

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

EXAMINATION REPORT
OF
CITY OF RISING SUN
OHIO COUNTY, INDIANA
January 1, 2007 to December 31, 2007



FILED
11/05/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rae Baker Gipson	01-01-04 to 12-31-11
Mayor	William A. Marksberry	01-01-04 to 12-31-11
President of the Board of Public Works	William A. Marksberry	01-01-04 to 12-31-11
President of Common Council	William A. Marksberry	01-01-04 to 12-31-11
President of the Utility Service Board	Steve Brett Sue Hart	01-01-07 to 12-31-07 01-01-08 to 12-31-08
Superintendent of Utilities	William H. Clifton III Vacant James O. Thies Vacant JoAnne Hamilton Myron G. Dennis	01-01-06 to 04-14-08 04-15-08 to 04-27-08 04-28-08 to 07-03-08 07-04-08 to 07-08-08 07-09-08 to 09-16-08 09-17-08 to 12-31-08
Utility Office Manager	Evon Sue Bovard	01-01-07 to 12-31-08



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF RISING SUN, OHIO COUNTY, INDIANA

We have examined the financial information presented herein of the City of Rising Sun (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 18, 2008

CITY OF RISING SUN
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	\$ 246,645	\$ 1,507,304	\$ 1,674,372	\$ 79,577
Motor Vehicle Highway	118,087	218,710	393,604	(56,807)
Local Road and Street	14,959	11,844	2,690	24,113
Park and Recreation	(13,753)	276,263	150,555	111,955
Economic Development	89,184	41,202	97,047	33,339
Criminal Investigation	7,825	2,933	7,645	3,113
Law Enforcement Continuing Education	9,637	1,298	5,107	5,828
Rainy Day	44,752	16,988	-	61,740
Riverboat	10,216,300	9,335,114	10,004,849	9,546,565
Revenue Sharing	679,909	1,281,786	1,099,213	862,482
Cumulative Capital Improvement	9,381	8,675	9,000	9,056
Cumulative Capital Development	28,116	29,118	6,451	50,783
Veterans Bell Tower	-	50,000	75,000	(25,000)
Siren Grant	-	30,000	30,000	-
Riverdays Grant	-	34,184	34,184	-
Signage Grant	13,879	-	1,042	12,837
Business Park Grant	594	-	-	594
Park Feasibility Grant	1,000	-	-	1,000
Spring Leadership Grant	-	12,500	14,783	(2,283)
Generator Grant	-	29,710	29,710	-
Skateboard Park Grant	-	50,000	50,000	-
Skateboard Park Landscape Grant	600	-	600	-
Trash and Garbage Pickup	24,679	92,761	90,705	26,735
Proprietary Funds:				
Electric Operating	1,287,031	3,469,514	3,310,112	1,446,433
Electric Depreciation	22,801	-	-	22,801
Electric Working	575	-	-	575
Electric Customer Deposit	125,013	37,050	39,981	122,082
Electric Bond and Interest	1,666	-	-	1,666
Water Operating	410,486	501,654	338,262	573,878
Water Capacity	62,815	4,297	-	67,112
Water Depreciation	4,939	-	-	4,939
Water Customer Deposit	22,507	4,000	3,090	23,417
Water Bond and Interest	161	-	-	161
Wastewater Operating	142,757	500,614	380,296	263,075
Wastewater Construction	57,996	915,794	973,790	-
Wastewater Retainage - Reynold's	446,775	-	444,275	2,500
Wastewater Capacity	73,680	5,011	-	78,691
Payroll - Utility	297	622,296	621,110	1,483
Broadband	18,246	160,271	136,859	41,658
Fiduciary Funds:				
Payroll - City	12,046	1,206,269	1,196,084	22,231
Park Security Deposit	601	6,980	6,980	601
Totals	<u>\$ 14,182,186</u>	<u>\$ 20,464,140</u>	<u>\$ 21,227,396</u>	<u>\$ 13,418,930</u>

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

CITY OF RISING SUN
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, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, electric, water, wastewater, sanitation, broadband, urban redevelopment, and economic development.

