

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

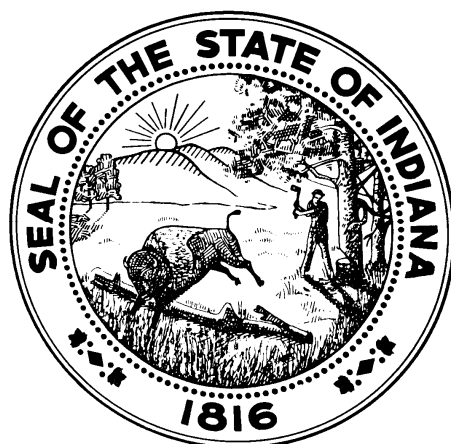
AUDIT REPORT

OF

TOWN OF MONTEZUMA

PARKE COUNTY, INDIANA

January 1, 2007 to December 31, 2008



FILED
10/28/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cathy L. Morgan	01-01-04 to 12-31-11
President of the Town Council	Allen Cobb	01-01-07 to 12-31-09
Superintendent of Utilities	Robert Allen	01-01-07 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Montezuma (Town), as of and for the years ended December 31, 2007 and 2008, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2007 and 2008, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated October 1, 2009, 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 audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Town has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

October 1, 2009



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Montezuma (Town), as of and for the years ended December 31, 2007 and 2008, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 1, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in item 2008-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 2008-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are 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 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Town's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

October 1, 2009

TOWN OF MONTEZUMA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2007

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 658,612	\$ 12,185	\$ -	\$ -	\$ (646,427)	\$ -	\$ (646,427)
Public safety	23,171	1,706	-	-	(21,465)	-	(21,465)
Highways and streets	60,575	-	42,012	4,714	(13,849)	-	(13,849)
Sanitation	-	3,033	-	-	3,033	-	3,033
Economic development	4,000	-	-	468,312	464,312	-	464,312
Culture and recreation	6,809	-	-	-	(6,809)	-	(6,809)
Urban redevelopment and housing	-	-	-	37	37	-	37
Total governmental activities	<u>753,167</u>	<u>16,924</u>	<u>42,012</u>	<u>473,063</u>	<u>(221,168)</u>	<u>-</u>	<u>(221,168)</u>
Business-type activities:							
Water	170,835	200,960	-	-	-	30,125	30,125
Electric	1,274,480	1,316,252	-	-	-	41,772	41,772
Gas	600,926	562,454	-	-	-	(38,472)	(38,472)
Total business-type activities	<u>2,046,241</u>	<u>2,079,666</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,425</u>	<u>33,425</u>
Total primary government	<u>\$ 2,799,408</u>	<u>\$ 2,096,590</u>	<u>\$ 42,012</u>	<u>\$ 473,063</u>	<u>(221,168)</u>	<u>33,425</u>	<u>(187,743)</u>
General receipts:							
Property taxes					91,797	-	91,797
Intergovernmental					77,408	-	77,408
Other local sources					17,136	7,460	24,596
Investment earnings					3,482	52,686	56,168
Total general receipts					<u>189,823</u>	<u>60,146</u>	<u>249,969</u>
Change in net assets					(31,345)	93,571	62,226
Net assets - beginning					<u>383,829</u>	<u>2,481,676</u>	<u>2,865,505</u>
Net assets - ending					<u>\$ 352,484</u>	<u>\$ 2,575,247</u>	<u>\$ 2,927,731</u>
<u>Assets</u>							
Cash and investments					\$ 277,440	\$ 2,529,554	\$ 2,806,994
Restricted assets:							
Cash and investments					75,044	45,693	120,737
Total assets					<u>\$ 352,484</u>	<u>\$ 2,575,247</u>	<u>\$ 2,927,731</u>
<u>Net Assets</u>							
Restricted for:							
Highways and streets					\$ 17,140	\$ -	\$ 17,140
Debt service					-	1,793	1,793
Capital outlay					57,904	-	57,904
Other purposes					-	43,900	43,900
Unrestricted					<u>277,440</u>	<u>2,529,554</u>	<u>2,806,994</u>
Total net assets					<u>\$ 352,484</u>	<u>\$ 2,575,247</u>	<u>\$ 2,927,731</u>

