

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF BOONVILLE
WARRICK COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
08/22/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Nancy Brill	01-01-12 to 12-31-15
Mayor	Pamela Hendrickson	01-01-12 to 12-31-15
President of the Board of Public Works	Pamela Hendrickson	01-01-12 to 12-31-15
President of the Common Council	Ronald Tubbs	01-01-12 to 12-31-13



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF BOONVILLE, WARRICK COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Boonville (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2012.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated July 11, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

Other Information

The City's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.



Bruce Hartman
State Examiner

July 11, 2013



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF BOONVILLE, WARRICK COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the City of Boonville (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated July 11, 2013, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1.

City of Boonville's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Hartman
State Examiner

July 11, 2013

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF BOONVILLE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 498,863	\$ 3,615,391	\$ 3,381,923	\$ 732,331
MVH Streets	197,782	248,356	337,083	109,055
Local Road and Street	89,333	58,921	39,942	108,312
Parking Meter Fund	63,904	19,315	16,777	66,442
Police Cont. Education	8,160	5,826	2,652	11,334
Park Fund	110,839	132,822	138,886	104,775
Rainy Day Fund	83,306	-	74,006	9,300
Haz Mat Fund - Fire Department	7,563	-	-	7,563
Fire Territory Fund	232,281	1,506,121	1,595,519	142,883
Edit Excess	684,119	4,051,574	2,255,745	2,479,948
Cumulative Capital Improvement	32,905	16,566	34,506	14,965
Fire Territory Replacement Fund	181,963	210,522	24,856	367,629
Police Pension	336,892	104,173	106,705	334,360
Fire Pension	225,364	231,325	233,382	223,307
Police Seizures & Forfeitures	2,640	-	-	2,640
General Revenue Bonds 2012 Series A	-	475,522	475,522	-
General Revenue Bonds 2012 Series B	-	784,478	784,478	-
Debt Service Reserve General Revenue Bonds	-	205,102	93,431	111,671
Cost Issuance - General Revenue Bonds	-	93,432	66,198	27,234
Police Public Relations	93	-	-	93
Fire Grant Fund	405	-	-	405
Dept Justice - Gr # Sf269-04 Op Pul	12	-	-	12
General - Fire Donat/Ins. Reimb	690	2,125	-	2,815
Spray Park - Donations	656	-	-	656
Fire Homeland Sec. Dis Relief	798	-	-	798
Fire Dept Trng-Report & Prevent	442	85	-	527
Build Indiana Fund	1,673	-	-	1,673
Police Donation Fund	13,340	16,489	21,418	8,411
Code Enforcement Fund	13,280	29,270	23,820	18,730
Fire Department - Segregated Fund	232,307	-	232,307	-
Lease Rental Reserve	1,810,463	1,724,318	2,659,354	875,427
Fire Pension Market Monit	150,819	151	-	150,970
Police Pension - Market Monitor	157,396	157	-	157,553
Payroll Fund	5,192	1,816,484	1,812,688	8,988
Payroll Fed/Fica/Medi Tax	-	352,790	352,790	-
Electric Operating/Maint	82,564	466,662	474,365	74,861
Electric Cash Reserve	752,174	463,466	459,476	756,164
Sewer Bond 2010 SRF	70,330	102,888	47,164	126,054
Sewer Construction 2010/SRF	-	1,192,826	1,192,826	-
Sewer DSR 2010	555,826	-	-	555,826
Sewage Operating & Maint	123,588	2,273,465	2,228,491	168,562
Sewage Bonds & Interest	4,091	350,773	350,681	4,183
Sewage Construction	10,885	55	-	10,940
Sewage Replacement	71,272	6,000	-	77,272
Sewage Debt Service Reserve	17,603	2	-	17,605
Water Operating & Maint.	371,010	1,792,720	1,918,554	245,176
Water Bonds & Interest	377	361,114	361,491	-
Water Customer Deposits	134,517	20,588	16,871	138,234
Water Bond & Interest Reserve	83,462	-	29,465	53,997
Water 2009 Bond Transfers	25,954	124,800	27,539	123,215
Water Debt Serv. Reserve	5,812	3	-	5,815
Water 2009 Debt. Serv. Reserve	348,231	47,580	-	395,811
Totals	<u>\$ 7,801,176</u>	<u>\$ 22,904,257</u>	<u>\$ 21,870,911</u>	<u>\$ 8,834,522</u>

The notes to the financial statement are an integral part of this statement.

