

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

EXAMINATION REPORT
OF
CITY OF BOONVILLE
WARRICK COUNTY, INDIANA
January 1, 2006 to December 31, 2006



FILED
05/09/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	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	01-01-06 to 12-31-07
President of the City Council	Dennis Shreve Jim Ruff	01-01-06 to 12-31-06 01-01-07 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the City of Boonville (City), for the period of January 1, 2006 to December 31, 2006. The Town'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 Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

April 5, 2007

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, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 715,769	\$ 3,287,488	\$ 3,275,206	\$ 728,051
Motor Vehicle Highway	494,429	372,622	640,997	226,054
Local Road and Street	192,524	67,424	99,839	160,109
Park and Recreation	89,647	187,944	213,356	64,235
Law Enforcement Continuing Education	16,985	-	4,549	12,436
Build Indiana Fund	2,990	-	-	2,990
Rainy Day	221,870	-	219,944	1,926
Donation - Fire	214	-	-	214
Donation - Police	-	11,075	2,277	8,798
Cumulative Capital Improvement	73,341	24,415	56,403	41,353
DOJ - Police Grant - Vest	-	637	637	-
Police Grant 2005-DJ-BX-0759	-	9,670	6,608	3,062
Fire FEMA FG 19030	-	6,627	6,627	-
Fire FEMA 20047 FP 00125	-	41,391	41,391	-
Fire FEMA EMW 05 FG 19995	-	92,055	92,055	-
County Economic Development Income Tax	1,715,174	871,071	636,312	1,949,933
Parking Meter Fund	62,057	36,695	33,942	64,810
Lease Rental Reserve	1,389,312	1,073,474	498,000	1,964,786
Proprietary Funds:				
Water Utility - Operating	34,402	1,442,055	1,416,402	60,055
Water Utility - Bond and Interest	369	166,304	166,278	395
Water Utility - Bond and Interest Reserve	83,462	-	-	83,462
Water Utility - Debt Service Reserve	-	63,339	27	63,312
Water Utility - Customer Deposit	111,164	20,303	17,117	114,350
Water Utility - Construction	-	4,425,871	2,212,446	2,213,425
Wastewater Utility - Operating	84,727	1,414,090	1,453,049	45,768
Wastewater Utility - Bond and Interest	4,877	350,581	350,285	5,173
Wastewater Utility - Debt Service Reserve	501,449	14,838	-	516,287
Wastewater Utility - Construction 03 Bond	108,030	1,477	109,507	-
Wastewater Utility - Construction	342,450	12,155	216,907	137,698
Wastewater Utility - Replacement	48,433	6,000	-	54,433
Electric Utility - Operating	14,208	473,981	470,339	17,850
Electric Utility - Cash Reserve	978,768	500,447	459,476	1,019,739
Electric Utility - Customer Deposit	67,154	-	2,081	65,073
Fiduciary Funds:				
Police Officers' Pension	253,356	160,794	106,184	307,966
Firefighters' Pension	310,156	95,667	90,971	314,852
Payroll	30,348	1,507,985	1,532,700	5,633
Payroll Tax	-	288,536	288,536	-
Levy Excess Fund	7,555	-	7,555	-
Totals	<u>\$ 7,955,220</u>	<u>\$ 17,027,011</u>	<u>\$ 14,728,003</u>	<u>\$ 10,254,228</u>

The accompanying notes are an integral part of the schedules.

CITY OF BOONVILLE
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 (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 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

In 2007, the Board of Public Works awarded a contract for \$742,074 to relocate the Water and Wastewater lines along Highway 62.

CITY OF BOONVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets completed in the current year has been reported. Retroactive reporting of general infrastructure assets will occur by December 31, 2007.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 180,162
Buildings	6,651
Improvements other than buildings	314,834
Machinery and equipment	<u>2,139,682</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u>2,641,329</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 52,847
Improvements other than buildings	3,765,896
Machinery and equipment	<u>1,592,776</u>
 Total Water Utility capital assets	 <u>5,411,519</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	441,673
Buildings	10,978,633
Improvements other than buildings	2,640,591
Machinery and equipment	<u>194,575</u>
 Total Wastewater Utility capital assets	 <u>14,255,472</u>
Electric Utility:	
Capital assets, not being depreciated:	
Land	30,774
Buildings	197,037
Improvements other than buildings	1,918,042
Machinery and equipment	<u>1,378,393</u>
 Total Electric Utility capital assets	 <u>3,524,246</u>
 Total business-type activities capital assets	 \$ <u>23,191,237</u>

