

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

EXAMINATION REPORT

OF

CITY OF PETERSBURG

PIKE COUNTY, INDIANA

January 1, 2007 to December 31, 2007



FILED

10/21/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tammy Selby	04-01-05 to 12-31-11
Mayor	Jon W. Craig	01-01-04 to 12-31-11
President of the Board of Public Works and Safety	Jon W. Craig	01-01-04 to 12-31-11
President of the Common Council	Jon W. Craig	01-01-04 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF PETERSBURG, PIKE COUNTY, INDIANA

We have examined the financial information presented herein of the City of Petersburg (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 Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts 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

September 4, 2008

CITY OF PETERSBURG
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	\$ 226,071	\$ 707,846	\$ 638,645	\$ 295,272
Motor Vehicle Highway	128,171	94,927	108,442	114,656
Local Road and Street	27,470	9,232	27,000	9,702
Park and Recreation	26,677	33,281	44,882	15,076
Fire Fighting	2,560	33,795	11,347	25,008
Hornady Park Donation	2,401	50	2,451	-
I P & L Economic Development	54,028	-	-	54,028
Law Enforcement Continuing Education	4,706	400	1,407	3,699
Fire Fighting Equipment Donation	650	1,000	-	1,650
Riverboat	54,835	16,206	-	71,041
Rainy Day	227,144	3,538	-	230,682
Petersburg Pride	2,117	990	2,997	110
Redevelopment	13,030	-	-	13,030
Fire Grant	1,843	18,982	20,825	-
Levy Excess	-	2,718	-	2,718
Economic Development Income Tax	280,595	63,667	75,635	268,627
Cumulative Capital Improvement	70,229	4,823	4,395	70,657
Cumulative Capital Development	135,228	12,540	6,790	140,978
Proprietary Funds:				
Water Utility - Operating	191,406	1,140,965	1,143,601	188,770
Water Utility - Bond and Interest	33,230	132,125	133,625	31,730
Water Utility - Depreciation	179,294	-	-	179,294
Water Utility - Customer Deposit	27,887	5,611	4,203	29,295
Water Utility - Debt Service Reserve	135,160	-	-	135,160
Wastewater Utility - Operating	107,686	526,224	448,670	185,240
Wastewater Utility - Bond and Interest	62,834	129,480	127,542	64,772
Wastewater Utility - Debt Service Reserve 2000	85,000	-	-	85,000
Wastewater Utility - Debt Service Reserve 2003	23,780	16,658	-	40,438
Wastewater Utility - Improvement	24,548	452	-	25,000
Fiduciary Funds:				
Police Pension	48,076	4,426	8,436	44,066
Hornady Park Trust	75,500	-	-	75,500
Payroll	(1,696)	680,868	677,994	1,178
Totals	<u>\$ 2,250,460</u>	<u>\$ 3,640,804</u>	<u>\$ 3,488,887</u>	<u>\$ 2,402,377</u>

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

CITY OF PETERSBURG
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, water and sewer 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.

CITY OF PETERSBURG
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 Petersburg Water Utility is in the process of constructing a water improvement project. The project is being partially funded by a federal community focus fund Community Development Block grant in the amount of \$456,000. The construction contract was awarded to Dashiell Contracting in the amount of \$381,352.50. The engineering and administrative contracts were awarded to Midwestern Engineers and Indiana 15 Regional Planning Commission in the amounts of \$92,000 and \$36,000, respectively.

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

The City of Petersburg and Municipal Utilities have entered into the following debt:

Long-term debt is the unmatured principal of bonds, warrants, notes, or other forms of non-current or long-term indebtedness. Long-term debt is not limited to liabilities arising from debt issuances per se, but also include noncurrent liabilities on lease-purchase agreements or other commitments that are not current liabilities. Since the financial statements are prepared on the cash basis of accounting which is an other comprehensive basis of accounting that is acceptable, your financial statements or notes to financial statements do not include any information concerning long-term liabilities. A Schedule of Debt is being included in your report as supplementary information to give a more complete financial picture.

