034	-	23,314
Water Utility - Customer Deposit	14,200	4,180	3,125	15,255
Water Utility - Reserve	1,628	1,000	-	2,628
Light Utility - Operating	1,472,967	1,130,874	1,018,223	1,585,618
Light Utility - Depreciation	219,255	30,492	-	249,747
Light Utility - Customer Deposit	22,990	6,161	4,701	24,450
Light Utility - Reserve	3,065	1,000	-	4,065
Gas Utility - Operating	294,304	723,745	695,743	322,306
Gas Utility - Depreciation	94,136	12,792	-	106,928
Gas Utility - Customer Deposit	20,305	4,230	3,800	20,735
Gas Utility - Reserve	1,146	700	-	1,846
Gas Utility - Sinking Fund	12,500	6,981	19,481	-
Gas Utility - Debt Service Reserve	36,974	362	7,719	29,617
<b>Fiduciary Fund:</b>				
Payroll	1,765	277,575	277,332	2,008
<b>Totals</b>	<u>\$ 2,770,563</u>	<u>\$ 2,672,411</u>	<u>\$ 2,575,461</u>	<u>\$ 2,867,513</u>

The accompanying notes are an integral part of the financial information.

TOWN OF MONTEZUMA  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, culture and recreation, gas, water, light, 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 MONTEZUMA  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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. Subsequent Events

On January 18, 2007, the Light Utility ordered a Lift truck for \$148,087 from Lift-All, a partial payment was made upon ordering the truck. The balance is due upon delivery.

On February 23, 2007, the Town entered into the following contractual agreements for the Community Center project:

Contractor	Amount
MSI Construction, Inc.	\$ 436,255
B & S Plumbing & Heating, Inc.	64,990
Crown Electric, Inc.	41,000
Manley Excavating, Inc.	21,300
Total	\$ 563,545

TOWN OF MONTEZUMA  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

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.

General infrastructure assets are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 103,690
Infrastructure	-
Buildings	435,430
Improvements other than buildings	120,735
Machinery and equipment	97,136
Construction in progress	<u>238,035</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 995,026</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ -
Vehicles	39,868
Buildings	206,592
Improvements other than buildings	93,021
Machinery and equipment	<u>18,925</u>
 Total Water Utility capital assets	 <u>358,406</u>
Gas Utility	
Capital assets, not being depreciated:	
Land	-
Vehicles	54,218
Buildings	45,000
Improvements other than buildings	506,781
Machinery and equipment	<u>18,925</u>
 Total Gas Utility capital assets	 <u>624,924</u>
Electric Utility:	
Capital assets, not being depreciated:	
Land	-
Vehicles	128,888
Buildings	54,050
Improvements other than buildings	61,821
Machinery and equipment	<u>45,748</u>
 Total Electric Utility capital assets	 <u>290,507</u>
 Total business-type activities capital assets	 <u>\$ 1,273,837</u>

TOWN OF MONTEZUMA  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Business-type Activities:		
Gas Utility		
Gas Line Replacement	\$ 25,000	\$ 25,000

TOWN OF MONTEZUMA  
EXAMINATION RESULT AND COMMENT

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

Two of fifty claims tested were not certified by the fiscal officer or approved by the governing board because they were omitted from the claims docket.

Three of fifty claims or invoices tested did not have evidence to support receipt of goods or services.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

TOWN OF MONTEZUMA  
EXIT CONFERENCE

The contents of this report were discussed on August 28, 2007, with Cathy L. Morgan, Clerk-Treasurer. The official concurred with our finding.