CITY OF BOONVILLE
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of 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, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

CITY OF BOONVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

CITY OF BOONVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

CITY OF BOONVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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.

Note 5. Risk Management

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 Indiana Public Retirement System (INPRS) 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 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

CITY OF BOONVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan 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

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

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

C. 1937 Firefighters' Pension Plan

Plan Description

The 1937 Firefighters' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). 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

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

CITY OF BOONVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

D. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) 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 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

Note 7. Holding Corporation

The City has entered into a capital lease with the Boonville Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the City. The lessor has been determined to be a related party of the City. Lease payments during the year 2012 totaled \$247,000.

Note 8. Other Postemployment Benefits

The City provides to eligible retirees and their spouses the following benefit; health insurance. This benefit poses a liability to the City for this year and in future years. Information regarding the benefit can be obtained by contacting the City.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF BOONVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	General	MVH Streets	Local Road and Street	Parking Meter Fund	Police Cont. Education	Park Fund	Rainy Day Fund
Cash and investments - beginning	\$ 498,863	\$ 197,782	\$ 89,333	\$ 63,904	\$ 8,160	\$ 110,839	\$ 83,306
Receipts:							
Taxes	1,347,925	70,696	-	-	-	97,061	-
Licenses and permits	78,624	2,064	-	-	4,300	-	-
Intergovernmental	241,356	175,596	58,921	-	-	13,416	-
Charges for services	200	-	-	19,315	545	21,945	-
Fines and forfeits	4,631	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,942,655	-	-	-	981	400	-
Total receipts	<u>3,615,391</u>	<u>248,356</u>	<u>58,921</u>	<u>19,315</u>	<u>5,826</u>	<u>132,822</u>	<u>-</u>
Disbursements:							
Personal services	1,365,251	-	-	14,478	-	73,260	-
Supplies	64,345	-	-	802	-	14,293	-
Other services and charges	473,983	337,083	39,942	1,497	2,652	42,100	74,006
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	8,900	-	-	-	-	9,083	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1,469,444	-	-	-	-	150	-
Total disbursements	<u>3,381,923</u>	<u>337,083</u>	<u>39,942</u>	<u>16,777</u>	<u>2,652</u>	<u>138,886</u>	<u>74,006</u>
Excess (deficiency) of receipts over disbursements	<u>233,468</u>	<u>(88,727)</u>	<u>18,979</u>	<u>2,538</u>	<u>3,174</u>	<u>(6,064)</u>	<u>(74,006)</u>
Cash and investments - ending	<u>\$ 732,331</u>	<u>\$ 109,055</u>	<u>\$ 108,312</u>	<u>\$ 66,442</u>	<u>\$ 11,334</u>	<u>\$ 104,775</u>	<u>\$ 9,300</u>

CITY OF BOONVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Haz Mat Fund - Fire Department	Fire Territory Fund	Edit Excess	Cumulative Capital Improvement	Fire Territory Replacement Fund	Police Pension	Fire Pension
Cash and investments - beginning	\$ 7,563	\$ 232,281	\$ 684,119	\$ 32,905	\$ 181,963	\$ 336,892	\$ 225,364
Receipts:							
Taxes	-	1,090,185	-	-	138,317	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	115,936	1,206,904	16,566	14,709	-	231,304
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	300,000	2,844,670	-	57,496	104,173	21
Total receipts	-	1,506,121	4,051,574	16,566	210,522	104,173	231,325
Disbursements:							
Personal services	-	1,106,312	-	14,976	-	105,794	128,324
Supplies	-	31,398	-	-	-	-	7
Other services and charges	-	100,313	200,000	655	-	911	911
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	18,875	24,856	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	357,496	2,055,745	-	-	-	104,140
Total disbursements	-	1,595,519	2,255,745	34,506	24,856	106,705	233,382
Excess (deficiency) of receipts over disbursements	-	(89,398)	1,795,829	(17,940)	185,666	(2,532)	(2,057)
Cash and investments - ending	\$ 7,563	\$ 142,883	\$ 2,479,948	\$ 14,965	\$ 367,629	\$ 334,360	\$ 223,307