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
(2 Fire Trucks)	\$ 47,011	\$ 17,747
Business-type Activities:		
Water Utility		
Revenue bonds:		
(Water Utility Improvements of 2000)	\$ 1,330,000	\$ 133,570
Wastewater Utility		
Bond Anticipation Note payable		
(Inflow/Infiltration Utility Improvements of 2003)	75,487	78,584 *
Revenue bonds:		
(Wastewater Utility Improvements of 2000)	914,000	79,723
(Inflow/Infiltration Utility Improvements of 2003)	539,000	28,276
Total Wastewater Utility	1,528,487	186,583
Total business-type activities debt:	\$ 2,858,487	\$ 320,153

* This Wastewater Utility Bond Anticipation Note is being repaid from City Edit and General Fund monies.

CITY OF PETERSBURG
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

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.

The City of Petersburg is a small unit with revenue falling within the Phase III category; therefore, the City has been reporting infrastructure as of January 1, 2004 and thereafter.

General infrastructure assets are included if acquired (purchased, constructed, or donated) after January 1, 2004, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 1,600
Infrastructure	3,908
Buildings	273,205
Improvements other than buildings	106,546
Machinery and equipment	<u>1,035,615</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 1,420,874</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 10,000
Buildings	374,067
Improvements other than buildings	2,935,520
Machinery and equipment	<u>1,213,957</u>
Total Water Utility capital assets	<u>4,533,544</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	500
Buildings	1,219,505
Improvements other than buildings	5,244,978
Machinery and equipment	<u>553,711</u>
Total Wastewater Utility capital assets	<u>7,018,694</u>
Total business-type activities capital assets	<u>\$ 11,552,238</u>

CITY OF PETERSBURG
EXAMINATION RESULTS AND COMMENTS

DEPOSITS

The test of receipts to deposits revealed one instance that the Clerk-Treasurer deposited the collection later than the next business day. Observation revealed that the Clerk-Treasurer issued a receipt on October 11, 2007, for a plan commission permit; however, no deposit was made. The Clerk-Treasurer stated that she had apparently not collected for the permit. The deposit for the permit was made on February 6, 2008.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

PARK BOARD MINUTES

A review of Park Board minutes revealed that meetings were not held at least quarterly and that at the first meeting of each year the Board had not held an election for president and vice president.

Indiana Code 36-10-3-8 states in part: "(a) All meetings of the board are open to the public. The board shall fix the time and place of its regular meetings, but it shall meet at least quarterly. . . . (c) At its first regular meeting each year the board shall elect a president and a vice president. . . ."

Not all minutes of meetings of the governing body were available for review nor were the minutes all inclusive. For example, the minutes reflected the board approved the reimbursements of \$425 to the park caretaker and an employee of the City Water Utility toward the \$1,000 they lost to bring in a bluegrass band from Kentucky; however, the minutes did not reflect that authorization was given for the use of the park for the bluegrass band entertainment.

Indiana Code 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

Park Board minutes state that a quorum was not present; however, the minutes also reflect that the members present conducted business of authorizing hiring of personnel, adopting the shelter house rental ordinance and approving the purchase of equipment, etc.

Indiana Code 36-10-3-8(d) states: "A majority of the members constitutes a quorum. Action of the board is not official unless it is authorized by at least three (3) members present and acting."

CITY OF PETERSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

PARK RECEIPT DEPOSITS

Si Ashby, Park Board Member, remitted the 2007 collections for concessions at the splash park totaling \$122.67. The Clerk-Treasurer stated that the Park Department remitted the collections without documentation as to the source and amount to be deposited. No receipt was issued at the time of the remittance and the money was not deposited until July 11, 2008.

Indiana Code 5-13-6-1(d) states in part: "A city or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories selected by the city or town as provided in an ordinance adopted by the city or the town and approved as depositories of state funds."

Public funds shall be deposited in the same form in which they were received." (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

POLICE DEPARTMENT RECEIPTS AND FEES

Receipts and fees collected by the police department were not all remitted to the Clerk-Treasurer and remittances were made less frequently than once a week.

As stated in the prior report, receipts, and fees collected by the police department for handgun licenses were not all remitted timely to the Clerk-Treasurer. Police Department collection remittances to the Clerk-Treasurer reflected dates ranging from three to eleven months subsequent to the date of collection.

Receipts and fees collected by a police department should be remitted to the clerk-treasurer or city controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

Receipts were not issued for all handgun collections.

Receipts shall be issued and recorded at the time of the transaction, for example, when cash or a check is received, a receipt is be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Handgun permit applications are prenumbered for accountability purposes. Not all handgun applications were presented for examination. Observation of handgun application numbers and dates revealed that applications were used out of sequence. Some nonperforated copies of handgun applications were removed from the sequentially prenumbered bound handgun application books. During the prior examination, Joe Hill, Chief of Police was instructed to retain all voided handgun applications for examination. He was instructed to attach all the perforated copies to the bound copy in the handgun application book.

