

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, 2008 to December 31, 2008



FILED
12/22/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tammy Selby	01-01-08 to 12-31-11
Mayor	Jon W. Craig	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Jon W. Craig	01-01-08 to 12-31-11
President of the City Council	Jon W. Craig	01-01-08 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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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, 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 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

October 20, 2009

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, 2008

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 295,272	\$ 757,669	\$ 731,569	\$ 321,372
Motor Vehicle Highway	114,656	73,443	112,416	75,683
Local Road and Street	9,702	10,414	-	20,116
Park and Recreation	15,076	55,634	36,231	34,479
Fire Fighting	25,008	26,191	11,347	39,852
IP&L Economic Development	54,028	-	-	54,028
Law Enforcement Continuing Education	3,699	1,942	1,324	4,317
Fire Fighting Equipment Donation	1,650	77,434	-	79,084
Riverboat	71,041	16,122	11,061	76,102
Rainy Day	230,682	6,912	-	237,594
Petersburg Pride	110	6,760	6,666	204
Redevelopment	13,030	-	-	13,030
Fire Grant	-	5,043	1,541	3,502
Levy Excess	2,718	-	-	2,718
Economic Development Income Tax	268,627	67,880	123,054	213,453
Cumulative Capital Improvement	70,657	13,138	9,603	74,192
Cumulative Capital Development	140,978	12,854	9,614	144,218
Proprietary Funds:				
Water Utility - Operating	188,770	1,140,076	1,236,306	92,540
Water Utility - Bond and Interest	31,730	121,115	133,570	19,275
Water Utility - Depreciation	179,294	-	-	179,294
Water Utility - Customer Deposit	29,295	6,972	5,049	31,218
Water Utility - Construction	-	432,562	410,934	21,628
Water Utility - Debt Service Reserve	135,160	-	-	135,160
Wastewater Utility - Operating	185,240	557,934	534,479	208,695
Wastewater Utility - Bond and Interest	64,772	99,830	127,999	36,603
Wastewater Utility - Bond and Interest 2008	-	10,980	4,846	6,134
Wastewater Utility - Debt Service Reserve 2000	85,000	-	-	85,000
Wastewater Utility - Debt Service Reserve 2003	40,438	21,150	-	61,588
Wastewater Utility - Debt Service Reserve 2008	-	6,660	-	6,660
Wastewater Utility - Construction	-	1,075,200	29,794	1,045,406
Wastewater Utility - Improvement	25,000	-	-	25,000
Fiduciary Funds:				
Police Officers' Pension	44,066	27,316	8,437	62,945
Hornady Park Trust	75,500	-	-	75,500
Payroll	1,178	698,273	698,424	1,027
Totals	<u>\$ 2,402,377</u>	<u>\$ 5,329,504</u>	<u>\$ 4,244,264</u>	<u>\$ 3,487,617</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 Wastewater Utility is in the process of constructing wastewater improvements. The project is being funded by a revenue bond issue in the amount of \$1,120,000. The Division I Collection System Improvement construction contract was awarded to Reynolds Inliners, Inc. The total cost of his contract plus change orders was in the amount of \$318,540.19. The Division II Treatment Plant and Lifts Station Improvements construction project was awarded to Graves Plumbing in the amount of \$203,203. The engineering contract was awarded to Midwestern Engineers in the amount of \$124,000 for divisions I, II and III.



JON W. CRAIG, MAYOR
TAMMY SELBY, CLERK-TREASURER

City of Petersburg, Indiana

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CITY OF PETERSBURG SUPPLEMENTARY INFORMATION SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2008

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>1,062,539</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 1,447,798</u>

The Good Neighbor City

<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	2,953,555
Machinery and equipment	1,230,032
Construction Work in Progress	<u>513,298</u>
Total Water Utility capital assets	<u>5,080,952</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	500
Buildings	1,219,505
Improvements other than buildings	5,244,978
Machinery and equipment	607,183
Construction Work in Progress	<u>21,000</u>
Total Wastewater Utility capital assets	<u>7,093,166</u>
Total business-type activities capital assets	<u><u>\$ 12,174,118</u></u>



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CITY OF PETERSBURG
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2008

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)	\$ 32,315	\$ 17,747
Business-type Activities:		
Water Utility		
Revenue bonds:		
(Water Utility Improvements of 2000)	\$ 1,235,000	\$ 130,815
Wastewater Utility		
Capital lease:		
Sewer Jetter	37,072	10,225
Revenue bonds:		
(Wastewater Utility Improvements of 2000)	860,000	79,193
(Inflow/Infiltration Utility Improvements of 2003)	508,000	48,236
(Wastewater Utility Improvements of 2008)	1,120,000	67,100
Total Wastewater Utility	2,525,072	204,754
Total business-type activities debt:	\$ 3,760,072	\$ 335,569

CITY OF PETERSBURG
EXAMINATION RESULTS AND COMMENTS

POLICE DEPARTMENT RECEIPTS AND FEES

As stated in the prior report, receipts and fees collected by the Police Department for handgun licenses were not all remitted to the Clerk-Treasurer. Collections from August 7, 2007 through June 3, 2008 were not remitted to the Clerk-Treasurer for deposit until July 2, 2008. The prior report revealed that data extracted from the Indiana State Police Database for 2007 provided information necessary to determine that four 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 four application fees in question amounted to \$100. The amount of \$100 due from Joe Hill, former Chief of Police, was not collected.