CITY OF BOONVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Police Seizures & Forfeitures	General Revenue Bonds 2012 Series A	General Revenue Bonds 2012 Series B	Debt Service Reserve General Revenue Bonds	Cost Issuance - General Revenue Bonds	Police Public Relations	Fire Grant Fund
Cash and investments - beginning	\$ 2,640	\$ -	\$ -	\$ -	\$ -	\$ 93	\$ 405
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	475,522	784,478	205,102	93,432	-	-
Total receipts	-	475,522	784,478	205,102	93,432	-	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	475,522	784,478	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	93,431	66,198	-	-
Total disbursements	-	475,522	784,478	93,431	66,198	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	111,671	27,234	-	-
Cash and investments - ending	\$ 2,640	\$ -	\$ -	\$ 111,671	\$ 27,234	\$ 93	\$ 405

CITY OF BOONVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Dept Justice - Gr # Sf269-04 Op Pul	General - Fire Donat/Ins. Reimb	Spray Park - Donations	Fire Homeland Sec. Dis Relief	Fire Dept Trng-Report & Prevent	Build Indiana Fund	Police Donation Fund
Cash and investments - beginning	\$ 12	\$ 690	\$ 656	\$ 798	\$ 442	\$ 1,673	\$ 13,340
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	85	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	2,125	-	-	-	-	16,489
Total receipts	-	2,125	-	-	85	-	16,489
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	21,418
Total disbursements	-	-	-	-	-	-	21,418
Excess (deficiency) of receipts over disbursements	-	2,125	-	-	85	-	(4,929)
Cash and investments - ending	\$ 12	\$ 2,815	\$ 656	\$ 798	\$ 527	\$ 1,673	\$ 8,411

CITY OF BOONVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Code Enforcement Fund	Fire Department - Segregated Fund	Lease Rental Reserve	Fire Pension Market Monit	Police Pension - Market Monitor	Payroll Fund	Payroll Fed/Fica/Medi Tax
Cash and investments - beginning	\$ 13,280	\$ 232,307	\$ 1,810,463	\$ 150,819	\$ 157,396	\$ 5,192	\$ -
Receipts:							
Taxes	28,560	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	710	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	1,724,318	151	157	1,816,484	352,790
Total receipts	<u>29,270</u>	<u>-</u>	<u>1,724,318</u>	<u>151</u>	<u>157</u>	<u>1,816,484</u>	<u>352,790</u>
Disbursements:							
Personal services	-	-	-	-	-	1,279,486	-
Supplies	1,162	-	-	-	-	-	-
Other services and charges	4,615	-	-	-	-	-	-
Debt service - principal and interest	-	-	388,038	-	-	-	-
Capital outlay	18,043	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	232,307	2,271,316	-	-	533,202	352,790
Total disbursements	<u>23,820</u>	<u>232,307</u>	<u>2,659,354</u>	<u>-</u>	<u>-</u>	<u>1,812,688</u>	<u>352,790</u>
Excess (deficiency) of receipts over disbursements	<u>5,450</u>	<u>(232,307)</u>	<u>(935,036)</u>	<u>151</u>	<u>157</u>	<u>3,796</u>	<u>-</u>
Cash and investments - ending	<u>\$ 18,730</u>	<u>\$ -</u>	<u>\$ 875,427</u>	<u>\$ 150,970</u>	<u>\$ 157,553</u>	<u>\$ 8,988</u>	<u>\$ -</u>

CITY OF BOONVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Electric Operating/Maint	Electric Cash Reserve	Sewer Bond 2010 SRF	Sewer Construction 2010/SRF	Sewer DSR 2010	Sewage Operating & Maint
Cash and investments - beginning	\$ 82,564	\$ 752,174	\$ 70,330	\$ -	\$ 555,826	\$ 123,588
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	1,647,546
Other receipts	466,662	463,466	102,888	1,192,826	-	625,919
Total receipts	<u>466,662</u>	<u>463,466</u>	<u>102,888</u>	<u>1,192,826</u>	<u>-</u>	<u>2,273,465</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	1,192,826	-	-
Utility operating expenses	14,889	-	-	-	-	1,768,911
Other disbursements	459,476	459,476	47,164	-	-	459,580
Total disbursements	<u>474,365</u>	<u>459,476</u>	<u>47,164</u>	<u>1,192,826</u>	<u>-</u>	<u>2,228,491</u>
Excess (deficiency) of receipts over disbursements	<u>(7,703)</u>	<u>3,990</u>	<u>55,724</u>	<u>-</u>	<u>-</u>	<u>44,974</u>
Cash and investments - ending	<u>\$ 74,861</u>	<u>\$ 756,164</u>	<u>\$ 126,054</u>	<u>\$ -</u>	<u>\$ 555,826</u>	<u>\$ 168,562</u>