Tickets, 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.

The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payers. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF PETERSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

Data extracted from the Indiana State Police Database for 2007 provided information necessary to determine that 4 of the handgun application fees remitted to the Clerk-Treasurer were for amounts less than the fee set. The sum of the difference on the 4 application fees in question amounted to \$110.

Collections made for handgun applications which were not receipted and deposited may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The amount of \$110 was due from Joe Hill, Chief of Police, and had not been collected as of August 27, 2008.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The City of Petersburg is pursuing collection of the \$110 from Mr. Hill.

DELINQUENT WASTEWATER ACCOUNTS

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. . . ."

A similar comment appeared in the prior report.

CITY OF PETERSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

CREDIT CARD AND EXPENSE REIMBURSEMENT ITEMIZATION

Records presented for examination included claims for credit card purchases and claims for meal reimbursements. Vendor receipts, invoices, claims and other supporting information were not always available to verify the validity of the disbursements. Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established. Detailed documentation was not attached to the information presented for meal reimbursements which would enable a determination of what was purchased and that all expenses were for employees conducting governmental business.

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with Indiana Code 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for whom amounts are claimed, including the nature, name and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Supporting documentation such as receipts, cancelled 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)

WASTEWATER BILLING ERROR

Wastewater customer bills tested for accuracy of calculation revealed that the billing was incorrectly calculated. Wastewater customer bills were calculated on one meter size below the actual size of the installed meter for customers with a one (1) inch meter or larger. Customers with a one (1) inch meter were billed at the rate for a three-fourths (3/4) inch meter. Customers with a one and one-half (1 1/2) inch meter were billed applying the rate for a one (1) inch meter, etc, resulting in a loss of revenue for the Wastewater Utility. Based on tests performed, the billing error came into play at the time the second phase of the rate increase was implemented in April 2007. In April 2008, the third phase of the rate increase was implemented and the billing error was again not detected.

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)

PAYROLL DEFICIENCIES

Payroll tests revealed the following deficiencies:

- (1) All full-time City police officers, with exception of the chief of police, received \$30 per month in 2007 for payments of a stipend for cellular telephone usage which was not included in the payroll system or on the salary ordinance or resolution. The cellular phone stipend payments were not reported as compensation in compliance with state and federal reporting requirements.

CITY OF PETERSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

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 such a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

- (2) Leave benefits were placed on the employee service record at January 1, as opposed to when the leave was earned. Using this practice, employees were allowed to use and were paid for leave in advance of when the leave was earned. Employees leaving employment have been overcompensated due to the balance of the leave on the service record not being pro-rated. For example, the former Deputy Clerk-Treasurer who left employment on April 3, 2007, was compensated vacation and sick leave for the full year resulting in an overpayment from the City, Water Utility and Wastewater Utility in the amount of \$658.32, \$67.00, and \$67.00, respectively.

A review of service records to date revealed that a police officer left employment on January 2, 2008, and was overcompensated, in the amount of \$1,803.82, for a full year's leave benefits that would have been earned throughout 2008.

Compensation and any other payments for goods or services should not be paid in advance of receipt of the goods or service unless specifically authorized by statute. Payment made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Manual for Cities and Towns, Chapter 7)

- (3) Tests of employee time/attendance records revealed immaterial mathematical errors in the number of hours worked and frequently did not show which hours were worked each day for employees employed by more than one political subdivision or in more than one position by the same public agency.

Indiana Code 5-11-9-4(b) states in part: ". . . records be maintained showing which hours were worked each day by officers and employees . . . employed . . . in more than one (1) position by the same public agency . . ."

- (4) A comparison of the employee time/attendance record with the employee service record revealed that the leave reported on the time/attendance record was not always in agreement with the leave on the employee service record.

The Employee's Service Records (Form 99A) of all employees was incomplete for the period December 20th through December 31, 2007, and several were not in agreement with the computerized record reflecting paid time off throughout 2007.

Employee service records tested for 2007 revealed immaterial mathematical errors in vacation and sick leave and compensatory time balances. Employee's Service Records (Form 99A) were not always properly maintained to reflect the type, quantity of leave taken and when leave was used. Due to the lack of properly maintained employee's service records, employees were overcompensated.

