

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, 2007 to December 31, 2007



FILED
03/31/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Nancy Shull	01-07-05 to 12-31-11
Mayor	Pamela Hendrickson	01-01-04 to 12-31-11
President of the Board of Public Works	Pamela Hendrickson	01-01-07 to 12-31-08
President of the City Council	Jim Ruff Dennis Shreve	01-01-07 to 12-31-07 01-01-08 to 12-31-08



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, 2007 to December 31, 2007. 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, 2007, 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

February 20, 2008

CITY OF BOONVILLE
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 728,051	\$ 3,667,464	\$ 3,701,582	\$ 693,933
Motor Vehicle Highway	226,054	368,282	471,164	123,172
Local Road and Street	160,109	67,647	99,988	127,768
Park and Recreation	63,778	167,321	133,524	97,575
Spray Park Donations	457	17,493	618	17,332
Law Enforcement Continuing Education	12,436	13,398	-	25,834
Build Indiana Fund	2,990	-	-	2,990
Rainy Day	1,926	33,452	-	35,378
Fire Department Training	214	-	-	214
Donation - Fire	-	1,100	252	848
Donation - Police	8,798	5,701	5,632	8,867
Cumulative Capital Improvement	41,353	24,004	-	65,357
Dept. of Justice Grant SF269 04	-	5,608	4,690	918
Police Grant - 2005-DJ-BX-0759	3,062	-	3,062	-
Police Grant - DJ-04-DB-071	-	8,190	8,190	-
Tire Recycling Grant	-	9,665	9,665	-
County Economic Development Income Tax	1,949,933	1,094,815	1,201,420	1,843,328
Parking Meter Fund	64,810	30,540	37,740	57,610
Lease Rental Reserve	1,964,786	1,076,526	490,000	2,551,312
Proprietary Funds:				
Water Utility - Operating	60,055	1,569,192	1,587,008	42,239
Water Utility - Bond and Interest	395	338,020	338,097	318
Water Utility - Bond and Interest Reserve	83,462	-	-	83,462
Water Utility - Debt Service Reserve	63,312	71,010	-	134,322
Water Utility - Customer Deposit	114,350	19,680	16,802	117,228
Water Utility - Construction	2,213,425	36,312	2,249,737	-
Wastewater Utility - Operating	45,768	1,462,294	1,497,755	10,307
Wastewater Utility - Bond and Interest	5,173	350,702	351,041	4,834
Wastewater Utility - Debt Service Reserve	516,287	14,993	-	531,280
Wastewater Utility - Construction	137,698	3,876	130,927	10,647
Wastewater Utility - Replacement	54,433	6,000	13,161	47,272
Electric Utility - Operating	17,850	522,273	461,127	78,996
Electric Utility - Cash Reserve	1,019,739	899,480	859,476	1,059,743
Electric Utility - Customer Deposit	65,073	-	65,073	-
Fiduciary Funds:				
Police Officers' Pension	307,966	210,104	100,077	417,993
Firefighters' Pension	314,852	190,211	179,107	325,956
Payroll	5,633	1,589,196	1,584,336	10,493
Payroll Tax	-	314,036	314,036	-
Levy Excess Fund	-	17,357	-	17,357
Totals	<u>\$ 10,254,228</u>	<u>\$ 14,205,942</u>	<u>\$ 15,915,287</u>	<u>\$ 8,544,883</u>

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

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.

CITY OF BOONVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Wastewater Utility Treatment Plant	\$ 6,940,000	\$ 245,500
Fire Truck	<u>93,017</u>	<u>50,000</u>
Total governmental activities debt	<u>\$ 7,033,017</u>	<u>\$ 295,500</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
Water Utility Improvements	<u>\$ 4,215,000</u>	<u>\$ 93,467</u>
Total Water Utility	<u>4,215,000</u>	<u>93,467</u>
Wastewater Utility		
Revenue bonds:		
Wastewater Utility Improvements	1,455,000	39,315
Wastewater Utility Improvements	<u>1,185,000</u>	<u>130,092</u>
Total Wastewater Utility	<u>2,640,000</u>	<u>169,407</u>
Total business-type activities debt	<u>\$ 6,855,000</u>	<u>\$ 262,874</u>

CITY OF BOONVILLE
EXAMINATION RESULTS AND COMMENTS

CUSTOMER DEPOSIT REGISTER - (Water Utility)

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

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. . . ."

CITY OF BOONVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS (Water and Wastewater Utilities)

As stated in the prior report, utility 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 detail after Board of Public Works approval.

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 2005-2007. The balance due at December 31, 2007, was \$52,744. 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." In an order issued December 13, 2005, the Utility Regulatory Commission established an in lieu of tax amount of \$19,756 for Phase I of the current improvement project and \$73,118 for Phase II.

INTERFUND RECEIVABLE/PAYABLE (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, 2007, 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 Manual for Cities and Towns, Chapter 7)

CITY OF BOONVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

ACCOUNTABLE ITEMS (Water and Wastewater Utilities)

Records presented for examination indicated that gallons of water billed totaled 268,058,500 and gallons of water pumped by the Water Utility totaled 419,619,400, resulting in a difference of 151,560,900 gallons of water lost and not billed. Thirty-six percent of the water pumped for the year 2007 was not billed. Calculations indicate that the potential dollar amount of this loss would be between \$184,904 and \$732,039 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 \$1,036,676 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
EXIT CONFERENCE

The contents of this report were discussed on February 25, 2008, with Nancy Shull, Clerk-Treasurer. The official concurred with our findings.