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

TOWN OF MONTEZUMA
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007

	General	Motor Vehicle Highway	Park and Recreation	Cemetery	Cemetery Perpetual Care	Cumulative Capital Development	Other Governmental Funds	Totals
Receipts:								
Taxes	\$ 63,987	\$ -	\$ 4,857	\$ 2,951	\$ -	\$ 3,016	\$ 16,986	\$ 91,797
Licenses and permits	120	-	-	-	-	-	353	473
Intergovernmental	528,728	49,815	925	562	-	574	11,879	592,483
Charges for services	3,905	-	-	8,638	1,475	-	1,200	15,218
Fines and forfeits	1,233	-	-	-	-	-	-	1,233
Other	6,453	2,018	-	-	1,093	903	15	10,482
Total receipts	604,426	51,833	5,782	12,151	2,568	4,493	30,433	711,686
Disbursements:								
General government	105,530	-	-	13,771	500	-	2,000	121,801
Public safety	-	-	-	-	-	-	14,015	14,015
Highways and streets	-	5,230	-	-	-	-	5,000	10,230
Culture and recreation	-	-	6,809	-	-	-	-	6,809
Capital outlay:								
General government	536,811	-	-	-	-	-	-	536,811
Public safety	-	-	-	-	-	-	9,156	9,156
Highways and streets	-	50,345	-	-	-	-	-	50,345
Economic development	-	-	-	-	-	-	4,000	4,000
Total disbursements	642,341	55,575	6,809	13,771	500	-	34,171	753,167
Excess (deficiency) of receipts over disbursements	(37,915)	(3,742)	(1,027)	(1,620)	2,068	4,493	(3,738)	(41,481)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	6,675	6,675
Transfers out	(5,374)	-	(292)	(79)	-	(249)	(681)	(6,675)
Other receipts	3,118	-	-	-	-	-	7,018	10,136
Total other financing sources (uses)	(2,256)	-	(292)	(79)	-	(249)	13,012	10,136
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(40,171)	(3,742)	(1,319)	(1,699)	2,068	4,244	9,274	(31,345)
Cash and investment fund balance - beginning	145,949	77,396	4,179	9,846	47,180	53,660	45,619	383,829
Cash and investment fund balance - ending	\$ 105,778	\$ 73,654	\$ 2,860	\$ 8,147	\$ 49,248	\$ 57,904	\$ 54,893	\$ 352,484
Cash and Investment Assets - Ending								
Cash and investments	\$ 105,778	\$ 73,654	\$ 2,860	\$ 8,147	\$ 49,248	\$ -	\$ 37,753	\$ 277,440
Restricted assets:								
Cash and investments	-	-	-	-	-	57,904	17,140	75,044
Total cash and investment assets - ending	\$ 105,778	\$ 73,654	\$ 2,860	\$ 8,147	\$ 49,248	\$ 57,904	\$ 54,893	\$ 352,484
Cash and Investment Fund Balance - Ending								
Restricted for:								
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,140	\$ 17,140
Capital outlay	-	-	-	-	-	57,904	-	57,904
Unrestricted	105,778	73,654	2,860	8,147	49,248	-	37,753	277,440
Total cash and investment fund balance - ending	\$ 105,778	\$ 73,654	\$ 2,860	\$ 8,147	\$ 49,248	\$ 57,904	\$ 54,893	\$ 352,484

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

TOWN OF MONTEZUMA
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As Of And For The Year Ended December 31, 2007

	Water Utility	Electric Utility	Gas Utility	Totals
Operating receipts:				
Metered/measured	\$ 177,405	\$ 1,245,670	\$ 527,742	\$ 1,950,817
Public street and highway lighting	-	1,600	-	1,600
Fire protection receipts	6,000	-	-	6,000
Miscellaneous	<u>17,555</u>	<u>68,982</u>	<u>34,712</u>	<u>121,249</u>
Total operating receipts	<u>200,960</u>	<u>1,316,252</u>	<u>562,454</u>	<u>2,079,666</u>
Operating disbursements:				
Production and supply	-	-	365,574	365,574
Power production	-	873,778	-	873,778
Sales disbursements	-	76,640	-	76,640
Administration and general	-	115,042	106,189	221,231
Salaries and wages	79,124	-	-	79,124
Employee pensions and benefits	34,931	-	-	34,931
Purchased power	5,525	-	-	5,525
Material and supplies	13,157	-	86,443	99,600
Insurance claims and expense	5,192	-	-	5,192
Miscellaneous disbursements	<u>32,906</u>	<u>209,020</u>	<u>42,720</u>	<u>284,646</u>
Total operating disbursements	<u>170,835</u>	<u>1,274,480</u>	<u>600,926</u>	<u>2,046,241</u>
Excess (deficiency) of operating receipts over operating disbursements	<u>30,125</u>	<u>41,772</u>	<u>(38,472)</u>	<u>33,425</u>
Nonoperating receipts (disbursements):				
Investment earnings	3,812	40,755	8,119	52,686
Other revenue	<u>569</u>	<u>4,375</u>	<u>2,516</u>	<u>7,460</u>
Total nonoperating receipts (disbursements)	<u>4,381</u>	<u>45,130</u>	<u>10,635</u>	<u>60,146</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	34,506	86,902	(27,837)	93,571
Cash and investment fund balance - beginning	<u>136,364</u>	<u>1,863,880</u>	<u>481,432</u>	<u>2,481,676</u>
Cash and investment fund balance - ending	<u>\$ 170,870</u>	<u>\$ 1,950,782</u>	<u>\$ 453,595</u>	<u>\$ 2,575,247</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 152,817	\$ 1,923,142	\$ 453,595	\$ 2,529,554
Restricted assets:				
Cash and investments	<u>18,053</u>	<u>27,640</u>	<u>-</u>	<u>45,693</u>
Total cash and investment assets - December 31	<u>\$ 170,870</u>	<u>\$ 1,950,782</u>	<u>\$ 453,595</u>	<u>\$ 2,575,247</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 828	\$ 965	\$ -	\$ 1,793
Other purposes	17,225	26,675	-	43,900
Unrestricted	<u>152,817</u>	<u>1,923,142</u>	<u>453,595</u>	<u>2,529,554</u>
Total cash and investment fund balance - December 31	<u>\$ 170,870</u>	<u>\$ 1,950,782</u>	<u>\$ 453,595</u>	<u>\$ 2,575,247</u>