CITY OF PETERSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

The following amounts due from employees for overcompensation were not collected as of August 27, 2008:

- (1) Hooky King was overcompensated for 33.5 hours vacation leave and 29.8 hours sick leave in the amount of \$792.32,
- (2) Jeff Boger was overcompensated for 80.5 hours vacation leave and 38.8 hours sick leave in the amount of \$1,803.82,
- (3) Robert D. Burke was overcompensated for 10.5 hours vacation leave in the amount of \$136.50,
- (4) Todd Jenkins was overcompensated 2 hours vacation leave in the amount of \$26.00,
- (5) Jeff Loveless was overcompensated for 5.75 hours of compensatory leave in the amount of \$74.75, and
- (6) Keith Kinnman was overcompensated or 9 hours of compensatory leave in the amount of \$151.92.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The City of Petersburg is pursuing collection of these overpayments.

BUDGETED LINE ITEMS

As stated in a prior report, disbursements improperly posted to budgeted line items included:

- (1) Mayor's travel reimbursements posted to Clerk-Treasurer's Travel line item.
- (2) Disbursements for the extension of sidewalks posted to the equipment line item.
- (3) Capital asset purchases posted to supply or other services and charges line item.
- (4) Repair services posted to supplies line item.

Disbursements should be paid from properly authorized line items. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UTILITY EXPENSES PAID FROM CITY FUNDS

Review of expenditures of the Economic Development Income Tax, Capital Development and General Funds of the City reflect the payment of expenses incidental to the operation and indebtedness of the Water and Wastewater Utilities.

CITY OF PETERSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

The full cost of a computer maintenance contract was paid from the City General Fund; however, based on services received and the unit's prior practices, the invoice should have been pro-rated among the City, Water Utility and Sewer Utility, with each paying 1/3 or \$1,750 of the invoice.

One hundred percent of the longevity pay, \$100 per year of service, was paid from the City General Fund for all eligible City, Water and Sewer Utility employees.

The Water Works survey cost in the amount of \$3,900.00 was paid from the City Cumulative Capital Development Fund.

The Cumulative Capital Development Fund is a capital projects type fund used to account for receipts and disbursements of taxes levied under Indiana Code 36-9-15.5 for capital projects uses. Capital projects funds are funds used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). (Accounting and Compliance Guidelines Manual for Cities and Towns, Chapter 3)

Water Works revenue bond ordinance section pertaining to covenants with respect to rates and charges states; "The City shall establish, maintain and collect just and equitable rates and charges for facilities and services afforded and rendered by said Waterworks, which shall to the extent permitted by law produce sufficient revenues at all times to pay all the legal and other necessary expenses incident to the operation of such utility, to include maintenance costs, operating charges, upkeep, repairs, interest charges, . . . , to provide adequate funds to be used as working capital, as well as funds for making improvements, extensions, additions, and replacements, and also, for the payment of any taxes that may be assessed against such utility, it being the intent and purpose hereof that such charges shall produce an income sufficient to maintain such utility property in a sound physical and financial condition to render adequate and efficient services."

During calendar year 2006 through February 2008, \$160,000 in principal and \$11,262.45 in interest was paid from the Economic Development Income Tax (EDIT) and General Funds of the City for indebtedness incurred for additions and improvements to the Sewage Utility.

Disbursements made from the EDIT fund for repayment of the bond anticipation note do not appear to fall within the EDIT Fund Plan. The EDIT Plan for each of the calendar years 2004, 2005 and 2006 states the expected distribution of EDIT Funds not to exceed \$56,000 annually. No EDIT Plan was presented for years subsequent to 2006. Each year, for calendar years 2004 through 2006, \$10,000 to \$13,000 of EDIT money was set aside for dues and another \$37,000 was set aside for street repairs, paving and sidewalks. "The remaining funds will be used to secure principal and interest on Sewage improvement bond anticipatory principal and interest payment, grant matching funds for other infrastructure improvements, and any other lawful purpose provided by Indiana Code."

