

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

EXAMINATION REPORT

OF

CITY OF BATESVILLE

RIPLEY COUNTY, INDIANA

January 1, 2004 to December 31, 2005



FILED
7/21/06

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report	3
Schedules of Receipts, Disbursements, and Cash and Investment Balances.....	4-5
Notes to Schedules	6-7
Examination Results and Comments:	
Bank Account Reconciliations	8
Compensation and Benefits.....	8
Police Pension	8-9
Penalties, Interest and Other Charges	9
Capital Asset Records	9
Delinquent Wastewater Accounts.....	10
Loan From Gas Utility	10
Exit Conference.....	11

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Ronald C. Weigel	01-01-04 to 12-31-07
Mayor	Richard C. Fledderman	01-01-04 to 12-31-07
President of the Board of Public Works	Richard C. Fledderman	01-01-04 to 12-31-07
President of the Common Council	Richard C. Fledderman	01-01-04 to 12-31-07
Chairman of the Utility Service Board	Joseph Decker Sue Siefert	01-01-04 to 12-31-05 01-01-06 to 12-31-06
Comptroller of Gas and Water Utilities	Douglas Browne	01-01-04 to 12-31-06
Superintendent of Gas and Water Utilities	Elmer M. Vonderheide	01-01-04 to 12-31-06
Superintendent of Wastewater Utility	Randall Gibbs	01-01-04 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF BATESVILLE, RIPLEY COUNTY, INDIANA

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

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

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

STATE BOARD OF ACCOUNTS

June 14, 2006

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

	Cash and Investments		Cash and Investments	
	01-01-04	Receipts	Disbursements	12-31-04
Governmental Funds:				
General	\$ 453,463	\$ 2,370,376	\$ 2,269,875	\$ 553,964
Motor Vehicle Highway	171,677	936,286	484,170	623,793
Local Road and Street	37,346	28,678	50,272	15,752
Law Enforcement Continuing Education	2,758	1,669	-	4,427
Park and Recreation	(8,420)	233,266	193,573	31,273
Butterfly Garden	1,099	-	-	1,099
Microenterprise Loan	17,817	29,401	17,557	29,661
Sesquicentennial Park Fund	2,227	2,991	4,918	300
Police Donation	(264)	264	-	-
Economic Development Income Tax	1,628,245	400,423	165,133	1,863,535
Brum Donation	148,835	1,863	3,920	146,778
Clerk's Records Perpetuation	9,518	958	-	10,476
Memorial Pool	3,967	131,882	106,423	29,426
Mini-Golf	5,464	-	-	5,464
Economic Development	57,687	265,493	189,330	133,850
Community Development	131,642	44,697	-	176,339
Pretrial Diversion Program	43,644	5,145	-	48,789
Safe Passage	49,050	301,797	350,846	1
Façade Improvement	50,000	-	-	50,000
Riverboat Fund	39,007	153,541	44,638	147,910
EMS	-	123,865	21,053	102,812
Citizens Aquatic Center	-	17,943	17,943	-
Summer Concert Series	-	9,608	8,993	615
Rainy Day Fund	-	259,520	76,439	183,081
Economic Development Issuance	-	34,651	34,651	-
Playground Equipment Fund	-	650	-	650
Cumulative Capital Improvement	50,855	22,514	-	73,369
Cumulative Building and Firefighting Equipment	911,948	388,634	735,526	565,056
Memorial Building	163	-	-	163
Cumulative Park and Pool	25,283	-	-	25,283
Cumulative Thoroughfare	160,349	5	-	160,354
Cumulative Capital Development	177,361	191,654	64,422	304,593
Levy Excess	27,331	-	27,331	-
Fiduciary Funds:				
Police Pension	48,268	41,296	53,197	36,367
Utility Pension	82,312	560	19,162	63,710
Payroll	1,086	2,480,308	2,474,313	7,081
User Fees	17,347	1,056	432	17,971
City Court	3,255	63,670	64,083	2,842
Water Temporary Construction	180	3,660	2,420	1,420
Public Trust	455	1,735	2,075	115
Sewer Inspection	9,600	131,163	137,552	3,211
Electronic Transfer	50	668,500	668,500	50
Proprietary Funds:				
Enterprise Funds:				
Water Operating	11,082	1,242,589	1,221,402	32,269
Water Depreciation	15,843	550,537	503,870	62,510
Water Customer Deposits	20,900	50,147	49,047	22,000
Wastewater Operating	701,536	1,829,432	2,357,414	173,554
Wastewater Bond and Interest	698,802	-	775,500	(76,698)
Wastewater Debt Reserve	686,226	9,082	-	695,308
Wastewater Construction	712,504	379,725	15,508	1,076,721
Wastewater Improvement	667,360	146,520	106,274	707,606
SRF	-	775,800	-	775,800
Gas Operating	91,336	9,018,058	9,052,921	56,473
Gas Reserve	1,604,586	2,107,624	2,204,938	1,507,272
Gas Customer Deposit	24,680	14,289	16,336	22,633
Gas Main Extension Deposits	269	-	269	-
Utility Clearing Account	-	6,698,722	6,622,204	76,518
Totals	\$ 9,595,729	\$ 32,172,247	\$ 31,214,430	\$ 10,553,545

The accompanying notes are an integral part of the schedules.