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

TOWN OF MONTEZUMA
STATEMENT OF ADDITIONS, DEDUCTIONS,
AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2007

	<u>Agency Funds</u>
Cash and investment fund balance - ending	<u>\$ 1,978</u>

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

TOWN OF MONTEZUMA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2008

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 190,521	\$ 2,121	\$ -	\$ -	\$ (188,400)	\$ -	\$ (188,400)
Public safety	15,332	3,071	-	1,392	(10,869)	-	(10,869)
Highways and streets	7,531	-	31,441	4,368	28,278	-	28,278
Sanitation	-	3,214	-	-	3,214	-	3,214
Health and welfare	-	6,940	-	-	6,940	-	6,940
Economic development	-	-	-	31,688	31,688	-	31,688
Culture and recreation	5,545	1,426	-	-	(4,119)	-	(4,119)
Total governmental activities	218,929	16,772	31,441	37,448	(133,268)	-	(133,268)
Business-type activities:							
Water	200,782	180,025	1,099	-	-	(19,658)	(19,658)
Gas	569,657	619,233	1,015	-	-	50,591	50,591
Electric	1,356,362	1,320,224	2,392	-	-	(33,746)	(33,746)
Total business-type activities	2,126,801	2,119,482	4,506	-	-	(2,813)	(2,813)
Total primary government	\$ 2,345,730	\$ 2,136,254	\$ 35,947	\$ 37,448	(133,268)	(2,813)	(136,081)
General receipts:							
Property taxes					98,241	-	98,241
Income taxes					-	-	-
Intergovernmental					80,855	-	80,855
Other local sources					27,628	98,275	125,903
Grants and contributions not restricted to specific programs					11,254	-	11,254
Investment earnings					2,992	49,088	52,080
Total general receipts					220,970	147,363	368,333
Change in net assets					87,702	144,550	232,252
Net assets - beginning					352,484	2,575,247	2,927,731
Net assets - ending					\$ 440,186	\$ 2,719,797	\$ 3,159,983
<u>Assets</u>							
Cash and investments					\$ 326,674	\$ 2,651,897	\$ 2,978,571
Restricted assets:							
Cash and investments					113,512	67,900	181,412
Total assets					\$ 440,186	\$ 2,719,797	\$ 3,159,983
<u>Net Assets</u>							
Restricted for:							
General government					\$ 3,525	\$ -	\$ 3,525
Public safety					14,592	-	14,592
Highways and streets					21,508	-	21,508
Capital outlay					73,887	-	73,887
Other purposes					-	67,900	67,900
Unrestricted					326,674	2,651,897	2,978,571
Total net assets					\$ 440,186	\$ 2,719,797	\$ 3,159,983

