

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, 2007 to December 31, 2007



FILED
05/13/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Therresa Payton Harold Goffinet	05-11-04 to 12-31-07 01-01-08 to 12-31-11
Mayor	Beth A. Packer Nedra Groves	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Board of Public Works	Dean Frakes Nedra Groves	01-01-07 to 12-31-07 01-01-08 to 12-31-08
President of the Common Council	Roberta Gilley Ferman Yearby	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 ROCKPORT, SPENCER COUNTY, INDIANA

We have examined the financial information presented herein of the City of Rockport (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

March 5, 2008

CITY OF ROCKPORT
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	\$ 346,560	\$ 512,905	\$ 465,249	\$ 394,216
Motor Vehicle Highway	61,697	194,292	124,311	131,678
Local Road and Street	24,297	8,865	21,174	11,988
Park and Recreation	57,744	156,430	192,531	21,643
Cemetery	32,651	19,611	45,709	6,553
Law Enforcement Continuing Education	2,585	880	1,016	2,449
Sanitation	2,319	47,208	49,028	499
Television	6,587	5,342	1,589	10,340
School Traffic	8,368	2,060	2,677	7,751
Canine	471	904	603	772
Rainy Day	23,156	25,261	-	48,417
William Natcher Bridge	403,891	12,000	15,891	400,000
Cumulative Capital Improvement	11,816	6,589	10,970	7,435
CEDIT	416,198	116,814	194,479	338,533
Lease Rental Bonds	-	601,120	499,100	102,020
Sanitation Reserve	68,526	11,191	7,249	72,468
Capital Improvement Fund	-	50,000	-	50,000
Cemetery Perpetual Care	1,500	-	-	1,500
Young Cemetery	83,026	5,147	-	88,173
Proprietary Funds:				
Water Utility - Operating	49,179	408,581	358,834	98,926
Water Utility - Bond and Interest	222,409	221,192	232,833	210,768
Water Utility - Debt Service	269,690	106	-	269,796
Water Utility - Customer Deposit	13,588	3,900	3,405	14,083
Wastewater Utility - Operating	341,430	718,644	620,697	439,377
Wastewater Utility - Bond and Interest	216,772	434,373	333,318	317,827
Wastewater Utility - Debt Service	252,040	105,583	161,161	196,462
Wastewater Utility - Customer Deposit	14,677	4,125	3,877	14,925
Wastewater Utility - Improvement	806	45,000	45,164	642
Fiduciary Fund:				
Payroll	1,792	520,560	520,182	2,170
Totals	<u>\$ 2,933,775</u>	<u>\$ 4,238,683</u>	<u>\$ 3,911,047</u>	<u>\$ 3,261,411</u>

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

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.

CITY OF ROCKPORT
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:		
Street Sweeper	\$ 29,948	\$ 11,049
River Bluff Project	<u>600,000</u>	<u>56,910</u>
Total governmental activities debt	<u><u>\$ 629,948</u></u>	<u><u>\$ 67,959</u></u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
Revenue Bonds of 2000	\$ 1,325,000	\$ 118,425
Refunding Revenue Bonds of 2005	<u>1,460,000</u>	<u>115,728</u>
Total Water Utility	<u>2,785,000</u>	<u>234,153</u>
Wastewater Utility		
Capital lease:		
Street Sweeper	14,974	5,524
Revenue bonds:		
Revenue Bonds of 1997	595,000	77,543
Revenue Bonds of 2000	2,910,000	244,750
Revenue Bonds of 2001	<u>158,803</u>	<u>19,481</u>
Total Wastewater Utility	<u>3,678,777</u>	<u>347,298</u>
Total business-type activities debt	<u><u>\$ 6,463,777</u></u>	<u><u>\$ 581,450</u></u>

CITY OF ROCKPORT
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS (Applies to City and Utilities)

The City and Utilities do not maintain complete updated 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 form. 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)

APPROPRIATIONS (Applies to City)

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

<u>Fund</u>	<u>Excess Amount Expended</u>
Local Road and Street	\$ 1,174
Park and Recreation	37,771

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."