CITY OF BATESVILLE
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, FIDUCIARY, AND PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2004 And 2005
(Continued)

	Cash and Investments		Cash and Investments	
	01-01-05	Receipts	Disbursements	12-31-05
Governmental Funds:				
General	\$ 553,964	\$ 2,436,415	\$ 2,291,611	\$ 698,768
Motor Vehicle Highway	623,793	1,123,881	641,123	1,106,551
Local Road and Street	15,752	28,883	-	44,635
Law Enforcement Continuing Education	4,427	1,608	1,552	4,483
Park and Recreation	31,273	325,969	190,750	166,492
Butterfly Garden	1,099	-	-	1,099
Microenterprise Loan	29,661	991	-	30,652
Sesquicentennial Park Fund	300	7,350	5,311	2,339
Economic Development Income Tax Fund	1,863,535	323,996	301,498	1,886,033
Brum Donation	146,778	3,382	1,980	148,180
Clerk's Records Perpetuation	10,476	1,468	1,044	10,900
Memorial Pool	29,426	90,138	92,405	27,159
Mini-Golf	5,464	-	5,464	-
Economic Development	133,850	69,649	13,852	189,647
Community Development	176,339	-	-	176,339
Pretrial Diversion Program	48,789	547	6,046	43,290
Safe Passage	1	31,696	31,697	-
Façade Improvement	50,000	-	-	50,000
Riverboat Fund	147,910	165,364	204,300	108,974
EMS	102,812	348,903	289,424	162,291
Citizens Aquatic Center	-	22,968	22,968	-
Summer Concert Series	615	6,349	2,957	4,007
Rainy Day	183,081	-	-	183,081
Playground Equipment	650	-	-	650
Emergency Management	-	-	4,000	(4,000)
Stormwater Utility	-	17,554	-	17,554
Batesville Tree	-	28,051	1,550	26,501
Mayor's Youth Council	-	213	114	99
Cumulative Capital Improvement	73,369	18,650	-	92,019
Cumulative Building and Firefighting Equipment	565,056	198,466	86,928	676,594
Memorial Building	163	35	198	-
Cumulative Park and Pool	25,283	55,568	-	80,851
Cumulative Thoroughfare	160,354	-	-	160,354
Cumulative Capital Development	304,593	244,581	23,737	525,437
Fiduciary Funds:				
Police Pension	36,367	108,176	55,893	88,650
Utility Pension	63,710	607	19,162	45,155
Payroll	7,081	2,795,388	2,754,835	47,634
User Fees	17,971	1,656	246	19,381
City Court	2,842	102,497	101,269	4,070
Water Temporary Construction	1,420	16,840	16,840	1,420
Public Trust	115	1,768	1,768	115
Sewer Inspection	3,211	49,764	48,932	4,043
Electronic Transfer	50	-	50	-
Proprietary Funds:				
Enterprise Funds:				
Water Operating	32,269	1,183,497	1,199,822	15,944
Water Depreciation	62,510	417,729	381,519	98,720
Water Customer Deposits	22,000	17,923	14,423	25,500
Wastewater Operating	173,554	1,884,603	1,931,605	126,552
Wastewater Bond and Interest	(76,698)	1,228,050	774,705	376,647
Wastewater Debt Reserve	695,308	20,664	-	715,972
Wastewater Construction	1,076,721	238,409	373,090	942,040
Wastewater Improvement	707,606	64,657	2,682	769,581
SRF	775,800	-	775,800	-
Gas Operating	56,473	8,486,922	8,525,935	17,460
Gas Reserve	1,507,272	1,889,539	1,907,709	1,489,102
Gas Customer Deposit	22,633	15,753	14,566	23,820
Utility Clearing Account	76,518	7,371,357	7,343,961	103,914
Totals	\$ 10,553,545	\$ 31,448,474	\$ 30,465,321	\$ 11,536,698

The accompanying notes are an integral part of the schedules.

CITY OF BATESVILLE
NOTES TO SCHEDULES

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, highway and streets, sanitation, health and social services, culture and recreation, gas, water, wastewater, urban redevelopment, and general administrative services.

Note 2. Fund Accounting

The City 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 District 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.

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.

CITY OF BATESVILLE
NOTES TO SCHEDULES
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Note 7. Long-Term Debt

The City has entered into bonds for Memorial Building renovations. The outstanding principal at December 31, 2005, was \$540,000.

The City has entered into a loan through the State Revolving Loan Fund administered by the Indiana Department of Environmental Management for wastewater utility improvements. The outstanding principal at December 31, 2005, was \$8,675,000.