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

TOWN OF MONTEZUMA
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2008

	General	Motor Vehicle Highway	Park and Recreation	Cemetery	Cemetery Perpetual Care	Cumulative Capital Development	Other Governmental Funds	Totals
Receipts:								
Taxes	\$ 59,044	\$ 14,337	\$ 5,012	\$ 2,335	\$ -	\$ 3,596	\$ 13,917	\$ 98,241
Licenses and permits	190	-	-	-	-	-	1,970	2,160
Intergovernmental	94,629	42,436	903	420	-	648	25,300	164,336
Charges for services	2,337	-	-	9,029	1,125	-	-	12,491
Fines and forfeits	1,266	-	-	-	-	-	855	2,121
Other	20,056	-	-	-	787	690	2,200	23,733
Total receipts	177,522	56,773	5,915	11,784	1,912	4,934	44,242	303,082
Disbursements:								
General government	126,873	-	-	12,211	1,000	-	11,000	151,084
Public safety	-	-	-	-	-	-	15,332	15,332
Highways and streets	-	7,531	-	-	-	-	-	7,531
Culture and recreation	-	-	5,545	-	-	-	-	5,545
Capital outlay:								
General government	39,437	-	-	-	-	-	-	39,437
Total disbursements	166,310	7,531	5,545	12,211	1,000	-	26,332	218,929
Excess (deficiency) of receipts over disbursements	11,212	49,242	370	(427)	912	4,934	17,910	84,153
Other financing sources (uses):								
Transfers in	6,675	-	-	-	-	-	-	6,675
Transfers out	-	-	-	-	-	-	(6,675)	(6,675)
Other receipts	3,437	82	-	-	-	-	30	3,549
Total other financing sources (uses)	10,112	82	-	-	-	-	(6,645)	3,549
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	21,324	49,324	370	(427)	912	4,934	11,265	87,702
Cash and investment fund balance - beginning	105,778	73,654	2,860	8,147	49,248	57,904	54,893	352,484
Cash and investment fund balance - ending	<u>\$ 127,102</u>	<u>\$ 122,978</u>	<u>\$ 3,230</u>	<u>\$ 7,720</u>	<u>\$ 50,160</u>	<u>\$ 62,838</u>	<u>\$ 66,158</u>	<u>\$ 440,186</u>
Cash and Investment Assets - Ending								
Cash and investments	\$ 127,102	\$ 122,978	\$ 3,230	\$ 7,720	\$ 50,160	\$ -	\$ 15,484	\$ 326,674
Restricted assets:								
Cash and investments	-	-	-	-	-	62,838	50,674	113,512
Total cash and investment assets - ending	\$ 127,102	\$ 122,978	\$ 3,230	\$ 7,720	\$ 50,160	\$ 62,838	\$ 66,158	\$ 440,186
Cash and Investment Fund Balance - Ending								
Restricted for:								
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,525	\$ 3,525
Public safety	-	-	-	-	-	-	14,592	14,592
Highways and streets	-	-	-	-	-	-	21,508	21,508
Capital outlay	-	-	-	-	-	62,838	11,049	73,887
Unrestricted	127,102	122,978	3,230	7,720	50,160	-	15,484	326,674
Total cash and investment fund balance - ending	\$ 127,102	\$ 122,978	\$ 3,230	\$ 7,720	\$ 50,160	\$ 62,838	\$ 66,158	\$ 440,186

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

TOWN OF MONTEZUMA
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As Of And For The Year Ended December 31, 2008

	Water Utility	Electric Utility	Gas Utility	Totals
Operating receipts:				
Metered/measured	\$ 170,215	\$ 1,302,585	\$ 611,057	\$ 2,083,857
Public street and highway lighting	-	3,800	-	3,800
Penalties	-	6,517	4,446	10,963
Miscellaneous	9,810	7,322	3,730	20,862
	-	-	-	-
Total operating receipts	<u>180,025</u>	<u>1,320,224</u>	<u>619,233</u>	<u>2,119,482</u>
Operating disbursements:				
Insurance claims and expense	4,690	-	-	4,690
Transmission and distribution	-	-	384,917	384,917
Customer accounts	-	-	3,161	3,161
Administration and general	144,435	392,110	107,470	644,015
Power production	-	899,505	-	899,505
Sales	-	58,469	-	58,469
Refunds	-	5,178	-	5,178
Miscellaneous	51,657	1,100	74,109	126,866
	-	-	-	-
Total operating disbursements	<u>200,782</u>	<u>1,356,362</u>	<u>569,657</u>	<u>2,126,801</u>
Excess (deficiency) of operating receipts over operating disbursements	<u>(20,757)</u>	<u>(36,138)</u>	<u>49,576</u>	<u>(7,319)</u>
Nonoperating receipts (disbursements):				
Investment income	2,841	39,502	6,745	49,088
Refunds	21,615	43,772	32,888	98,275
Grants	1,099	2,392	1,015	4,506
	-	-	-	-
Total nonoperating receipts (disbursements)	<u>25,555</u>	<u>85,666</u>	<u>40,648</u>	<u>151,869</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	4,798	49,528	90,224	144,550
Cash and investment fund balance - beginning	<u>170,870</u>	<u>1,950,782</u>	<u>453,595</u>	<u>2,575,247</u>
Cash and investment fund balance - ending	<u>\$ 175,668</u>	<u>\$ 2,000,310</u>	<u>\$ 543,819</u>	<u>\$ 2,719,797</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 158,490	\$ 1,973,083	\$ 520,324	\$ 2,651,897
Restricted assets:				
Cash and investments	17,178	27,227	23,495	67,900
Total cash and investment assets - December 31	<u>\$ 175,668</u>	<u>\$ 2,000,310</u>	<u>\$ 543,819</u>	<u>\$ 2,719,797</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Other purposes	\$ 17,178	\$ 27,227	\$ 23,495	\$ 67,900
Unrestricted	158,490	1,973,083	520,324	2,651,897
Total cash and investment fund balance - December 31	<u>\$ 175,668</u>	<u>\$ 2,000,310</u>	<u>\$ 543,819</u>	<u>\$ 2,719,797</u>

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

TOWN OF MONTEZUMA
STATEMENT OF ADDITIONS, DEDUCTIONS,
AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2008

	<u>Agency Funds</u>
Cash and investment fund balance - ending	\$ <u>1,967</u>

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

TOWN OF MONTEZUMA
NOTES TO FINANCIAL STATEMENTS

I. 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 the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, general administrative services, electric, gas, and water.