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 RISING SUN
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

A. Agent Multiple-Employer Defined Benefit 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.

B. Cost-Sharing Multiple-Employer Defined Benefit Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

CITY OF RISING SUN
NOTES TO FINANCIAL INFORMATION
(Continued)

PERF 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 Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF.

CITY OF RISING SUN
 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.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. 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	\$ 2,581,701
Infrastructure	4,139,385
Buildings	3,376,534
Improvements other than buildings	6,143,375
Machinery and equipment	1,407,719
Construction in progress	<u>1,933,754</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 19,582,468</u>

CITY OF RISING SUN
 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
Business-type Activities:		
Wastewater Utility		
Notes and Loans	\$ 8,450,000	\$ 389,850

CITY OF RISING SUN
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES (Applies to Clerk-Treasurer)

The cash balances at December 31, 2007, of the Veterans Bell Tower Fund and Motor Vehicle Highway Fund were overdrawn by \$25,000 and \$56,807, respectively. Also, at December 31, 2007, the Riverboat Fund cash balance was overdrawn by \$25,940; however, the Riverboat Fund did have investments on hand of \$9,572,505, which resulted in a reported Cash and Investment Balance as of December 31, 2007, of \$9,546,565.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FEES (Applies to the Water Utility and Broadband Utility)

The following instances in fees being charged were noted:

1. Customer Fire Protection Fees (Water Utility)

On October 7, 2004, the City Council adopted a rate schedule that increased Water Utility rates by 10% per year for five years. The rate schedule did not include provisions for an increase in the public fire protection (hydrant rental fee) costs recovered from customers. However, from 2005 through 2007, the rate for hydrant rental fees was increased from \$1.82 to \$2.42 per month.

2. Broadband Penalties (Broadband Utility)

The City created a Broadband Utility in November of 2005. They passed an ordinance with a rate schedule, but did not include provisions for various other fees being charged, including penalties, disconnection fees, reconnection fees, and/or fees for not returning broadband equipment when service is canceled.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was reported in prior Report B31391.

ORDINANCES AND RESOLUTIONS (Applies to the Utilities)

The City of Rising Sun has adopted utility rate ordinances which included provisions for penalties to be charged for not paying utility bills by the designated due date. However, the City is not assessing the approved penalty on City or Utility employees who had not paid their utility charges by the monthly designated due date.

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)

CITY OF RISING SUN
EXAMINATION RESULTS AND COMMENTS
(Continued)

TIMELY RECORDKEEPING (Applies to the Utilities)

We noted instances of customer payments that were posted to the individual accounts up to 10 days after payments were received.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was reported in prior Report B31391.

CAPITAL ASSET RECORDS (Applies to the Utilities)

The detailed records of capital assets for the Water, Wastewater, Electric, and Broadband Utilities' Utility Plant in Service accounts were not presented for examination.

Every governmental unit should have a complete inventory of all capital assets owned which reflects 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)

ANNUAL REPORT (Applies to Clerk-Treasurer)

The annual report for 2007, as submitted to the Indiana State Board of Accounts and as published, did not include all Utility funds.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

A similar comment was reported in prior Report B31391.

FUNDS ADMINISTERED BY NOT-FOR-PROFIT CORPORATION
(Applies to Redevelopment Commission, Mayor, and City Council)

A not-for-profit corporation has historically administered certain Redevelopment Commission funds provided by the developer of a riverboat casino. The following information is based on our review of agreements, financial information, and inquiries of City officials:

Background Information

The City of Rising Sun, along with the Redevelopment Commission, entered into a Project Agreement with Rising Sun Riverboat Casino and Resort, LLC., (Developer) on November 7, 1994. The purpose of the agreement was to set out certain terms and conditions regarding the Developer's proposed development of a riverboat gaming facility to be located in the City of Rising Sun.

CITY OF RISING SUN
EXAMINATION RESULTS AND COMMENTS
(Continued)

Section 3(o) titled "Developer's Obligations" states in part: ". . . Developer shall set aside . . . \$3,500,000 to and for the benefit of the Redevelopment Commission . . . for a grant and revolving loan fund for downtown redevelopment and improvements. . . . Developer shall pay to the City of Rising Sun . . . the amount set aside as is then necessary to pay for the costs of implementing the Redevelopment Plan."