Receipts and fees by the Police Department for vehicle title checks for December 4 and December 9, 2008, totaling \$10 were not remitted to the Clerk-Treasurer.

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)

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.

SALES TAX

Sales tax was paid on utility purchases. Review of City and Utility tax exemption files revealed that the Indiana Department of Revenue denied the City's request for utility sales tax exemption. Review of the correspondence from the Indiana Department of Revenue revealed that the denied exemption was based on the City's lack of filing their Indiana Utility Receipt Tax annual return (Form URT-1) for the periods ending 2007 and 2008.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Following the instruction provided by the Indiana Department of Revenue, Sales Tax Division, the City is pursuing collection.

CITY OF PETERSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

UTILITY RECEIPTS TAX ANNUAL REPORT

The City received a notice from the Indiana Department of Revenue denying a ST-200 tax exemption stating the reason for the denial was because they did not have the Utility Receipts Tax (URT-1) report on file for years ended 2007 and 2008; however, City officials failed to confirm or deny and correct the noncompliance issue.

The City's Utility receipts tax annual report (Form URT-1) was not filed for 2007 due by April 15, 2008, and for 2008 due by April 15, 2009. Quarterly utility receipts tax reports (Form URT-Q) and the quarterly estimated tax was remitted in a timely manner. The Utility Clerk had also calculated the tax for the period December 20th through the 31st of each year and remitted the same by April 15th of the subsequent year; however, the remittance was not accompanied by a URT-1, annual utility receipts tax report.

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 limits should file accurate reports required by the federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Manual for Cities and Towns, Chapter 7)

The Clerk-Treasurer contacted the Indiana Department of Revenue to have questions answered. The Utility Receipts Tax Reports (Form URT-1) due on April 15, 2008 and 2009, respectively, were completed and submitted on October 1, 2009, to meet reporting compliance requirements.

OFFICIAL BOND

The following official bonds were filed in the Office of the County Recorder: (1) Public Employee Faithful Performance Schedule Bond, (2) Official Bond of the Clerk-Treasurer, (3) Public Official Schedule Bond and (4) Official Bond of the City Services Manager.

Exceptions noted included the following: (1) The Public Employee Faithful Performance Schedule Bond is a continuation bond with a start date of 8/1/08 and stated "bonded unto the CITY OF PETERSBURG in lieu of stating bonded unto the State of Indiana. (2) The Public Official Schedule Bond listed employees that were no longer in the City's employment during the term and the effective end date was January 1, 2009. (3) The City Services Manager is appointed annually; however, the official bond reflects terms of March 1, 2008 to March 1, 2009 and March 4, 2009 to March 4, 2009 to March 4, 2010, the term reflect a gap of three days and the terms do not coincide with the term of the appointed official.

IC 5-4-1-10 states: "All official bonds shall be payable to the State of Indiana; and every such bond shall be obligatory to such state, upon the principal and sureties, for the faithful discharge of all duties required of such officer by any law, then or subsequently in force, for the use of any person injured by any breach of the condition thereof."

CITY OF PETERSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following City, . . . officers and employees shall file an individual surety bond: (1) . . . clerks, and clerk-treasurers, . . . (5) Those employees directed to file an individual bond by the fiscal body of a city, town or county.

(b) The fiscal body of a city . . . may by ordinance, authorize the purchase of a blanket bond or a crime insurance policy . . . to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit including those officers described in subsection (a).

IC 5-4-1-19 states:

"The bonds prescribed by IC 5-4-1-18 cover the faithful performance of the duties of the officer or employee, including the duty to comply with IC 35-44-1-2 and the duty to account properly for all monies and property received by virtue of his position or employment."

IC 5-4-1-5.1(b) states in part:

"Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

Bonds - Utility Superintendent (Water, Gas, and Electric Utilities)

IC 8-1.5-3-5 (c) states:

"The superintendent shall give bond in the sum not less than double the estimated amount of money that may be in his hands at any time. The bond shall be conditioned upon the faithful discharge of his duties and the payment to the proper person of all money in his hands. The bond is subject to the approval of the executive of the municipality."

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.

IC 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.

CITY OF PETERSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

(C) The amount of the delinquent fees, together with the penalty.

(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 prior reports.