The Town's financial reporting entity is composed of the following:

Primary Government: Town of Montezuma

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The motor vehicle highway fund is used for construction, reconstruction and maintenance of the streets of the Town.

The park and recreation fund is used for maintenance and operational expenses of the park.

The cemetery fund is used to account for maintenance of cemeteries.

The cemetery perpetual care fund is used to account for cemetery improvement and maintenance.

TOWN OF MONTEZUMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

The cumulative capital development fund is used for the purchase/construction/maintenance of capital items.

The Town reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The electric utility fund accounts for the operation of the electric distribution system.

The gas utility fund accounts for the operation of the gas distribution system.

Additionally, the Town reports the following fund type:

Agency funds account for assets held by the Town as an agent for employees, state and federal agencies, and payroll related vendors.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, 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 cash and investment 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. Investment transactions are not presented on the financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the town and utilities. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services.

TOWN OF MONTEZUMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and in 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). Ordinarily, taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. In 2007, taxes were due in two installments which became delinquent if not paid by July 20 and November 13. In 2008, taxes were due in two installments which became delinquent if not paid by August 15 and November 10. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to December 31 of the year collected.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

TOWN OF MONTEZUMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the Town's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

- 1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
- 2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
- 3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

TOWN OF MONTEZUMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

The Town's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Town does not have a deposit policy for custodial credit risk. At December 31, 2008, the Town had deposit balances in the amount of \$3,161,951.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

TOWN OF MONTEZUMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the years ended December 31, 2007 and 2008, were as follows:

Transfer From	Transfer To	2007	2008
General Fund	Other governmental funds	\$ 5,374	\$ -
Park and Recreation	Other governmental funds	292	-
Cemetery	Other governmental funds	79	-
Cumulative Capital Development	Other governmental funds	249	-
Other governmental funds	General Fund	-	6,675
Other governmental funds	Other governmental funds	681	-
Totals		<u>\$ 6,675</u>	<u>\$ 6,675</u>

The Town typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The Town is 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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Job related Illnesses or Injuries to Employees

During 2000, the Town joined with other governmental entities in the Indiana Public Employers' Plan, a public entity risk pool currently operating as a common risk management and insurance program for 930 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries to employees. The Town pays an annual premium to the risk pool for its job related illnesses or injuries to employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

B. Subsequent Events

On June 12, 2009, the Town received an award of \$5,542,000 from USDA Rural Development for the construction of a wastewater utility. \$4,788,000 would be a low interest loan and the remaining \$754,000 would be a grant. The Town has applied for a state grant that would reduce the amount to be loaned under the federal program, but has not yet received the award.

TOWN OF MONTEZUMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

On July 2, 2009, the Town was awarded a Community Development Block Grant of \$20,000 to create a five year plan for the Park Department.

On July 28, 2009, the Town was awarded \$129,288 from the COPS Hiring Recovery Program, a Federal program, to pay for one police officer for three years.

C. Rate Structure – Enterprise Funds

Water Utility

On September 10, 1991, the Town Council adopted Ordinance 91-8 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on October 21, 2004.

Electric Utility

On September 10, 1991, the Town Council adopted Ordinance 91-8 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on August 30, 1976.

Gas Utility

On September 10, 1991, the Town Council adopted Ordinance 91-8 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on November 1, 1998.

