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

EXAMINATION REPORT
OF
CITY OF LOOGOOTEE
MARTIN COUNTY, INDIANA
January 1, 2009 to December 31, 2009



FILED
08/16/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Nancy L. Jones	01-01-08 to 12-31-11
Mayor	Donald F. Bowling	01-01-08 to 12-31-11
President of the Board of Public Works	Donald F. Bowling	01-01-08 to 12-31-11
President of the Common Council	James R. Taylor Donald "Rick" Norris	01-01-08 to 12-31-09 01-01-10 to 12-31-10
Superintendent of Utilities	James E. Wilson	01-01-09 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF LOOGOOTEE, MARTIN COUNTY, INDIANA

We have examined the financial information presented herein of the City of Loogootee (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 a required part 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

July 12, 2010

CITY OF LOOGOOTEE
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	\$ 321,218	\$ 543,230	\$ 684,521	\$ 179,927
Stormwater Drainage Improvement Grant	51,087	186,389	237,476	-
Motor Vehicle Highway	44,234	87,130	117,424	13,940
Local Road and Street	533	10,559	203	10,889
Donation	9,714	5,115	6,932	7,897
Law Enforcement Continuing Education	3,945	1,714	459	5,200
Riverboat	59,400	17,153	54,360	22,193
Park and Recreation	30,403	40,205	58,561	12,047
Rainy Day	44,432	106,583	124,750	26,265
EDIT	93,449	144,934	164,638	73,745
Gospel House Clean Up Grant	-	48,195	48,195	-
Police Equipment and Training	4,117	-	639	3,478
Cumulative Capital Development	8,006	11,878	19,722	162
Cumulative Capital Improvement	-	8,405	4,133	4,272
Cumulative Building and Firefighting Equipment	15,531	11,970	8,394	19,107
Proprietary Funds:				
Water Utility - Operating	48,908	745,675	773,257	21,326
Water Utility - Bond and Interest	29,868	313,080	313,022	29,926
Water Utility - Depreciation	144,127	-	22,043	122,084
Water Utility - Customer Deposit	77,382	14,453	10,676	81,159
Water Utility - Debt Reserve	321,630	-	-	321,630
Water Utility - EFT Payments	-	212	212	-
Wastewater Utility - Operating	103,793	885,858	892,203	97,448
Wastewater Utility - Bond and Interest	285,748	345,719	345,432	286,035
Wastewater Utility - Debt Reserve	365,645	-	-	365,645
Wastewater Utility - Construction	39,703	-	39,703	-
Wastewater Utility - Improvement	433,766	-	6,778	426,988
Fiduciary Funds:				
Police Officers' Pension	55,175	48,042	15,548	87,669
Payroll	-	718,959	718,954	5
Utility Suspense Account	-	1,571,165	1,571,165	-
Payroll Fund Taxes	-	147,250	147,250	-
Totals	\$ 2,591,814	\$ 6,013,873	\$ 6,386,650	\$ 2,219,037

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

CITY OF LOOGOOTEE
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, 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.

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 LOOGOOTEE
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

A. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

1. 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.

2. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

CITY OF LOOGOOTEE
NOTES TO FINANCIAL INFORMATION
(Continued)

B. Cost-Sharing Multiple-Employer Defined Benefit Pension 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 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.

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.

Note 7. Subsequent Event - Deficit Cash Balance in Water Operating Fund

Since 2003, the operating fund balance of the Water Utility has been decreasing by an average of \$43,356/year. Most of the decrease is attributed to the Water Utility expending more monies than taken in, since 2003. The balance of the Water Utility Operating Fund was \$21,276 at December 31, 2009. The balance at June 30, 2010, was \$2,343. The rate of decrease is continuing during 2010 and, at this rate of decrease, the Water Utility Operating Fund will have a deficit cash balance at December 31, 2010.

CITY OF LOOGOOTEE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2009

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 are included if acquired (purchased, constructed, or donated) after July 1, 1980, 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 of 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	\$ 43,100
Infrastructure	1,003,385
Buildings	882,764
Improvements other than buildings	292,989
Machinery and equipment	1,100,328
Construction in progress	<u>159,352</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 3,481,918</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 51,620
Buildings	1,152,422
Improvements other than buildings	5,178,352
Machinery and equipment	<u>1,044,146</u>
Total Water Utility capital assets	<u>7,426,540</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	19,900
Buildings	2,871,563
Improvements other than buildings	4,715,249
Machinery and equipment	<u>1,989,949</u>
Total Wastewater Utility capital assets	<u>9,596,661</u>
Total business-type activities capital assets	<u>\$ 17,023,201</u>

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

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital lease:		
2009 Tymco model 435 street sweeper	\$ 54,656	\$ 12,197
Business-type activities:		
Water Utility:		
Revenue bonds:		
1996 Refunding bonds	\$ 315,000	\$ 92,500
2002C Improvements to tank, plant & mains	695,000	118,257
2002B Improvements to mains and looping of distribution system	<u>1,420,000</u>	<u>103,550</u>
Total Water Utility	<u>2,430,000</u>	<u>314,307</u>
Wastewater Utility:		
Revenue bonds:		
2002E Treatment plant and storage facility improvements	<u>3,375,000</u>	<u>345,693</u>
Total business-type activities debt	<u>\$ 5,805,000</u>	<u>\$ 660,000</u>

CITY OF LOOGOOTEE
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Economic Development Income Tax	2009	\$ 22,504
Rainy Day	2009	49,057

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."

