

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

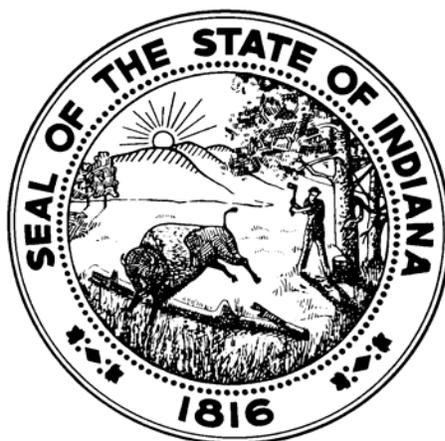
EXAMINATION REPORT

OF

CITY OF BOONVILLE

WARRICK COUNTY, INDIANA

January 1, 2005 to December 31, 2005



FILED
09/28/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Dixie Sulawske (Deceased)	01-01-04 to 03-31-05
	Vacant	04-01-05 to 04-06-05
	Nancy Shull	04-07-05 to 12-31-07
Mayor	Pamela Hendrickson	01-01-04 to 12-31-07
President of the Board of Public Works	Pamela Hendrickson	01-01-05 to 12-31-06
President of the Common Council	Robert Barnett	01-01-05 to 12-31-05
	Dennis Shreve	01-01-06 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF BOONVILLE, WARRICK COUNTY, INDIANA

We have examined the schedule of receipts, disbursements, and cash and investment balances of the City of Boonville (City), for the period of January 1, 2005 to December 31, 2005. The City's management is responsible for the schedule. 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 schedule referred to above presents fairly, in all material respects, the cash transactions of the City for the year ended December 31, 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

August 30, 2006

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

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 717,264	\$ 3,401,374	\$ 3,402,869	\$ 715,769
Motor Vehicle Highway	386,426	519,626	411,623	494,429
Local Road and Street	162,443	68,281	38,200	192,524
Park and Recreation	71,755	147,559	129,667	89,647
Law Enforcement Continuing Education	14,606	3,804	1,425	16,985
Build Indiana Fund	2,990	-	-	2,990
Rainy Day	221,645	225	-	221,870
Donation - Fire	164	50	-	214
Cumulative Capital Improvement	111,084	21,126	58,869	73,341
Police Grant	8,624	18,012	26,636	-
County Economic Development Income Tax	1,630,125	777,670	692,621	1,715,174
Parking Meter Fund	65,331	29,925	33,199	62,057
Lease Rental Reserve	855,150	1,030,162	496,000	1,389,312
Proprietary Funds:				
Water Utility - Operating	15,939	1,114,897	1,096,434	34,402
Water Utility - Bond and Interest	267	100,421	100,319	369
Water Utility - Bond and Interest Reserve	83,462	-	-	83,462
Water Utility - Customer Deposit	108,575	18,064	15,475	111,164
Wastewater Utility - Operating	50,695	1,464,752	1,430,720	84,727
Wastewater Utility - Bond and Interest	3,883	350,098	349,104	4,877
Wastewater Utility - Debt Service Reserve	26,766	21,502	7,253	41,015
Wastewater Utility - Construction 03 Bond	107,042	988	-	108,030
Wastewater Utility - Construction	476,713	11,148	145,411	342,450
Wastewater Utility - Replacement	42,433	6,000	-	48,433
Electric Utility - Operating	14,248	469,041	469,081	14,208
Electric Utility - Cash Reserve	951,357	486,887	459,476	978,768
Electric Utility - Customer Deposit	71,355	-	4,201	67,154
Fiduciary Funds:				
Police Officers' Pension	256,364	106,754	109,762	253,356
Firefighters' Pension	317,377	82,690	89,911	310,156
Payroll	9,309	1,414,702	1,393,663	30,348
Payroll Tax	-	273,568	273,568	-
Levy Excess Fund	-	53,702	46,147	7,555
Totals	<u>\$ 6,783,392</u>	<u>\$ 11,993,028</u>	<u>\$ 11,281,634</u>	<u>\$ 7,494,786</u>

The accompanying notes are an integral part of the schedules.

CITY OF BOONVILLE
NOTES TO SCHEDULE

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, electric, water, and wastewater.

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 City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF BOONVILLE
NOTES TO SCHEDULE
(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 various debts such as bonds for Wastewater Utility improvements, a capital lease for a fire truck, and a capital lease for a Wastewater Utility treatment plant. The outstanding principal at December 31, 2005, was \$3,080,000, \$177,444 and \$7,410,000, respectively.

Note 8. Subsequent Event

In the year 2006, the City issued \$4,575,000 in revenue bonds for Water Utility improvements.

CITY OF BOONVILLE
EXAMINATION RESULTS AND COMMENTS

CUSTOMER DEPOSIT REGISTER (Water and Electric Utilities)

As stated in several prior audit reports, the detailed customer deposit register does not reconcile with the customer deposit cash balance recorded on the general ledger.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ACCOUNTABLE ITEMS (Water and Wastewater Utilities)

As stated in several prior audit reports, records presented for examination indicated that gallons of water billed totaled 262,870,000 and gallons of water pumped by the Water Utility totaled 399,105,900 resulting in a difference of 136,235,900 gallons of water lost and not billed. Thirty-four percent of the water pumped for the year 2005 was not billed. Calculations indicate that the potential dollar amount of this loss would be between \$118,525 and \$470,014 because the Water Utility bills on a sliding scale based on the amount of water used. This could also result in a potential loss for the Wastewater Utility of \$931,854 because the wastewater bills are based on water consumption.

Goods for sale, billings, and other collections are considered accountable items for which a corresponding deposit must be made in the bank accounts of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS (City and Utilities)

As stated in the prior audit report, the City and Utilities do not inventory their capital assets annually.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. 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)

DELINQUENT WASTEWATER ACCOUNTS

As stated in several prior audit reports, 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.

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:

CITY OF BOONVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (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. . . ."

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS (Water and Wastewater Utilities)

As stated in several prior audit reports, accounts receivable were overstated at December 31. The accounts receivable detail contained many inactive accounts which were several years past due. The officials need to attempt collection and file liens for wastewater accounts with the County Auditor. If it is determined that the accounts are uncollectible they need to be removed from the accounts receivable.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

IN LIEU OF TAX (Water Utility)

As stated in several prior audit reports, the Water Utility has not paid the entire amount due for the in lieu of tax payment for the years 1997-2005. The balance due at December 31, 2005, was \$83,232.

Indiana Code 8-1.5-3-8(g) states in part: ". . . the commission shall approve rates and charges sufficient to compensate the municipality for taxes that would be due the municipality on the utility property were it privately owned." The Utility Regulatory Commission established an in lieu of tax amount of \$20,224 in the Order dated December 26, 1989.

CITY OF BOONVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

INTERFUND RECEIVABLE/PAYABLE (City and Electric Utility)

As stated in several prior audit reports, the City of Boonville owes the Boonville Electric Utility for street lighting services. The amount due at December 31, 2005, was \$325,000.

Electric Utility Ordinance 1980-35 states: "No free service shall be furnished by the utility to the city or to any person, firm, or corporation, public or private, or to a public agency, or any organization."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF BOONVILLE
EXIT CONFERENCE

The contents of this report were discussed on August 30, 2006, with Nancy Shull, Clerk-Treasurer; and Pamela Hendrickson, Mayor. The officials concurred with our findings.