The City entered into a bond anticipation note on January 8, 2004, for the purpose of paying the costs of additions and improvements to the sewage works. The note was with the Citizens State Bank for the principal sum of \$160,000 at an interest rate of 1.9%. The prior examination revealed that the proceeds of the note were receipted to the Sewage Works Operating Fund. This note matured on January 8, 2005. On January 26, 2005, the bond anticipation note was reissued for the principal sum of \$160,000 at an interest rate of 1.9% to have a maturity date of January 26, 2006. On January 26, 2006, the note matured and was reissued for the principal sum of \$160,000 at an interest rate of 3.87%. On January 27, 2006, interest was paid from the City Economic Development Income Tax (EDIT) Fund in the amount of

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\$3,098.31. On December 8, 2006, \$30,000 was paid to Citizens State Bank from the EDIT Fund (\$24,513.20 principal and \$5,486.80 interest). The note matured on January 26, 2007, and a new note agreement in the amount of \$135,486.80 was signed to mature on January 26, 2008, at an interest rate of 3.87%. On February 16, 2007, \$60,000 was paid from the City EDIT Fund to Citizens State Bank toward the repayment of the note. The note matured on January 26, 2008. On February 28, 2008, \$60,000 was paid from the City EDIT Fund and \$18,584.16 was paid from the City General Fund (\$15,486.80 principal and \$3,097.36 interest).

Sewage Works revenue bond ordinance section pertaining to covenants with respect to rates and charges states; "The City shall, by ordinance of the Common Council and to the fullest extent permitted by law, establish just and equitable rates and charges for the use of and the services rendered by the Sewage Works, to be paid by the owner of each and every lot, parcel of real estate or building that is connected with and uses such Sewage Works by or through any part of the sewage system of the City, or in any way uses or is served by the Sewage Works. Such rates and charges shall be sufficient in each year for the payment of the proper and reasonable expenses of operation, repair, replacement and maintenance of the Sewage Works, and for the payment of the sums required to be paid into the Sewage Works Sinking Fund by the Act of this Ordinance. Such rates and charges shall, if necessary, be adjusted from time to time so that the revenues therefrom shall always be sufficient to meet the expenses of operation, repair and maintenance and the required payments into the Sewage Works Sinking Fund. The rates or charges so established shall apply to any and all use of the Sewage Works by and services rendered to the City and all departments thereof, as the charges accrue."

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)

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

PERSONAL PROPERTY USE

Elected and appointed officials of the City of Petersburg were provided a cellular phone by the City, at the expense of the City, both for its initial cost and its monthly usage charge. Elected and appointed officials of the City use cellular phones and the city car during normal work hours and have access to the same outside of normal work hours. A use policy and log to reflect the business use was not presented for examination.

Assets of the governmental unit may not be used in a manner unrelated to the functions and purposes of the governmental unit.

Whenever an item or other asset owned by the political subdivision is entrusted to an officer or employee, to be used at times outside the normal work time for business purposes, such as a cellular phone or vehicle, a log should be maintained which clearly shows the business use. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERFUND PAYABLE/RECEIVABLE

As stated in a prior report, during 2004, Wastewater construction claims in the amount of \$59,539.36 were erroneously paid from the General Fund.

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(Continued)

Based on inquiry made and documentation from prior years, the intent was to repay the General Fund as sufficient cash became available. On August 23, 2007, the Clerk-Treasurer implemented procedures to transfer \$5,000 per month from the Wastewater Utility Operating Fund to the City General Fund.

As of December 31, 2007, \$25,000 of the balance due from the Wastewater Utility to the City General Fund had been repaid. As of August 27, 2008, the balance of \$34, 539.36 had been paid.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution or grant agreement. Payments or transfers which are not authorized by statute, ordinance, resolution or court order must be reimbursed or be transferred to the appropriation fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DELINQUENT UTILITY BILLS

As stated in a prior report, based on a review of the aged trial balance report and inquiry of Utility officials, collection procedures for delinquent utility bills were not adequate. When a utility bill became delinquent, the computer system automatically printed a final notice that was mailed to the customer stating if payment is not received by a certain date, water services would be discontinued. If payment was not received by the stated date, the matter was shut off and the water deposit was applied to the delinquent water account. No other efforts were made to collect any remaining unpaid balances.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The governing body of a governmental unit should have a written policy concerning the procedure for the writing off of bad debt, 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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF PETERSBURG
EXIT CONFERENCE

The contents of this report were discussed on September 4, 2008, with Jon W. Craig, Mayor; Silas Ashley, Park Board President; Joe Hill, Chief of Police; and Tammy Selby, Clerk-Treasurer. The officials concurred with our findings.