

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

EXAMINATION REPORT
OF
CITY OF ROCKPORT
SPENCER COUNTY, INDIANA
January 1, 2006 to December 31, 2006



FILED
05/02/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report	3
Financial Information:	
Schedule of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information.....	5-6
Supplementary Information:	
Schedule of Long-Term Debt.....	7
Examination Results and Comments:	
Salary Overpayments	8
Penalties, Interest and Other Charges	8
Investment Maturity Limitations	8
Appropriations.....	8-9
Condition of Records	9
Capital Asset Records	9
Errors on Claims	9-10
Optical Images of Warrants	10
Prescribed Form	10
Exit Conference.....	11

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Therresa Payton	05-11-04 to 12-31-07
Mayor	Beth A. Packer	01-01-04 to 12-31-07
President of the Board of Public Works	T. DuWayne Keenan Dean Frakes	01-01-06 to 12-31-06 01-01-07 to 12-31-07
President of the Common Council	Dean Frakes Roberta Gilley	01-01-06 to 12-31-06 01-01-07 to 12-31-07



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 ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF ROCKPORT, SPENCER COUNTY, INDIANA

We have examined the financial information presented herein of the City of Rockport (City), for the period of January 1, 2006 to December 31, 2006. The City's management is responsible for the financial information presented herein. 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 financial information presented herein 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 financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

April 3, 2007

CITY OF ROCKPORT
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, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 335,960	\$ 462,080	\$ 451,480	\$ 346,560
Motor Vehicle Highway	(121)	188,734	126,916	61,697
Local Road and Street	19,433	8,842	3,978	24,297
Park and Recreation	32,765	140,003	115,024	57,744
Cemetery	21,513	63,908	52,770	32,651
Law Enforcement Continuing Education	2,613	1,006	1,034	2,585
Sanitation	20,298	37,609	55,588	2,319
Television	3,244	6,173	2,830	6,587
School Traffic	4,731	3,690	53	8,368
Canine	681	745	955	471
First State Police Squad	30	4,418	4,448	-
Rainy Day	23,156	-	-	23,156
William Natcher Bridge	425,866	12,000	33,975	403,891
Levy Excess	17,118	-	17,118	-
Cumulative Capital Improvement	52,991	13,856	55,031	11,816
CEDIT	393,228	106,560	83,590	416,198
Sanitation Reserve	66,738	9,391	7,603	68,526
Cemetery Perpetual Care	1,500	-	-	1,500
Young Cemetery	62,258	20,768	-	83,026
Proprietary Funds:				
Water Utility - Operating	79,236	496,310	526,367	49,179
Water Utility - Bond and Interest	218,537	253,298	249,426	222,409
Water Utility - Debt Service	264,623	5,067	-	269,690
Water Utility - Customer Deposit	13,099	4,170	3,681	13,588
Water Utility - Improvement	-	33,314	33,314	-
Wastewater Utility - Operating	207,221	761,375	627,166	341,430
Wastewater Utility - 205-J Grant CSO	3,838	-	3,838	-
Wastewater Utility - Bond and Interest	188,324	407,442	378,994	216,772
Wastewater Utility - Debt Service	323,967	16,034	87,961	252,040
Wastewater Utility - Customer Deposit	13,801	4,628	3,752	14,677
Wastewater Utility - Improvement	1,332	-	526	806
Fiduciary Funds:				
City Court	(80)	7,556	7,476	-
Payroll	(8,909)	524,351	513,650	1,792
Totals	<u>\$ 2,788,991</u>	<u>\$ 3,593,328</u>	<u>\$ 3,448,544</u>	<u>\$ 2,933,775</u>

The accompanying notes are an integral part of the schedules.

CITY OF ROCKPORT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, 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 ROCKPORT
NOTES TO FINANCIAL INFORMATION
(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. Subsequent Event

The City of Rockport created the Rockport Redevelopment Authority and the City of Rockport Redevelopment Commission during 2006. The City of Rockport Redevelopment Authority issued \$600,000 in County Economic Development Income Tax Lease Rental Revenue Bonds, Series 2007 on February 14, 2007, to finance the costs of the acquisition, construction and installation of a river-front protection project in or serving the Riverside Economic Development Area established by the City of Rockport Redevelopment Commission pursuant to Indiana Code 36-7-14.

