

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

EXAMINATION REPORT
OF
CITY OF RISING SUN
OHIO 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	Rae Baker Gipson	01-01-04 to 12-31-07
Mayor	William A. Marksberry	01-01-04 to 12-31-07
President of the Board of Public Works	William A. Marksberry	01-01-04 to 12-31-07
President of Common Council	William A. Marksberry	01-01-04 to 12-31-07
President of the Utility Service Board	Steve Brett	01-01-05 to 12-31-06
Superintendent of Utilities	William H. Clifton III	01-01-05 to 12-31-06
Utility Office Manager	Evon Sue Bovard	01-01-05 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 RISING SUN, OHIO COUNTY, INDIANA

We have examined the schedule of receipts, disbursements, and cash and investment balances of the City of Rising Sun (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 22, 2006

CITY OF RISING SUN
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	\$ 4,192	\$ 1,866,283	\$ 1,905,318	\$ (34,843)
Motor Vehicle Highway	115,034	358,919	342,616	131,337
Local Road and Street	2,132	11,797	10,492	3,437
Park and Recreation	41,566	166,489	129,148	78,907
Economic Development	115,300	48,584	113,661	50,223
Criminal Investigation	18,458	4,692	12,757	10,393
Law Enforcement Continuing Education	7,237	1,629	304	8,562
Rainy Day Fund	44,752	-	-	44,752
Riverboat	8,379,006	8,277,147	8,153,563	8,502,590
Revenue Sharing Fund	384,415	1,165,642	1,089,326	460,731
Cumulative Capital Improvement	12,571	7,635	12,650	7,556
Cumulative Capital Development	-	20,274	9,000	11,274
Riverfront Phase 3B grant	25,000	-	25,000	-
Box Truck Grant	(3,378)	-	-	(3,378)
Economic Development Implementation Grant	(19,415)	63,334	75,586	(31,667)
Mayors Youth Grant	500	-	235	265
Restroom Grant	-	25,000	18,633	6,367
Game Day Promotions Grant	-	45,000	35,000	10,000
Police Department Rising Sun Regional Foundation Meth. Grant	-	600	600	-
Park Feasibility Grant	-	12,000	12,000	-
Trash and Garbage Pickup	9,357	92,485	80,615	21,227
Proprietary Funds:				
Electric Operating	1,077,371	5,081,326	5,060,078	1,098,619
Electric Depreciation	22,801	-	-	22,801
Electric Working	575	-	-	575
Electric Customer Deposit	103,048	32,150	19,462	115,736
Electric Bond and Interest	1,666	-	-	1,666
Water Operating	212,421	469,136	393,443	288,114
Water Capacity	44,426	10,770	-	55,196
Water Depreciation	4,939	-	-	4,939
Water Customer Deposit	19,231	5,900	4,094	21,037
Water Bond and Interest	161	-	-	161
Wastewater Operating	25,059	585,675	530,036	80,698
Wastewater Construction	-	2,500,000	1,476,822	1,023,178
Wastewater Capacity	53,574	10,883	-	64,457
Payroll - Utility	98	592,592	592,592	98
Broadband	-	5,260	-	5,260
Fiduciary Funds:				
Payroll - City	8,793	977,328	972,540	13,581
Park Security Deposit	875	6,550	6,150	1,275
Totals	<u>\$ 10,711,765</u>	<u>\$ 22,445,080</u>	<u>\$ 21,081,721</u>	<u>\$ 12,075,124</u>

The accompanying notes are an integral part of the schedules.

CITY OF RISING SUN
NOTES TO SCHEDULE

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, electric, water, wastewater, sanitation, broadband, urban redevelopment, and economic development.

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 RISING SUN
NOTES TO SCHEDULE
(Continued)

Note 6. Pension Plan

1. Agent Multiple-Employer Defined Benefit 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.

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

CITY OF RISING SUN
NOTES TO SCHEDULE
(Continued)

PERF 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 Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF.

Note 7. Long-Term Debt

The City has entered into a bond anticipation note for the wastewater treatment plant and expansion. The outstanding principal at December 31, 2005, was \$2,500,000.

CITY OF RISING SUN
EXAMINATION RESULTS AND COMMENTS

PENALTIES AND INTEREST (Applies to Clerk-Treasurer)

Penalties and interest totaling \$712 were paid to the Internal Revenue Service on July 29, 2005, due to the late remittance of payroll taxes.

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)

ERRORS ON CLAIMS (Applies to all Utilities and Clerk-Treasurer)

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

1. All claims did not have board approval.
2. Claims were not certified or reviewed by fiscal officer.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

- (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."

OVERDRAWN FUND BALANCES (Applies to Clerk-Treasurer)

The General Fund, Box Truck Grant Fund, and Economic Development Implementation Grant Fund were overdrawn \$34,843, \$3,378, and \$31,667, respectively, as of December 31, 2005.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF RISING SUN
EXAMINATION RESULTS AND COMMENTS
(Continued)

ANNUAL REPORT (Applies to Clerk-Treasurer)

The Annual Report for 2005, as submitted to the Indiana State Board of Accounts and as published, did not include all City funds. Also, the Annual Report did not show the proper receipts, disbursements, and balances for the Wastewater Operating Fund, Wastewater Construction Fund, Wastewater Capacity Fund and the Broadband Fund.

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)

CUSTOMER FIRE PROTECTION CHARGES (Applies to Water Utility)

On October 7, 2004, the City Council adopted a rate schedule that increases Water Utility rates by 10% per year for five years. The rate schedule did not include provisions for an increase in the public fire protection (hydrant rental fee) costs recovered from customers. However, in 2005 the rate for hydrant rental fees was increased from \$1.82 to \$2.00 per month per customer.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TIMELY RECORDKEEPING (Applies to All Utilities)

We noted instances of customer payments that were posted to the individual accounts up to ten days after payments were received

A similar comment was included in the prior audit report.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF RISING SUN
EXIT CONFERENCE

The contents of this report were discussed on August 22, 2006, with Rae Baker Gipson, Clerk-Treasurer; William A. Marksberry, Mayor; William H. Clifton III, Superintendent of Utilities; Evon Sue Bovard, Utility Office Manager; and Tammy J. Johns, Deputy Clerk.