

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, 2008 to December 31, 2008



FILED
09/01/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Harold Goffinet	01-01-08 to 12-31-11
Mayor	Nedra Groves	01-01-08 to 12-31-11
President of the Board of Public Works	Nedra Groves	01-01-08 to 12-31-09
President of the Common Council	Ferman Yearby	01-01-08 to 12-31-09



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, 2008 to December 31, 2008. 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, 2008, 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

August 6, 2009

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, 2008

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 394,216	\$ 534,377	\$ 481,500	\$ 447,093
Motor Vehicle Highway	131,678	139,633	134,407	136,904
Local Road and Street	11,988	8,458	15,129	5,317
Park and Recreation	21,643	143,947	140,619	24,971
Cemetery	6,553	44,468	51,021	-
Law Enforcement Continuing Education	2,449	1,326	1,255	2,520
Sanitation	499	60,393	41,647	19,245
Television	10,340	1,363	11,703	-
School Traffic	7,751	4,095	-	11,846
Canine	772	-	739	33
Rainy Day	48,417	-	6,210	42,207
William Natcher Bridge	400,000	19,805	-	419,805
Cumulative Capital Improvement	7,435	7,024	2,766	11,693
CEDIT	338,533	119,040	238,098	219,475
Lease Rental Bonds	102,020	-	102,020	-
Sanitation Reserve	72,468	10,502	10,000	72,970
Capital Improvement Fund	50,000	211,838	78,250	183,588
Cemetery Perpetual Care	1,500	-	-	1,500
Young Cemetery	88,173	-	24,156	64,017
Proprietary Funds:				
Water Utility - Operating	98,926	1,278,076	282,141	1,094,861
Water Utility - Bond and Interest	210,768	172,075	234,153	148,690
Water Utility - Debt Service	269,796	-	-	269,796
Water Utility - Customer Deposit	14,083	5,132	4,225	14,990
Wastewater Utility - Operating	439,377	680,594	891,959	228,012
Wastewater Utility - Bond and Interest	317,827	651,498	520,101	449,224
Wastewater Utility - Debt Service	196,462	30,087	16,580	209,969
Wastewater Utility - Customer Deposit	14,925	5,260	4,300	15,885
Wastewater Utility - Improvement	642	111,128	111,128	642
Fiduciary Fund:				
Payroll	2,170	531,080	552,289	(19,039)
Totals	<u>\$ 3,261,411</u>	<u>\$ 4,771,199</u>	<u>\$ 3,956,396</u>	<u>\$ 4,076,214</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 IC 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, 2008

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	\$ 20,471	\$ 11,049
River Bluff Project	<u>570,000</u>	<u>55,530</u>
Total governmental activities debt	<u>\$ 590,471</u>	<u>\$ 66,579</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
Revenue Bonds of 2000	\$ 1,245,000	\$ 116,105
Refunding Revenue Bonds of 2005	<u>1,410,000</u>	<u>119,103</u>
Total Water Utility	<u>2,655,000</u>	<u>235,208</u>
Wastewater Utility:		
Capital leases:		
Street Sweeper	10,236	5,524
Revenue bonds:		
Revenue Bonds of 1997	560,000	80,040
Revenue Bonds of 2000	2,585,000	239,965
Revenue Bonds of 2001	<u>140,803</u>	<u>13,752</u>
Total Wastewater Utility	<u>3,296,039</u>	<u>339,281</u>
Total business-type activities debt	<u>\$ 5,951,039</u>	<u>\$ 574,489</u>

CITY OF ROCKPORT
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS (Applies to City and Utilities)

The City and Utilities have begun recording capital asset additions, but disposals are not being recorded. In addition, records are incomplete so that information does not clearly identify specific assets or accurate details. Some listed assets do not meet the threshold level prescribed in the ordinance. No inventory has been taken for verification of recorded assets. When the City disposes of a capital asset, the cost of the asset and the related accumulated depreciation should also be recorded in the records as deletions.

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. 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	<u>\$ 129</u>

IC 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."

A similar comment was contained in the prior report.

OVERDRAWN FUND BALANCES (Applies to City)

The fund balances of the Parks and Recreation Fund, the Cemetery Fund, and the Payroll Fund were overdrawn at various times in 2008.

The fund 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)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER (Applies to City)

A list of employees was not certified to the County Treasurer.

CITY OF ROCKPORT
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 6-1.1-22-14(a) states in part:

"On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

GUARANTEE DEPOSIT REGISTERS (Applies to the Utilities)

As stated in the prior report, the Guarantee Deposit Registers for the Water and Wastewater Utilities were not in balance with the cash balances in the Water Utility Meter Deposit Fund and the 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)

ORDINANCES AND RESOLUTIONS (Applies to Water Utility)

The City of Rockport has an ordinance concerning fire protection charges. However, fire protection charges are not included in the billings and collections for a few customers.

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)

UTILITY RECEIPTS TAX (Applies to Water Utility)

The Water Utility did not pay the proper amount of the utility receipts tax to the Indiana Department of Revenue for the examination period. The Form URT-1 for the year 2008 was not based on the appropriate receipts of the Utility.

All questions on the utility receipts tax should be directed to the Indiana Department of Revenue, Indiana Government Center North, Indianapolis, Indiana 46204, telephone number (317) 615-2662.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS (Applies to City)

The City did not comply with directives of the Indiana Department of Workforce Development by overpaying its obligations.

CITY OF ROCKPORT
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONTRACTS (Applies to City)

A payment of \$27,500 was made to the Ohio Township Trustee for fire protection in 2008 without a contract.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ERRORS ON CLAIMS (Applies to City, Water, and Wastewater Utilities)

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

- (1) Some claims were computed incorrectly.
- (2) Some claims were not paid from the proper fund.
- (3) Some claims or invoices did not have evidence to support receipt of goods or services.
- (4) Some claims were not accompanied by sufficient documentation.

IC 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:

- (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;

CITY OF ROCKPORT
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (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."

A similar comment was contained in the prior report.

PAYROLL RECORDS (Applies to City)

The following deficiencies relating to the payroll fund were present during our period:

- (1) The subsidiary payroll accounts did not agree to the totals of the various withholdings and net salaries paid to the employees.

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)

- (2) A few W-2s did not agree to the Employees Earnings Record for the respective employees.

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)

- (3) The cash balance of the Payroll Fund was overdrawn.

The fund 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)

CRIME INSURANCE POLICY (Applies to City)

The crime insurance policy procured by the City of Rockport has not been filed in the office of the County Recorder.

Crime insurance policies permitted by statute should be recorded in the same manner as official bonds under IC 5-4. (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 August 6, 2009, with Harold Goffinet, Clerk-Treasurer; Nedra Groves, Mayor; and Connie Hargis and Bob Mack, members of the Common Council. The officials concurred with our findings.