TOWN OF MONTEZUMA
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007

	Local Road and Street	Donations	Law Enforcement Continuing Education	Excess Levy	Fire Department	Cumulative Capital Improvement	Totals
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 16,986	\$ -	\$ 16,986
Licenses and permits	-	-	140	-	213	-	353
Intergovernmental	4,714	-	-	-	3,024	4,141	11,879
Charges for services	-	1,200	-	-	-	-	1,200
Other	-	-	15	-	-	-	15
Total receipts	4,714	1,200	155	-	20,223	4,141	30,433
Disbursements:							
General government	-	2,000	-	-	-	-	2,000
Public safety	-	-	75	-	13,940	-	14,015
Highways and streets	5,000	-	-	-	-	-	5,000
Capital outlay:							
Public safety	-	-	-	-	9,156	-	9,156
Economic development	-	-	-	-	-	4,000	4,000
Total disbursements	5,000	2,000	75	-	23,096	4,000	34,171
Excess (deficiency) of receipts over disbursements	(286)	(800)	80	-	(2,873)	141	(3,738)
Other financing sources (uses):							
Transfers in	-	-	-	6,675	-	-	6,675
Transfers out	-	-	-	-	(681)	-	(681)
Other receipts	-	-	-	-	7,018	-	7,018
Total other financing sources (uses)	-	-	-	6,675	6,337	-	13,012
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(286)	(800)	80	6,675	3,464	141	9,274
Cash and investment fund balance - beginning	17,426	1,925	1,726	-	7,972	16,570	45,619
Cash and investment fund balance - ending	<u>\$ 17,140</u>	<u>\$ 1,125</u>	<u>\$ 1,806</u>	<u>\$ 6,675</u>	<u>\$ 11,436</u>	<u>\$ 16,711</u>	<u>\$ 54,893</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ 1,125	\$ 1,806	\$ 6,675	\$ 11,436	\$ 16,711	\$ 37,753
Restricted assets:							
Cash and investments	<u>17,140</u>	-	-	-	-	-	<u>17,140</u>
Total cash and investment assets - ending	<u>\$ 17,140</u>	<u>\$ 1,125</u>	<u>\$ 1,806</u>	<u>\$ 6,675</u>	<u>\$ 11,436</u>	<u>\$ 16,711</u>	<u>\$ 54,893</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Highways and streets	\$ 17,140	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,140
Unrestricted	-	1,125	1,806	6,675	11,436	16,711	37,753
Total cash and investment fund balance - ending	<u>\$ 17,140</u>	<u>\$ 1,125</u>	<u>\$ 1,806</u>	<u>\$ 6,675</u>	<u>\$ 11,436</u>	<u>\$ 16,711</u>	<u>\$ 54,893</u>

TOWN OF MONTEZUMA
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS,
 AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2007

	Payroll
Additions:	
Agency fund additions	\$ 291,548
Deductions:	
Agency fund deductions	291,578
Excess (deficiency) of total additions over total deductions	(30)
Cash and investment fund balance - beginning	2,008
Cash and investment fund balance - ending	\$ 1,978

TOWN OF MONTEZUMA
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008

	Local Road and Street	Restricted Donations	Law Enforcement Continuing Education	Rainy Day	Excess Levy
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	1,200	770	-	-
Intergovernmental	4,368	-	-	-	-
Fines and forfeits	-	-	351	-	-
Other	-	-	-	2,200	-
Total receipts	4,368	1,200	1,121	2,200	-
Disbursements:					
General government	-	1,000	-	-	-
Public safety	-	-	300	-	-
Total disbursements	-	1,000	300	-	-
Excess (deficiency) of receipts over disbursements	4,368	200	821	2,200	-
Other financing sources (uses):					
Transfers out	-	-	-	-	(6,675)
Other receipts	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	(6,675)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,368	200	821	2,200	(6,675)
Cash and investment fund balance - beginning	17,140	1,125	1,806	-	6,675
Cash and investment fund balance - ending	<u>\$ 21,508</u>	<u>\$ 1,325</u>	<u>\$ 2,627</u>	<u>\$ 2,200</u>	<u>\$ -</u>
Cash and Investment Assets - Ending					
Cash and investments	\$ -	\$ -	\$ 2,627	\$ -	\$ -
Restricted assets:					
Cash and investments	21,508	1,325	-	2,200	-
Total cash and investment assets - ending	<u>\$ 21,508</u>	<u>\$ 1,325</u>	<u>\$ 2,627</u>	<u>\$ 2,200</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending					
Restricted for:					
General government	\$ -	\$ 1,325	\$ -	\$ 2,200	\$ -
Public safety	-	-	-	-	-
Highways and streets	21,508	-	-	-	-
Capital outlay	-	-	-	-	-
Unrestricted	-	-	2,627	-	-
Total cash and investment fund balance - ending	<u>\$ 21,508</u>	<u>\$ 1,325</u>	<u>\$ 2,627</u>	<u>\$ 2,200</u>	<u>\$ -</u>