CITY OF BATESVILLE
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS (Applies to Clerk-Treasurer)

In October 2005, the City began accounting for payroll in a separate bank account, a payroll clearing account. There were numerous posting errors and transfers to the payroll clearing account that were either not made or made for an incorrect amount. After the payroll clearing account was opened in October 2005, the depository reconciliations of the fund balances to the bank account balances were incorrect. As of December 31, 2005, the city's operating bank account was \$12,414 cash short, and the payroll clearing bank account was \$12,414 cash long.

Indiana Code 5-13-6-1(e) states: "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."

COMPENSATION AND BENEFITS (Applies to Water Utility and Gas Utility)

The salary schedules for 2004 and 2005 adopted by the Utility Service Board for the Water and Gas Utilities' employees were not approved by the Common Council.

In Official Opinion No. 30 of 1967, the Attorney General held as follows:

1. In a city of the third class operating a public utility, the salary of those utility officers and employees who receive an annual salary as in the first instance set by the board operating that utility (whether a committee of the common council, a utility service board, or the board of public works and safety), but such salary must be approved by the common council, which council may lower but cannot raise the salary so set.
2. In a city of the third class operating a public utility, the wages of those utility employees who receive an hourly wage is in the first instance set by the board operating that utility (whether a committee of the common council, a utility service board, or the board of public works and safety), but such wages must be approved by the common council, which council may lower but cannot raise the wages so set.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

POLICE PENSION (Applies to Clerk-Treasurer)

In 2004, the pension benefits paid to the City's two retirees and one surviving spouse was less than benefits per state statute by the following amounts:

William Dramann	\$1,145
Roy Wilhelm	1,008
Ruth Kramer	2,827

The benefits were calculated by the prior administration, and no documentation was presented for audit regarding how the benefit was calculated. The percentage used in the calculation of Ruth Kramer's benefit has been incorrect at least since 2002.

CITY OF BATESVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 36-8-6-9(b) states in part: "The 1925 fund shall be used to provide a member of the police department who retires from active duty after twenty (20) or more years of active duty an annual pension equal to fifty percent (50%) of the salary of a first class patrolman in the police department, plus: (1) for a member who retires before January 1, 1986, two percent (2%) of the first class patrolman's salary for each year of service; or (2) for a member who retires after December 31, 1985, one percent (1%) of the first class patrolman's salary for each six (6) months of service . . ."

Indiana Code 36-8-6-9.6(b) states in part: "A payment shall be made to the surviving spouse of a deceased member in an amount fixed by ordinance, but at least an amount equal to the following: (1) To the surviving spouse of a member who died before January 1, 1989, an amount equal to thirty percent (30%) of the monthly pay of a first class patrolman per month during the surviving spouse's life . . ."

PENALTIES, INTEREST AND OTHER CHARGES (Applies to Clerk-Treasurer)

Penalties and interest totaling \$6,127 was incurred in 2004 and 2005 for failure to remit taxes timely to the Internal Revenue Service. The City contacted the Internal Revenue Service to determine if any part of the penalties and interest can be waived, but have not yet received a response. In May 2006, the Internal Revenue Service applied \$1,577 which was from an overpayment of taxes due from a previous quarter to the outstanding penalties and interest.

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)

CAPITAL ASSET RECORDS (Applies to Water and Gas Utilities)

The Utility does not maintain sufficient detailed records of capital assets. Upon purchase, the costs of the capital assets are added to an aggregate Utility Plant in Service account, and to subsidiary accounts for land, buildings, etc., in the General Ledger. However, records providing historical costs for some of the Utility's capital assets are not available, and records classifying and summarizing the Utility's capital assets are incomplete. Deletions or disposals of capital assets are not recorded.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF BATESVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

DELINQUENT WASTEWATER ACCOUNTS (Applies to Wastewater Utility)

Delinquent wastewater fees and penalties had not been recorded with the County Recorder, nor were they certified to the County Auditor which would result in a lien against the property.

The City uses a collection agency and the City Court System as other methods by which delinquent accounts are attempted to be collected. However in 2004 and 2005, Utility Officials wrote-off \$7,567 and \$4,354, respectively, in delinquent wastewater accounts.

Indiana Code 36-9-23-33 states, in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) a description of the premises, as shown by the records of the county auditor; and
 - (C) the amount of the delinquent fees, together with the penalty; or
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

LOAN FROM GAS UTILITY (Applies to Water Utility)

Loans of \$999,500 were outstanding as of December 31, 2000, from the Gas Utility to the Water Utility. Of that amount, \$795,500 was not repaid within five years.

Indiana Code 8-1.5-3-11(f) states: "A cash reserve fund, if authorized by ordinance, may be used to make loans to another utility owned by the same municipality, for periods not to exceed five (5) years, at any interest rate. The repayment of the loan and interest shall be returned to the cash reserve fund."

CITY OF BATESVILLE
EXIT CONFERENCE

The contents of this report were discussed on June 14, 2006, with Ronald C. Weigel, Clerk-Treasurer; Richard C. Fledderman, Mayor; Sue Siefert, Chairman of the Utility Service Board; Douglas Browne; Comptroller of Gas and Water Utilities; Elmer M. Vonderheide, Superintendent of Gas and Water Utilities; and Randall Gibbs, Superintendent of Wastewater Utility.