

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

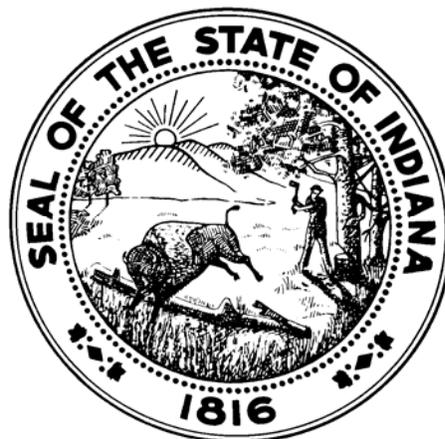
EXAMINATION REPORT

OF

CITY OF ALEXANDRIA

MADISON COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED
09/27/2007

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CITY OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|--|-------------------------------------|--|
| Clerk-Treasurer | Janet M. Lynch | 01-01-04 to 12-31-07 |
| Mayor | Hon. Steven P. Skaggs | 01-01-04 to 12-31-07 |
| President of the Board of Public Works and Safety | Hon. Steven P. Skaggs | 01-01-04 to 12-31-07 |
| President of the Common Council | Michelle Burnett David C. Steele | 01-01-06 to 12-31-06 01-01-07 to 12-31-07 |
| Superintendent of Water Utility | Mark Caldwell | 01-01-06 to 12-31-07 |
| Superintendent of Wastewater Utility | Leann Pierce | 01-01-06 to 04-19-06 |



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 ALEXANDRIA, MADISON COUNTY, INDIANA

We have examined the financial information presented herein of the City of Alexandria (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.

STATE BOARD OF ACCOUNTS

August 1, 2007

CITY OF ALEXANDRIA
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 | \$ 630,230 | \$ 2,691,960 | \$ 2,640,622 | \$ 681,568 |
| Motor Vehicle Highway | 318,013 | 406,987 | 348,049 | 376,951 |
| Local Road and Street | 195,307 | 59,152 | 88,209 | 166,250 |
| Parks and Recreation | 110,053 | 153,319 | 169,600 | 93,772 |
| Law Enforcement Continuing Education | 3,298 | 3,496 | 1,575 | 5,219 |
| Riverboat | 78,948 | 39,393 | 118,341 | - |
| Donation | 9,741 | 1,668 | 594 | 10,815 |
| Defib Donation | 260 | - | - | 260 |
| Cumulative Capital Improvement | 61,793 | 22,364 | 63,673 | 20,484 |
| Cumulative Capital Development | 100,781 | 49,577 | 65,905 | 84,453 |
| Park Tree Fund | 1,787 | 1,100 | 1,457 | 1,430 |
| Park Nonreverting Operating | 2,135 | 2,143 | 20 | 4,258 |
| Trash Fund | 33,869 | 188,945 | 192,624 | 30,190 |
| Federal Cop Grant | 760 | - | - | 760 |
| Tax Abatement | 3,192 | 50 | - | 3,242 |
| Storm Water Management | 395,994 | 215,370 | 191,841 | 419,523 |
| 1999 State Fire Grant | 524 | - | 115 | 409 |
| Mayor's Youth Commission | 274 | - | - | 274 |
| Court Nonreverting Fund | 96 | 546 | 138 | 504 |
| Reserve Police Nonreverting | 318 | 1,490 | 1,630 | 178 |
| FEMA Buy-Out Project | 8,456 | - | 2,018 | 6,438 |
| Yard Waste Management Grant '97 | 12,253 | - | - | 12,253 |
| New Fire Pumper Fund | 3,087 | - | 3,087 | - |
| Economic Development Project (EDIT) | 99 | - | - | 99 |
| Economic Development Food and Beverage | 61,389 | 87,000 | 88,041 | 60,348 |
| Bramel Ditch Project | 250 | - | - | 250 |
| Lincoln Heights Project | 17 | - | - | 17 |
| Fire Copy | 104 | 5 | - | 109 |
| Ordinance Violations Fund | 2,055 | 890 | 1,087 | 1,858 |
| Emery Lee Security Deposits | 1,175 | 5,850 | 5,850 | 1,175 |
| Clerk's Document Fees | 2,179 | 989 | 1,381 | 1,787 |
| Drug Recovery Funds | 1,482 | - | 148 | 1,334 |
| Community Foundation ALS Grant | 1,615 | - | - | 1,615 |
| Hazardous Waste Clean-Up | 16,389 | 4,499 | 2,520 | 18,368 |
| FEMA Fire Grant 2004 | - | 38,000 | 38,000 | - |
| Levy Excess | - | 102,320 | 102,320 | - |
| Proprietary Funds: | | | | |
| Water Utility Operating | 40,997 | 516,026 | 476,393 | 80,630 |
| Water Utility - Customer Deposit | 60,105 | 19,425 | 10,880 | 68,650 |
| Wastewater Utility - Operating | 13,923 | 674,161 | 634,295 | 53,789 |
| Wastewater Utility - Bond and Interest | 91,786 | - | 1,677 | 90,109 |
| Wastewater Utility - Cash Reserve | 37,976 | 138 | 38,000 | 114 |
| Fiduciary Funds: | | | | |
| Payroll | 26,369 | 2,415,463 | 2,415,488 | 26,344 |
| Police Pension | 209,475 | 220,546 | 191,789 | 238,232 |
| Fire Pension | 164,820 | 167,036 | 151,113 | 180,743 |
| City Court Fees Due County | 278 | 8,860 | 8,447 | 691 |
| User Fee Law Enforcement Continuing Education | 12,844 | 1,494 | 1,341 | 12,997 |
| Alexandria Insurance | 74 | 610,130 | 610,130 | 74 |
| Orestes Court Ordinance Fees | 300 | 243 | 300 | 243 |
| Summitville Ordinance Violation Fines | 1,543 | 2,049 | 3,069 | 523 |
| City Court | 34,568 | 80,020 | 95,114 | 19,474 |
| Totals | <u>\$ 2,752,981</u> | <u>\$ 8,792,704</u> | <u>\$ 8,766,881</u> | <u>\$ 2,778,804</u> |