PAYROLL DEFICIENCIES

The following payroll recordkeeping deficiencies that were cited in the prior report were again present during the 2008 examination:

- (1) Tests of employee time/attendance records revealed mathematical errors in the number of hours worked and did not always show which hours were worked for the total number of hours recorded as worked each day. The recording of what hours were worked during 2008 reflects improvement; however, noncompliance of recording what hours were worked for the total number of hours recorded as worked each day was again present during the current examination period.
- (2) Employee Service Records records revealed mathematical errors in leave balances and errors in posting of leave earned and taken. 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 recorded on the employee service record. The Employee Service Record (Form 99A) was incomplete and was not always in agreement with the paid time-off.

The prior report cited the following amounts due from employees for overcompensation that were not collected as of October 20, 2009: (1) Todd Jenkins, overcompensation of 2 hours vacation leave in the amount of \$26.00. (2) Jeff Loveless, overcompensation of 5.75 hours of compensatory leave in the amount of \$74.75, and Keith Kinnman, overcompensation of 9 hours of compensatory leave in the amount of \$151.92. During 2008, Claude Creech was overcompensated for 8 hours holiday pay in the amount of \$70.24.

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 is pursuing collection of these 2007 and 2008 employee overpayments.

Officials and employees are required to use State Board of Accounts prescribed and approved forms in the manner prescribed (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF PETERSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Park Fund	2008	<u>\$ 10,882</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."

OVERPAYMENT COLLECTIONS

The following overpayments were made to Park Board members: Silas Ashley, \$20, Patty Cox \$40, Tom Fisher, \$60, and Don Richardson, \$20.

The City of Petersburg is pursuing collection of overpayments. Refunds have not been received as of October 20, 2009.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FIREMEN'S COMPENSATION

Salary Ordinance for calendar year 2008 reflects firemen must make 50% of the runs to be eligible for full compensation for car and clothing allowance, and if less than 50% of the runs were made, each firemen would receive \$7.00 per run. The Fire Chief provided no summary of fire runs and which firemen went on each run. Chief Taylor presented a 2.5" stack of reports and stated that he did not have it summarized and did not know how many runs there were in total much less how many runs each fireman made.

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 claims submitted for payment reflected only 11 months; January through May and July through December. Inquiry of the Clerk-Treasurer as to whether she had reviewed any of the supporting documentation pertaining to the number of fire runs and the percentage of fire runs each firemen went on revealed that she had not. Inquiry of the reasonableness of the claims revealed that a fireman, R. Haislip, was a college student and would have only been available during the summer months and on some weekends. The Clerk-Treasurer indicated that she did not believe that he had met the requirement to receive full pay but yet she had paid him the full amount.

CITY OF PETERSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

The Clerk-Treasurer or controller is not obligated to pay any bill or invoice which, in his judgment, should not be paid. Prejudice or personal feelings are not sufficient reasons for withholding payment. The correctness and legality of a bill or invoice should be the guide in disbursing public funds. The official surety bond requires that faithful accounting be made. It is advisable to proceed with caution in any instance where questions arise and advice of the City or Town attorney should be requested. (Cities, IC 36-4-8-4, General Law IC 5-11-10-16) (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UTILITY EXPENSES PAID FROM CITY FUNDS

A review of expenditures from the General Fund of the City reflected the payment of expenses incidental to the operation of the Water and Wastewater Utilities.

The full cost of a 2008 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 prorated among the City, Water Utility and Wastewater Utility. A similar comment was cited in the prior report.

One hundred percent of the longevity pay, \$100 per year of service, was paid from the City General Fund during 2007 and 2008 for all eligible City, Water Utility and Wastewater Utility employees. The amount due from the Water Utility to the City General Fund for longevity pays is \$2,950 and \$3,600, respectively. The amount due from the Wastewater Utility to the City General Fund for the 2007 and 2008 longevity pay is \$1,020.00 and \$1,240.0, respectively. As of October 20, 2009, these Utility expenses have not been repaid to the City General Fund.

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 be 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.

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 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."

CITY OF PETERSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

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 City General Fund.

Based on inquiry made and documentation from prior years, the intent was to repay the City 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. During 2008, \$15,955.20 of the balance due was repaid, leaving a balance due at December 31, 2008, in the amount of \$18,584.16.

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 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, collections procedures for delinquent Utility bills have not improved significantly and remain inadequate. 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 service would be discontinued. If payment was not received by a certain date, the water service was shut-off and the water deposit was applied to the delinquent Water account. During 2008, the Clerk-Treasurer attempted to send a 90 day notice to the landlords of rental properties.

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
EXAMINATION RESULTS AND COMMENTS
(Continued)

BUDGETED LINE ITEMS

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

- (1) Capital asset purchases posted to supply and other services and charges line item.
- (2) Repair services posted to supply line item.
- (3) Material and supply purchases posted to capital outlay and other services and charges line items.

Disbursements should be paid from properly authorized line items. (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 October 20, 2009, with Jon W. Craig, Mayor; and Tammy Selby, Clerk-Treasurer. The officials concurred with our findings.