

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF MONTPELIER

BLACKFORD COUNTY, INDIANA

January 1, 2019 to December 31, 2020



**FILED**

12/14/2021



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Margaret A. Willmann	01-01-19 to 12-31-21
Mayor	Kathy J. Bantz	01-01-19 to 12-31-21
President of the Board of Public Works and Safety	Thomas D. Mounsey (Vacant) Robert W. Benbow	01-01-19 to 02-15-21 02-16-21 to 03-07-21 03-08-21 to 12-31-21
President Pro Tempore of the Common Council	J. Michael Lee	01-01-19 to 12-31-21



**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](http://www.in.gov/sboa)

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

This report is supplemental to our audit report of the City of Montpelier (City), for the period from January 1, 2019 to December 31, 2020. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement Audit Report of the City, which provides our opinions on the City's financial statement. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

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

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

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

December 7, 2021

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CLERK-TREASURER  
CITY OF MONTPELIER

CLERK-TREASURER  
CITY OF MONTPELIER  
AUDIT RESULTS AND COMMENTS

**STATE REVOLVING FUND (SRF) LOAN ACTIVITY**

*Condition and Context*

The City did not record or report all State Revolving Fund (SRF) loan activity. The City was required to record and report SRF loan draws as receipts and a corresponding disbursement for the same amount in the 2019 SRF Sewer Utility Construction fund. The error resulted in the fund's receipts and disbursements being understated by \$727,970 in the financial statement.

The City did not have sufficient internal controls in place over SRF loan activity to prevent, or detect and correct, material errors.

Audit adjustments were proposed, accepted by the City, and made to the financial statement.

*Criteria*

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

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

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

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

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

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

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

**CAPITAL ASSETS**

*Condition and Context*

The City has a capital asset policy that details the threshold at which an item is considered a capital asset and has maintained a detailed listing of capital assets owned, which reflects their acquisition value using Capital Asset Ledger (General Form No 369). However, we were unable to determine if the detailed listing was complete due to significant variances between the Capital Asset Ledger and the Schedule of Capital Assets.

The Schedule of Capital Assets entered into the Indiana Gateway for Government Units financial reporting system did not agree to the City's Capital Asset Ledger. The amount shown on the Schedule of Capital Assets was \$10,052,496 more than the amount shown on the Capital Asset Ledger.

A complete physical inventory was not taken at least every two years to verify the account balances carried in the accounting records.

*Criteria*

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

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

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

CLERK-TREASURER  
CITY OF MONTPELIER  
EXIT CONFERENCE

The contents of this report were discussed on December 7, 2021, with Margaret A. Willmann, Clerk-Treasurer; Kathy J. Bantz, Mayor; J. Michael Lee, President Pro Tempore of the Common Council; and Jerry C. Downhour, Common Council member.