

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

EXAMINATION REPORT
OF
TOWN OF MONTGOMERY
DAVISS COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
10/09/2008

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
Notes to Financial Information	5
Supplementary Information:	
Schedule of Capital Assets.....	6-7
Schedule of Long-Term Debt	8
Examination Results and Comments:	
Penalties, Interest, and Other Charges	9
Prorating Expenses	9
Errors on Claims	9-10
Receipt Issuance.....	10
Deposits.....	11
Exit Conference.....	12

OFFICIALS

Office

Official

Term

Clerk-Treasurer

Michelle Fuhs
Cynthia Smith

01-01-05 to 12-31-07
01-01-08 to 12-31-11

President of the Town Council

John M. Healy

01-01-06 to 12-31-08



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 financial information presented herein of the Town of Montgomery (Town), for the period of January 1, 2006 to December 31, 2007. 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, 2006 and 2007, 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 21, 2008

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, 2006 And 2007

	Cash and Investments		Cash and Investments	
	01-01-06	Receipts	Disbursements	12-31-06
Governmental Funds:				
General	\$ 39,880	\$ 99,872	\$ 93,683	\$ 46,069
Motor Vehicle Highway	23,552	33,278	11,667	45,163
Local Road and Street	6,912	2,041	-	8,953
Firefighting	23,473	45,349	44,418	24,404
Economic Development Income Tax	4,532	4,133	-	8,665
Fire Equipment Donation	-	3,781	573	3,208
Tornado Siren Donation	-	16,058	16,058	-
Levy Excess	-	1,527	-	1,527
Cumulative Capital Improvement	22,991	1,315	10,000	14,306
Proprietary Funds:				
Water Utility - Operating	476,892	125,010	151,204	450,698
Water Utility - Depreciation	26,937	1,656	-	28,593
Water Utility - Customer Deposit	10,682	400	200	10,882
Wastewater Utility - Operating	9,797	68,314	56,071	22,040
Wastewater Utility - Bond and Interest	9,000	12,000	11,600	9,400
Wastewater Utility - Depreciation	12,000	1,000	-	13,000
Wastewater Utility - Improvement	13,915	122	3	14,034
Totals	\$ 680,563	\$ 415,856	\$ 395,477	\$ 700,942

	Cash and Investments		Cash and Investments	
	01-01-07	Receipts	Disbursements	12-31-07
Governmental Funds:				
General	\$ 46,069	\$ 47,834	\$ 37,794	\$ 56,109
Motor Vehicle Highway	45,163	29,909	35,731	39,341
Local Road and Street	8,953	2,076	-	11,029
Park and Recreation	24,404	28,301	15,244	37,461
Law Enforcement Continuing Education	8,665	5,750	-	14,415
Riverboat	3,208	659	3,195	672
Rainy Day	1,527	-	1,527	-
Cumulative Capital Improvement	14,306	1,293	9,614	5,985
Proprietary Funds:				
Water Utility - Operating	450,698	159,530	214,568	395,660
Water Utility - Depreciation	28,593	1,000	-	29,593
Water Utility - Customer Deposit	10,882	240	60	11,062
Wastewater Utility - Operating	22,040	122,884	94,569	50,355
Wastewater Utility - Bond and Interest	9,400	12,000	12,150	9,250
Wastewater Utility - Depreciation	13,000	1,000	-	14,000
Wastewater Utility - Improvement	14,034	140	3	14,171
Totals	\$ 700,942	\$ 412,616	\$ 424,455	\$ 689,103

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

TOWN OF MONTGOMERY
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, 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.

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 Event

The Town of Montgomery is undergoing a Wastewater Improvement project. The total amount of the project is \$1,288,000 and is funded by a CDBG grant of \$500,000 and USDA Rural Development Loan of \$788,000. The project is expected to be complete in November 2008.

TOWN OF MONTGOMERY
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(812) 486-3298

TOWN OF MONTGOMERY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

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 (those reported by governmental activities) are included regardless of their acquisition date or amount. 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	\$ 15,000
Buildings	87,517
Machinery and equipment	<u>238,492</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u>341,009</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 6,400
Buildings	346,943
Improvements other than buildings	970,962
Machinery and equipment	<u>50,329</u>
 Total Water Utility capital assets	 <u>1,374,634</u>

Wastewater Utility:

Capital assets, not being depreciated:

Land	17,000
Buildings	212,929
Improvements other than buildings	449,995
Machinery and equipment	<u>8,375</u>

Total Wastewater Utility capital assets 688,299

Total business-type activities
capital assets

\$ 2,062,933

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TOWN OF MONTGOMERY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
1971 Wastewater Improvement	\$ 33,000	\$ 10,000
Total business-type activities debt:	\$ 33,000	\$ 10,000

TOWN OF MONTGOMERY
EXAMINATION RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties were paid for electric service by the Water Utility in the amount of \$69.05 (June, July, December) in 2007, and the Wastewater Utility in the amount of \$75.30 (June, August, December) in 2007.

Finance Charges were paid by the Town in the amount of \$569.42 in 2006 for an addition to the fire station building.

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, uniform service, Clerk-Treasurer's insurance, vehicles, and Water/Wastewater Supervisor cell phone.

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)

A similar comment was contained in a prior report.

ERRORS ON CLAIMS

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

1. Claims were not adequately itemized.
2. One hotel receipt did not have a zero balance due.
3. Mileage forms were not always used.

TOWN OF MONTGOMERY
EXAMINATION RESULTS AND COMMENTS
(Continued)

4. No travel policy is in existence for the town or utilities.
5. Incorrect posting of water loan to wastewater utility.
6. Contracts not available to support claim payments.
7. One claim not available for review.

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."

Each government unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Reimbursement for lodging and meals should be based upon actual receipts for amounts paid unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPT ISSUANCE

Receipts were not issued for the monthly payments of Water/Wastewater Account Receivables for 2006 and 2007.

Receipts were not issued for the payment of hydrant rental for 2006 and 2007.

Receipts were not issued for recording interest for 2006 and 2007.

No receipt was issued for the Water Utility loan to the Wastewater Utility in May 2006.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MONTGOMERY
EXAMINATION RESULTS AND COMMENTS
(Continued)

DEPOSITS

Receipts were deposited later than the next business day on a regular basis.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

TOWN OF MONTGOMERY
EXIT CONFERENCE

The contents of this report were discussed on August 21, 2008, with Cynthia Smith, Clerk-Treasurer; and Deron Steiner, Town Board member.