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

The City of Boonville has entered into the following debt obligations:

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Wastewater Utility Treatment Plant	\$ 7,400,000	\$ 120,000
Fire Truck	<u>136,253</u>	<u>43,236</u>
Total governmental activities long-term debt	<u>\$ 7,536,253</u>	<u>\$ 163,236</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
Water Utility Improvements	\$ 4,360,000	\$ -
Total Water Utility	<u>4,360,000</u>	<u>-</u>
Wastewater Utility		
Revenue bonds:		
Wastewater Utility Improvements	1,470,000	5,000
Wastewater Utility Improvements	<u>1,395,000</u>	<u>105,000</u>
Total Wastewater Utility	<u>2,865,000</u>	<u>110,000</u>
Total business-type activities long-term debt:	<u>\$ 7,225,000</u>	<u>\$ 110,000</u>

CITY OF BOONVILLE
EXAMINATION RESULTS AND COMMENTS

CUSTOMER DEPOSIT REGISTER (Water and Electric Utilities)

As stated in the prior report, the detailed customer deposit register does not reconcile with the cash balance of the customer deposit fund.

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)

DELINQUENT WASTEWATER ACCOUNTS (Wastewater Utility)

As stated in the prior report, 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:
 - (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 the prior report, 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 accounts receivable.

CITY OF BOONVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

The Water Utility has not paid the entire amount due for in lieu of tax for the years 2005 and 2006. The balance due at December 31, 2006, was \$32,988. A similar comment was contained in the prior report.

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 an Order dated December 26, 1989. A new order was issued December 13, 2005 establishing an annual in lieu of tax amount of \$19,756 for Phase I of the current improvement project and \$73,118 for Phase II.

INTERFUND RECEIVABLE/PAYBLE (City and Electric Utility)

As stated in the prior report, the City of Boonville owes the Boonville Electric Utility for street lighting services. The amount due at December 31, 2006, 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)

ACCOUNTABLE ITEMS (Water and Wastewater Utilities)

Records presented for examination indicated that gallons of water billed totaled 251,007,600 and gallons of water pumped by the Water Utility totaled 436,622,000 resulting in a difference of 185,614,400 gallons of water lost and not billed. Forty-three percent of the water pumped for the year 2006 was not billed. Calculations indicate that the potential dollar amount of this loss would be between \$226,450 and \$896,516 because the Water Utility bills on a sliding scale based on the amount of water used. This could result in a potential loss for the Wastewater Utility of \$1,269,600 because the wastewater bills are based on water consumption. A similar comment was contained in the prior report.

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)

CITY OF BOONVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

PUBLIC WORKS PROJECT (City)

During 2006, the City of Boonville constructed a spray park and a pavilion. The total amount paid to various contractors and suppliers was \$180,583 for the spray park and \$149,554 for the pavilion. There was no evidence presented for audit that sealed bids were requested or received.

Indiana Code 36-1-12-4(a) states in part: "This section applies whenever the cost of a public work project will be:

- (1) at least seventy-five thousand dollars (\$75,000) in:
 - (A) a consolidated city or second class city;
 - (B) a county containing a consolidated city or second class city; or
 - (C) a regional water or sewage district established under IC 13-26;
- (2) at least fifty thousand dollars (\$50,000) in:
 - (A) a third class city or town with a population of more than five thousand (5,000), or
 - (B) a county containing a third class city or town with a population of more than five thousand (5,000); or (3) at least twenty-five thousand dollars (\$25,000) in a political subdivision or an agency not described in subdivision (1) or (2)."

Indiana Code 36-1-12-4(b) states in part: "The board must comply with the following procedure:

- (1) the board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . .
- (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3).
- (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed. . . ."

CITY OF BOONVILLE
EXIT CONFERENCE

The contents of this report were discussed on April 23, 2007, with Nancy Shull, Clerk-Treasurer; and Pamela Hendrickson, Mayor.