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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, 2009 to December 31, 2009



FILED
06/23/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tammy Selby	01-01-07 to 12-31-11
Mayor	Jon W. Craig	01-01-07 to 12-31-11
President of the Board of Public Works and Safety	Jon W. Craig	01-01-07 to 12-31-11
President of the Common Council	Jon W. Craig	01-01-07 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, 2009 to December 31, 2009. 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, 2009, 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

May 7, 2010

CITY OF PETERSBURG
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 321,372	\$ 817,634	\$ 711,140	\$ 427,866
Motor Vehicle Highway	75,683	79,775	91,832	63,626
Local Road and Street	20,116	9,130	9,300	19,946
Park and Recreation	34,479	37,980	50,430	22,029
Fire Fighting	39,852	28,731	11,790	56,793
IP & L Economic Development	54,028	500	7,500	47,028
Law Enforcement Continuing Education	4,317	13,582	3,417	14,482
Fire Fighting Equipment Donation	79,084	550	79,579	55
Riverboat	76,102	16,083	10,789	81,396
Rainy Day	237,594	5,937	-	243,531
Petersburg Pride Donation	204	2,182	2,188	198
Park and Recreation Donation	-	21,460	20,000	1,460
Redevelopment	13,030	-	-	13,030
Fire Grant	3,502	407,162	407,480	3,184
Levy Excess	2,718	-	-	2,718
Economic Development Income Tax	213,453	75,417	23,563	265,307
Cumulative Capital Improvement	74,192	7,880	4,711	77,361
Cumulative Capital Development	144,218	10,379	80,084	74,513
Proprietary Funds:				
Water Utility - Operating	92,540	580,687	607,667	65,560
Water Utility - Bond and Interest	19,275	132,125	130,815	20,585
Water Utility - Depreciation	179,294	-	-	179,294
Water Utility - Customer Deposit	31,218	8,087	20,153	19,152
Water Utility - Construction	21,628	-	21,628	-
Water Utility - Debt Service Reserve	135,160	-	-	135,160
Wastewater Utility - Operating	208,695	570,239	716,065	62,869
Wastewater Utility - Bond and Interest	36,603	121,609	127,378	30,834
Wastewater Utility - Bond & Interest 2008	6,134	74,445	67,100	13,479
Wastewater Utility - Debt Service Reserve 2000	85,000	-	-	85,000
Wastewater Utility - Debt Service Reserve 2003	61,588	36,560	28,694	69,454
Wastewater Utility - Debt Service Reserve 2008	6,660	39,960	-	46,620
Wastewater Utility - Construction	1,045,406	-	373,790	671,616
Wastewater Utility - Improvement	25,000	-	-	25,000
Fiduciary Funds:				
Police Officers' Pension	62,945	8,346	8,686	62,605
Hornady Park Trust	75,500	-	-	75,500
Payroll	1,027	714,981	713,298	2,710
Totals	<u>\$ 3,487,617</u>	<u>\$ 3,821,421</u>	<u>\$ 4,329,077</u>	<u>\$ 2,979,961</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 provides the following services: public safety, health and social services, culture and recreation, 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.

CITY OF PETERSBURG
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 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	\$ 5,800
Infrastructure	3,908
Buildings	294,648
Improvements other than buildings	106,546
Machinery and equipment	<u>1,539,588</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 1,950,490</u>
<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 10,000
Buildings	374,916
Improvements other than buildings	3,488,481
Machinery and equipment	<u>1,216,853</u>
 Total Water Utility capital assets	 <u>5,090,250</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	500
Buildings	1,220,354
Improvements other than buildings	5,245,928
Machinery and equipment	616,915
Construction work in progress	<u>394,661</u>
 Total Wastewater Utility capital assets	 <u>7,478,358</u>
 Total business-type activities capital assets	 <u>\$ 12,568,608</u>

CITY OF PETERSBURG
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

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	\$ 16,665	\$ 17,747
2009 Crown Victoria	13,688	7,476
2009 Ford F350 Pickup	<u>11,805</u>	<u>6,450</u>
Total governmental-type activities debt	<u>\$ 42,158</u>	<u>\$ 31,673</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
Water Utility Improvements of 2000	\$ 1,140,000	\$ 133,060
Wastewater Utility:		
Capital lease:		
Sewer Jetter	28,348	10,225
Revenue bonds:		
Wastewater Utility Improvements of 2000	805,000	79,519
Inflow/Infiltration Utility Improvements of 2003	476,000	48,064
Wastewater Utility Improvements of 2008	<u>1,120,000</u>	<u>67,100</u>
Total Wastewater Utility	<u>2,429,348</u>	<u>204,907</u>
Total business-type activities debt	<u>\$ 3,569,348</u>	<u>\$ 337,967</u>

CITY OF PETERSBURG
EXAMINATION RESULTS AND COMMENTS

BOARD MINUTES

Minutes of meetings of the Park Board were incomplete. Minutes of meetings of the governing body presented for examination did not disclose all proceedings that took place and decisions made by the Park Board. Reorganization of the Park Board and approval of the minutes of the prior meeting were not documented in the minutes.

IC 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."

OVERPAYMENT COLLECTIONS

As stated in a prior report, an interfund payable/receivable amount was owed from the Wastewater Utility to the City General Fund in the amount of \$18,584.16; however, the payment made was in the amount of \$59,539.36, resulting in an overpayment from the Wastewater Utility to the City General Fund in the amount of \$40,955.20. A refund from the City General Fund to the Wastewater Operating Fund has not been received as of May 7, 2010. The Clerk-Treasurer stated she will make transfers from the City General Fund to the Wastewater Operating Fund as money becomes available in the City General Fund.

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

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.

CITY OF PETERSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

The City, Water Utility, and Wastewater Utility record capital asset additions and deletions; however, not all City acquired capital assets, Utility construction projects or disposals were recorded. City and Utilities acquisition and disposals of capital assets should be recorded on the prescribed Form 369 as additions and deletions, respectively. The capital asset prescribed Form 369 was not properly maintained to reflect total assets by classifications for the City and Utilities.

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)

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

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations for calendar year 2009:

Fund	Excess Amount Expended
General	\$ 14,555
Park and Recreation	6,470
Economic Development Income Tax	10,962
Cumulative Capital Development	84
Riverboat	10,789

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."

CITY OF PETERSBURG
EXIT CONFERENCE

The contents of this report were discussed on May 7, 2010, with Jon W. Craig, Mayor; and Tammy Selby, Clerk-Treasurer. The officials concurred with our findings.