TOWN OF MONTEZUMA
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Fire Department	Public Safety	Community Center Capital Improvement	Cumulative Capital Improvement	Totals
Receipts:					
Taxes	\$ 13,917	\$ -	\$ -	\$ -	\$ 13,917
Licenses and permits	-	-	-	-	1,970
Intergovernmental	2,506	14,592	-	3,834	25,300
Fines and forfeits	-	-	504	-	855
Other	-	-	-	-	2,200
Total receipts	16,423	14,592	504	3,834	44,242
Disbursements:					
General government	-	-	-	10,000	11,000
Public safety	15,032	-	-	-	15,332
Total disbursements	15,032	-	-	10,000	26,332
Excess (deficiency) of receipts over disbursements	1,391	14,592	504	(6,166)	17,910
Other financing sources (uses):					
Transfers out	-	-	-	-	(6,675)
Other receipts	30	-	-	-	30
Total other financing sources (uses)	30	-	-	-	(6,645)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,421	14,592	504	(6,166)	11,265
Cash and investment fund balance - beginning	11,436	-	-	16,711	54,893
Cash and investment fund balance - ending	<u>\$ 12,857</u>	<u>\$ 14,592</u>	<u>\$ 504</u>	<u>\$ 10,545</u>	<u>\$ 66,158</u>
Cash and Investment Assets - Ending					
Cash and investments	\$ 12,857	\$ -	\$ -	\$ -	\$ 15,484
Restricted assets:					
Cash and investments	-	14,592	504	10,545	50,674
Total cash and investment assets - ending	<u>\$ 12,857</u>	<u>\$ 14,592</u>	<u>\$ 504</u>	<u>\$ 10,545</u>	<u>\$ 66,158</u>
Cash and Investment Fund Balance - Ending					
Restricted for:					
General government	\$ -	\$ -	\$ -	\$ -	\$ 3,525
Public safety	-	14,592	-	-	14,592
Highways and streets	-	-	-	-	21,508
Capital outlay	-	-	504	10,545	11,049
Unrestricted	12,857	-	-	-	15,484
Total cash and investment fund balance - ending	<u>\$ 12,857</u>	<u>\$ 14,592</u>	<u>\$ 504</u>	<u>\$ 10,545</u>	<u>\$ 66,158</u>

TOWN OF MONTEZUMA
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS,
 AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2008

	Payroll
Additions:	
Agency fund additions	\$ 299,446
Deductions:	
Agency fund deductions	299,457
Excess (deficiency) of total additions over total deductions	(11)
Cash and investment fund balance - beginning	1,978
Cash and investment fund balance - ending	\$ 1,967

TOWN OF MONTEZUMA
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2008

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	59,345
Buildings	1,035,430
Improvements other than buildings	120,735
Machinery and equipment	132,236
Vehicles	<u>238,035</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 1,689,471</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Vehicles	\$ 39,868
Buildings	206,592
Improvements other than buildings	98,831
Machinery and equipment	<u>18,925</u>
 Total Water Utility capital assets	 <u>364,216</u>
Gas Utility:	
Capital assets, not being depreciated:	
Vehicles	54,218
Buildings	45,000
Improvements other than buildings	506,781
Machinery and equipment	<u>41,354</u>
 Total Gas Utility capital assets	 <u>647,353</u>
Electric Utility:	
Capital assets, not being depreciated:	
Vehicles	419,618
Buildings	54,050
Improvements other than buildings	61,821
Machinery and equipment	<u>45,748</u>
 Total Electric Utility capital assets	 <u>581,237</u>
 Total business-type activities capital assets	 <u>\$ 1,592,806</u>

TOWN OF MONTEZUMA
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Postage meter	\$ 4,365	\$ 1,164

TOWN OF MONTEZUMA
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts, utility billings and collections, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.
2. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statements and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.
3. Monitoring of Controls: Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

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 objections, 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)

ERRORS ON CLAIMS

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

- (1) Eight of sixty claims or invoices tested were not accompanied by evidence in support of the receipt of goods or services.
- (2) On three of sixty claims tested, the claim amount did not equal the check amount. In these instances, one or more invoices were omitted from the claim. The related invoices were presented for audit and were properly itemized. The appropriate amount was paid.

TOWN OF MONTEZUMA
AUDIT RESULTS AND COMMENTS
(Continued)

IC 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."

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping of the Park Department, were present during our period of audit:

- (1) Record balances were not reconciled to depository balances during the three month period.

IC 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

- (2) A bank account was not opened until October 2008, even though funds were received as early as April 2008.

IC 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."

- (3) The Park Board has been controlling the money they have raised from fundraisers. Disbursements of this money are made by the Park Board Secretary without evidence of approval of the Board. No claims were prepared for expenditures from this money. Traditionally, the only disbursement from this bank account should be to the Clerk-Treasurer who would deposit it into the proper fund, such as Park Donations or Park and Recreation.

IC 36-5-6-6 states in part: "(a) The clerk-treasurer shall do the following: (1) Receive and care for all town money . . ."

TOWN OF MONTEZUMA
AUDIT RESULTS AND COMMENTS
(Continued)

- (4) The Park Board did not approve claims for the Park and Recreation fund monies held by the Clerk-Treasurer.

IC 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."

- (5) The Park Board has not used the following prescribed forms: Ledger of Receipts, Disbursements and Balances; Receipt; and Accounts Payable Voucher.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

- (6) Minutes were not properly kept. Approval of minutes of a previous meeting was noted, but there were no signatures on the minutes. All decisions did not appear to be recorded in the minutes. There were few votes. There was no evidence of approval of claims.