The accompanying notes are an integral part of the financial information.

CITY OF ALEXANDRIA
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, health and social services, culture and recreation, water, wastewater, 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 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.

Note 6. Restatements and Reclassifications

For the year ended December 31, 2006, certain changes have been made to the financial statements to more appropriately reflect financial activity of the City. The following schedule presents a summary of restated beginning balances by opinion unit. Prior period adjustments represent monies on deposit which were not presented in the prior report.

CITY OF ALEXANDRIA
NOTES TO FINANCIAL INFORMATION
(Continued)

| <u>Opinion Unit</u> | <u>Balance as Reported December 31, 2005</u> | <u>Prior Period Adjustments</u> | <u>Balance as Restated January 1, 2006</u> |
|---------------------|--|---|--|
| Police Pension | \$ 77,094 | \$ 132,381 | \$ 209,475 |
| Fire Pension | 79,893 | 84,927 | 164,820 |

Note 7. 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 Town 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 8. Subsequent Event

The Common Council of the City of Alexandria approved an ordinance authorizing the acquisition, construction and installation of certain improvements for the sewage works system (Wastewater Utility) of the City with an estimated cost of \$4,600,000. The ordinance also authorizes the issuance of revenue bonds to provide the cost of the project. The bonds will be issued in several series. Sewage Works Revenue Bonds, Series 2006 A, in the amount of \$400,000 has been approved by the Common Council, but has not yet been issued at the time of the examination.

CITY OF ALEXANDRIA
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

As stated in several prior examination reports, information presented for examination indicated the City and Utilities do not maintain sufficient detailed records of capital assets. Records providing historical costs for all of the City's and Utilities' capital assets were not available, and records classifying and summarizing the City's and Utilities' capital assets were incomplete. Deletions or disposals of capital assets were 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. 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)

LEAVE AND OVERTIME POLICY

As stated in prior Reports B25832 and B27661, accrual rates for employee vacation and personal leave were increased in 2004; however, the increase has not been approved by the governing board.

Each governmental unit should adopt written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing board would be considered as written policy. The policy should conform to the requirements of all state and federal regulatory agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMPENSATION AND BENEFITS

During our examination, we noted that three Utility employees were paid for unused vacation time (vacation buyback). According to the City personnel policy, vacation days can be carried over into the next calendar year, if authorized by the department head. Additionally, any vacation time carried over must be used before March 31 of the following year or it will be forfeited. Nothing in the personnel policy says that it can be paid out or that employees are entitled to pay in lieu of taking time off for vacation.

Vacation buybacks took place in 2005, 2006, and 2007. It was determined, at the time the buybacks took place; none were approved by the Common Council. A retroactive resolution was passed by the Common Council in July 2007, amending the personnel policy to be consistent with the actual payments made to the employees for vacation buybacks during 2005, 2006, and 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)

CITY OF ALEXANDRIA
EXAMINATION RESULTS AND COMMENTS
(Continued)

ORDINANCES AND RESOLUTIONS

The City has paid for Medicare supplement insurance policies for former City employees. At the time these payments were made, nothing was outlined within the personnel policy or approved through an ordinance or resolution authorizing these payments. A retroactive resolution was passed by the Common Council in July 2007, amending the personnel policy to be consistent with the actual payments made on behalf of these employees for Medicare supplement insurance policies in prior years.

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)

DELINQUENT WASTEWATER ACCOUNTS

As stated in prior Report B27661, 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.
 - (C) The amount of the delinquent fees, together with the penalty.
- (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. . . ."

CITY OF ALEXANDRIA
EXIT CONFERENCE

The contents of this report were discussed on August 1, 2007, with Hon. Steven P. Skaggs, Mayor; and Janet M. Lynch, Clerk-Treasurer. The officials concurred with our findings.