COMPLIANCE WITH ORDINANCES (Applies to City and Utilities)

The City did not pay certain employees according to the approved salary ordinance. In addition, hydrant charges did not comply with the rate ordinance in some cases.

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)

CONDITION OF RECORDS (Applies to City and Utilities)

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

- (1) Record balances were not reconciled timely to depository balances during the period. Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."
- (2) There were a considerable number of posting errors. These errors included checks and receipts posted to wrong funds, occasionally, and to wrong line items, frequently. Transfers were not posted properly. Several adjustments were carried on reconcilements with no corrections to records or documentation supporting the source of the adjustment.

CITY OF ROCKPORT
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (3) Several transactions were recorded as "negative" receipts and disbursements. Supporting documentation was not available for many of the corrections or adjustments.
- (4) Money was transferred between bank accounts with no supporting documentation explaining the purpose of the transfers.
- (5) Park receipts were not available for review.
- (6) Images of checks were unreadable.
- (7) Two funds were not included in the City's records.
- (8) Investments were not accounted for properly.
- (9) Claim numbers did not always agree with the check numbers they were to support.

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)

FUND SOURCES AND USES (Applies to City)

Funds were disbursed from the Cemetery Fund for expenses relating to the cemetery located near the City. The cemetery was to become a department of the General Fund as approved by ordinance, but it is being maintained as a separate fund.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PAYROLL DEDUCTIONS (Applies to City)

Payroll withholdings were not reconciled and accounted for properly which created overdrawn fund balances in the payroll fund and subsequent refunds to the City.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TRANSACTION RECORDING (Applies to City)

Two funds, the Lease Rental Bonds Fund and the Young Cemetery Fund were not entered into the records of the City.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF ROCKPORT
EXAMINATION RESULTS AND COMMENTS
(Continued)

GUARANTEE DEPOSIT REGISTER (Applies to Utilities)

The Guarantee Deposit Registers for the Water and Wastewater Utilities were not in balance with the cash balances in Water Utility Meter Deposit Fund and Wastewater Utility Meter 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)

PENALTIES, INTEREST AND OTHER CHARGES (Applies to City)

Penalties and interest totaling \$222.09 were paid to the Internal Revenue Service and Indiana Department of Revenue on four occasions for late payments of withholding taxes. A similar comment was included in the prior report, No. B29843. Other late payments were noted during 2007, but the penalties and interest have not been assessed at the date of this report.

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)

The former Clerk-Treasurer, Therresa Payton, was requested to reimburse the City \$222.09. Ms. Payton's payment was received by the City on March 5, 2008. (See Summary, page 13)

ERRORS ON CLAIMS (Applies to City and Utilities)

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

- (1) Claims were not prepared for all disbursements.
- (2) Claims were not adequately itemized.
- (3) Claims or invoices were not accompanied by evidence in support of the 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:

CITY OF ROCKPORT
EXAMINATION RESULTS AND COMMENTS
(Continued)

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

SUPPORTING DOCUMENTATION (Applies to City and Utilities)

Several payments were observed which were not supported by adequate documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (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 March 5, 2008, with Therresa Payton, former Clerk-Treasurer. The official concurred with our findings.

The contents of this report were discussed on March 5, 2008, with Harold Goffinet, Clerk-Treasurer; Nedra Groves, Mayor; Julie Payne and Bob Mack, members of the Common Council.

CITY OF ROCKPORT
SUMMARY

	Charges	Credits	Balance Due
Therresa Payton, former Clerk-Treasurer:			
Penalties, Interest and Other Charges, page 10	\$ 222.09	\$	\$
 Paid by Therresa Payton, former Clerk-Treasurer, on March 5, 2008, Receipt No. 9149		222.09	-
 Totals	\$ 222.09	222.09	\$ -