CITY OF ROCKPORT
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Street Sweeper	\$ 38,951	\$ 9,004
Pool Chlorinator	3,055	2,343
Total governmental activities long-term debt	<u>\$ 42,006</u>	<u>\$ 11,347</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
2005 Water Refunding Revenue Bonds	1,510,000	50,000
State Revolving Loan:		
Waterworks Improvement Project	<u>1,400,000</u>	<u>75,000</u>
Total Water Utility	<u>2,910,000</u>	<u>125,000</u>
Wastewater Utility		
Capital lease:		
Street Sweeper	19,476	4,502
Revenue bonds:		
1997 Wastewater Revenue Bonds	625,000	30,000
State Revolving Loan:		
Wastewater Improvement Project	<u>2,910,000</u>	<u>160,000</u>
Total Wastewater Utility	<u>3,554,476</u>	<u>194,502</u>
Total business-type activities long-term debt:	<u>\$ 6,464,476</u>	<u>\$ 319,502</u>

CITY OF ROCKPORT
EXAMINATION RESULTS AND COMMENTS

SALARY OVERPAYMENTS - (City and Utilities)

In 2006, Beth Packer, Mayor, and Therresa Payton, Clerk-Treasurer, each received salary payments of \$158.83 in excess of the amounts stated on the 2006 salary ordinance. Both officials reimbursed the City on April 2, 2007.

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)

PENALTIES, INTEREST AND OTHER CHARGES - (City and Utilities)

Penalties and interest totaling \$147 were paid to the Internal Revenue Service on May 19, 2006, for the first and third quarters of 2005.

Penalties and interest totaling \$324 were paid to the Indiana Department of Revenue on May 19, 2006, for January and February 2006.

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)

INVESTMENT MATURITY LIMITATIONS – (City)

The governmental unit purchased one investment which has a stated maturity in excess of two years.

Indiana Code 5-13-9-5.6 states: "Investments made under IC 5-13-9 must have a stated final maturity of not more than two years after the date of purchase or entry into a repurchase agreement."

APPROPRIATIONS – (City)

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Excess Amount Expended</u>
Motor Vehicle Highway	\$ 1,630
Cumulative Capital Improvement	40,031

CITY OF ROCKPORT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

CONDITION OF RECORDS – (City and Utilities)

The following deficiencies, relating to the recordkeeping that were cited in the prior examination report, were again present during our period of examination:

- (1) There were a considerable number of posting errors. These errors included checks and receipts posted to the wrong funds, occasionally, and to wrong line items, frequently.
- (2) Several transactions were recorded as "negative" receipts and disbursements. Many did not have supporting documentation for the corrections or adjustments.
- (3) Beginning balances in the ledger did not agree to the ending balances of the prior year.

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)

CAPITAL ASSET RECORDS – (City and Utilities)

The City and Utilities do not maintain capital asset records.

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. 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)

ERRORS ON CLAIMS – (City and Utilities)

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

- (1) Claims were not adequately itemized.
- (2) Claims or invoices did not have evidence to support receipt of goods or services.

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:

- (1) there is a fully itemized invoice or bill for the claim;

CITY OF ROCKPORT
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (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."

OPTICAL IMAGES OF WARRANTS – (City and Utilities)

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks for some of the months during the examination period.

Indiana Code 5-15-6-3 concerning optical imaging of checks states in part:

"(a) . . . 'original records' . . . includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . .

Further, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

PRESCRIBED FORM – (City and Utilities)

The following prescribed or approved form was not in use: Form 211 - Capital Asset Ledger.

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)

CITY OF ROCKPORT
EXIT CONFERENCE

The contents of this report were discussed on April 3, 2007, with Therresa Payton, Clerk-Treasurer; Beth A. Packer, Mayor; and T. DuWayne Keenan, Councilman. The officials concurred with our findings.