Item 7 of the First Amendment to the Project Agreement dated January 4, 1996, states in part: "Local Government has created a non-profit Indiana corporation named Rising Sun/Ohio County First, Inc. The Local Government hereby directs Developer to make payments as may be required . . . directly to the Non-Profit instead of to the Local Government . . ."

Administration of Funds

Approximately \$3,500,000 was paid to Rising Sun/Ohio County First, Inc., (RSOCF), a not-for-profit corporation, prior to the year 2007.

The Articles of Incorporation state that the RSOCF is a public benefit corporation and was formed to support and benefit the City of Rising Sun and Ohio County and counties contiguous with Ohio County. Specific purposes related to the Redevelopment Commission include the following:

1. To redevelop and provide for economic development.
2. To undertake a loan program to any persons or entities for redevelopment and economic development purposes.

The incorporators of RSOCF were a former Mayor of the City of the Rising Sun and the former Chairman of the Redevelopment Commission.

The Board of Directors consists of four members. The Board of Directors for 2008 consists of the Mayor, Mayor's appointment, City Council's appointment, and Historical Downtown Inc.'s appointment.

Financial Activity

We requested and received authorization to review RSOCF financial records for the year 2007. The primary financial activity during the year 2007 consisted of making loans and expenditures related to the maintenance of buildings owned by RSOCF.

The following is a schedule of assets administrated by RSOCF related to the Redevelopment Commission as of December 31, 2007, based on financial records presented for examination:

Cash and Investments	\$ 354,162
Loans Receivable	<u>1,244,692</u>
Total	<u>\$ 1,598,854</u>

RSOCF also has capital assets such as buildings that were acquired from the proceeds of Developer payments. However, a listing of capital assets with historical or estimated historical costs information was not presented for examination.

CITY OF RISING SUN
EXAMINATION RESULTS AND COMMENTS
(Continued)

Recommendations Based on Statutory Considerations

The original Project Agreement required the Developer to make payments to the City. These payments were not made to the City. The City directed these payments be made to a not-for-profit corporation incorporated by City officials.

We consider the payments made by the Developer to RSOCF to be public funds. There are numerous statutes regarding the accounting for public funds. We considered the following statutes in determining whether we would recommend that assets currently administered by RSOCF should be transferred to the control of the City:

- 1 City funds are required to be accounted for by the Clerk-Treasurer unless otherwise specified by statute.

Indiana Code 36-4-10-2(c) states in part: ". . . the city clerk-treasurer is the fiscal officer of each third class city."

Indiana Code 36-4-10-4.5(b) states in part: "The fiscal officer is the head of the city department of finance. The fiscal officer shall do the following:

- (1) Receive and care for all city money and pay the money out only on order of the approving body.
- (2) Keep accounts showing when and from what sources the fiscal officer has received city money and when and to whom the fiscal officer has paid out city money. . . ."

2. Public funds are subject to examination by the State Board of Accounts.

Indiana Code 5-11-1-9(a) states: "The state examiner, personally or through the deputy examiners, field examiners, or private examiners, shall examine all accounts and all financial affairs of every public office and officer, state office, state institution, and entity."

We recommended in prior Report B31517 that City Officials request that all financial assets held on behalf of the Redevelopment Commission be transferred to the City and accounted for on the financial records of the Clerk-Treasurer.

Rea Baker Gipson, Clerk-Treasurer stated that RSOCF has transferred all cash to the control of the City as of September 1, 2008. Ms. Baker stated, also, that the City is in the process of having all other assets transferred to control of the City and expect this to be completed by December 31, 2008.

CITY OF RISING SUN
EXIT CONFERENCE

The contents of this report were discussed on September 18, 2008, with Rae Baker Gipson, Clerk-Treasurer; Myron G. Dennis, Superintendent of Utilities; William A. Marksberry, Mayor; Evon Sue Bovard, Utility Office Manager; and Angie Turner, Deputy Clerk-Treasurer. The officials concurred with our findings.