IC 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

TOWN OF MONTEZUMA
AUDIT RESULTS AND COMMENTS
(Continued)

This department does not prescribe a Minute Record. However, this is one of the most important records that will be kept by the Clerk-Treasurer. All official action taken by the board at regular or special meetings together with ordinances passed, should be entered in the Minute Record. This record should be kept current and we recommend that all minutes be signed by the proper official and attested to by the Clerk-Treasurer. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

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 WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Town of Montezuma (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2008. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2008.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a Town's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

October 1, 2009

TOWN OF MONTEZUMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2007 and 2008

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-07	Total Federal Awards Expended 12-31-08
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Office of Community and Rural Affairs Community Development Block Grants/State's Program	14.228	CF-06-109	\$ 500,000	\$ -
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance	97.036	Disaster No. 3274	2,459	-
		Disaster No. 1766	-	5,897
Total for program			<u>2,459</u>	<u>5,897</u>
Total federal awards expended			<u>\$ 502,459</u>	<u>\$ 5,897</u>

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 (Town) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 the 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 Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grants/State's Program

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 2008-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts, utility billings and collections, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

TOWN OF MONTEZUMA
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. **Preparing Financial Statements:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statements and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

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 objections, 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)

We recommended that the Town redistribute assigned duties to provide for better segregation of duties. The Town should analyze and assess the risk of material misstatement of the financial statements and implement controls sufficient to prevent and detect misstatements. The Town Council should examine each claim for propriety and closely monitor financial reports and budgets.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF MONTEZUMA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

**TOWN OF MONTEZUMA
CORRECTIVE ACTION PLAN**

CONTACT PERSON: CATHY L. MORGAN

THIS PLAN IS BEING DEVELOPED DUE TO AUDIT FINDING 2008-0-1– A LACK OF INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING.

THE FOLLOWING STEPS WILL BE IMPLEMENTED IMMEDIATELY IN ORDER TO ESTABLISH EFFECTIVE CONTROLS TO PREVENT OR DETECT MATERIAL MISSTATEMENTS OR IRREGULARITIES TO GO UNDETECTED:

1. BANK STATEMENTS RECEIVED IN MAIL WILL BE OPENED AND RECORDED BY PERSONELL NOT RESPONSIBLE FOR DOING THE BANK RECONCILIATIONS. BALANCES WILL BE RECORDED BEFORE BANK STATEMENT ISSUED TO PARTY RESPONSIBLE FOR THE RECONCILIATION. A SPREADSHEET HAS BEEN DEVELOPED FOR ACCOUNTABILITY. BANK STATEMENT BALANCE RECEIVED IN MAIL WILL BE VERIFIED VIA INTERNET BANK STATEMENT BALANCE.
2. SECURITY LOG AND TRANSACTION LOGS WILL BE REVIEWED PERIODICALLY. ITEMS TO BE LOOKED AT INCLUDE AFTER HOURS ACCESS, UNSUCCESSFUL ATTEMPTS TO LOG ON OR TO GET INTO CERTAIN SYSTEMS, ADJUSTMENTS, NEGATIVE RECEIPTS AND DISBURSEMENTS.
3. WE CURRENTLY KEEP A LOG FOR EVERY APV NUMBER USED WHICH INCLUDES THE DATE USED, VENDOR, AMOUNT OF CHECK AND CHECK NUMBER AND INITIALS OF PERSON ISSUING THE CHECK. A MONTHLY CHECK OF THAT LOG TO ACTUAL CHECK CARBONS AND APV'S AND INVOICES WILL NOW BE VERIFIED AT MONTH END BY SOMEONE OTHER THAN THE INDIVIDUAL WHO ACTUALLY ISSUED THE CHECK.
4. WHEN CLERK-TREASURER/OFFICE MANAGER IS ON VACATION OR AWAY FROM OFFICE AT ANY TIME AND SIGNATURE STAMP IS LEFT WITH PERSONNEL IN CHARGE OF CARRYING OUT HER DUTIES, THAT PERSON WILL BE RESPONSIBLE FOR THE STAMP AND MUST

TAKE HOME WITH HIM/HER EACH EVENING OR KEPT IN A LOCKED
SECURE PLACE TO PREVENT ACCESS TO IT FROM ANY OTHER
PERSON OR PERSONS.

Cathy L. Morgan
Cathy L. Morgan
Clerk Treasurer/Office Manager

8-28-09
Date

TOWN OF MONTEZUMA
EXIT CONFERENCE

The contents of this report were discussed on October 1, 2009, with Cathy L. Morgan, Clerk-Treasurer; and Allen Cobb, President of the Town Council. The officials concurred with our audit findings.