INVESTMENT MATURITY LIMITATIONS

The governmental unit purchased certain investments which have a stated maturity in excess of two years.

IC 5-13-9-5.6 states: "Investments made under IC 5-13-9 must have a stated final maturity of not more than two years after the date of purchase or entry into a repurchase agreement."

WASTEWATER RATE ORDINANCE

It was noted during review of customer billings that residents living in the Bellgrade and Scenic Hill Additions, which are outside the City limits, were being charged a \$10.00 surcharge on their Wastewater bills. The surcharge was to help the City pay for additional lines constructed so the residents could hook on to the Wastewater system. However, it was also noted that some residents living outside the City limits did not pay a surcharge.

Wastewater Rate Ordinance 2002-5 did not mention nor establish a \$10.00 surcharge on consumers living outside the City limits. The Wastewater Utility charged fees that were not established or documented on the current rate ordinance.

IC 36-9-23-26 states:

"(a) After the introduction of the ordinance establishing fees under section 25 of this chapter, but before it is finally adopted, the municipal legislative body shall hold a public hearing at which users of the sewage works, owners of property served or to be served by the works, and other interested persons may be heard concerning the proposed fees. Notice of the hearing, setting forth the proposed schedule of fees, shall be:

- (1) published in accordance with IC 5-3-1;
- (2) mailed to owners of vacant or unimproved property if the ordinance includes a fee for sewer availability to vacant or unimproved property; and

CITY OF LOOGOOTEE
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (3) mailed to users of the sewage works located outside the municipality's corporate boundaries. The notice may be mailed in any form so long as the notice of the hearing is conspicuous. The hearing may be adjourned from time to time.
- (b) After the hearing, the municipal legislative body shall adopt the ordinance establishing the fees, either as originally introduced or as modified. A copy of the schedule of fees adopted shall be kept on file and available for public inspection in the offices of the board and the municipal clerk.
- (c) Subject to section 37 of this chapter, the fees established for any class of users or property shall be extended to cover any additional property that is subsequently served and falls within the same class, without any hearing or notice.
- (d) The municipal legislative body may change or readjust the fees in the same manner by which they were established.
- (e) Fees collected under this chapter are considered revenues of the sewage works."

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)

HANDGUN FEES

Handgun application fees were not collected by the City Police Department from City employees and employees' family members.

IC 35-47-2-3 states in part:

"(a) A person desiring a license to carry a handgun shall apply:

- (1) to the chief of police, or corresponding law enforcement officer of the municipality in which the applicant resides; . . .

(b) The law enforcement agency which accepts an application for a handgun license shall collect the following application fees:

- (1) From a person applying for a four (4) year handgun license, a ten dollar (\$10) application fee, five dollars (\$5) of which shall be refunded if the license is not issued.
- (2) From a person applying for a lifetime handgun license who does not currently possess a valid Indiana handgun license, a fifty dollar (\$50) application fee, thirty dollars (\$30) of which shall be refunded if the license is not issued.
- (3) From a person applying for a lifetime handgun license who currently possesses a valid Indiana handgun license, a forty (\$40) application fee, thirty dollars (\$30) of which shall be refunded if the license is not issued."

CITY OF LOOGOOTEE
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 35-47-2-3 further states:

"Except as provided in subsection (h), the fee shall be deposited into the law enforcement agency's firearms training fund or other appropriate training activities fund and used by the agency to train law enforcement officers in the proper use of firearms or in other law enforcement duties, or to purchase firearms or firearm related equipment, or both for the law enforcement officers employed by the law enforcement agency. . . ."

A similar comment appeared in prior reports.

POLICE DEPARTMENT RECEIPTS AND FEES

Receipts and fees collected by the police department were remitted to the clerk-treasurer less frequently than once a week. Some receipts tested were held up to two months before they were 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)

CITY OF LOOGOOTEE
EXIT CONFERENCE

The contents of this report were discussed on July 12, 2010, with Donald F. Bowling, Mayor; Nancy L. Jones, Clerk-Treasurer; and Donald "Rick" Norris, President of the Common Council. The officials concurred with our findings.