CITY OF BOONVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Sewage Bonds & Interest	Sewage Construction	Sewage Replacement	Sewage Debt Service Reserve	Water Operating & Maint.	Water Bonds & Interest
Cash and investments - beginning	\$ 4,091	\$ 10,885	\$ 71,272	\$ 17,603	\$ 371,010	\$ 377
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	1,723,627	-
Other receipts	350,773	55	6,000	2	69,093	361,114
Total receipts	<u>350,773</u>	<u>55</u>	<u>6,000</u>	<u>2</u>	<u>1,792,720</u>	<u>361,114</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	1,414,731	-
Other disbursements	350,681	-	-	-	503,823	361,491
Total disbursements	<u>350,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,918,554</u>	<u>361,491</u>
Excess (deficiency) of receipts over disbursements	<u>92</u>	<u>55</u>	<u>6,000</u>	<u>2</u>	<u>(125,834)</u>	<u>(377)</u>
Cash and investments - ending	<u>\$ 4,183</u>	<u>\$ 10,940</u>	<u>\$ 77,272</u>	<u>\$ 17,605</u>	<u>\$ 245,176</u>	<u>\$ -</u>

CITY OF BOONVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Water Customer Deposits	Water Bond & Interest Reserve	Water 2009 Bond Transfers	Water Debt Serv. Reserve	Water 2009 Debt. Serv. Reserve	Totals
Cash and investments - beginning	\$ 134,517	\$ 83,462	\$ 25,954	\$ 5,812	\$ 348,231	\$ 7,801,176
Receipts:						
Taxes	-	-	-	-	-	2,772,744
Licenses and permits	-	-	-	-	-	84,988
Intergovernmental	-	-	-	-	-	2,074,708
Charges for services	-	-	-	-	-	42,090
Fines and forfeits	-	-	-	-	-	5,341
Utility fees	-	-	-	-	-	3,371,173
Other receipts	20,588	-	124,800	3	47,580	14,553,213
Total receipts	20,588	-	124,800	3	47,580	22,904,257
Disbursements:						
Personal services	-	-	-	-	-	4,087,881
Supplies	-	-	-	-	-	112,007
Other services and charges	-	-	-	-	-	1,278,668
Debt service - principal and interest	-	-	-	-	-	1,648,038
Capital outlay	-	-	-	-	-	1,272,583
Utility operating expenses	-	-	-	-	-	3,198,531
Other disbursements	16,871	29,465	27,539	-	-	10,273,203
Total disbursements	16,871	29,465	27,539	-	-	21,870,911
Excess (deficiency) of receipts over disbursements	3,717	(29,465)	97,261	3	47,580	1,033,346
Cash and investments - ending	\$ 138,234	\$ 53,997	\$ 123,215	\$ 5,815	\$ 395,811	\$ 8,834,522

CITY OF BOONVILLE
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 88,457	\$ -
Electric	-	-
Wastewater	49,605	114,631
Water	<u>32,754</u>	<u>142,992</u>
Totals	<u>\$ 170,816</u>	<u>\$ 257,623</u>

CITY OF BOONVILLE
SCHEDULE OF LEASES AND DEBT
December 31, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Boonville Building Corporation	Lease Agreement dated September 13, 2001, amended by Lease dated November 26, 2012	\$ 604,000	01-01-03	01-01-23
Pitney Bowes	Postage Machine	<u>1,164</u>	01-01-11	12-31-11
Total governmental activities		<u>605,164</u>		
Total of annual lease payments		<u>\$ 605,164</u>		
Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year	
Governmental activities:				
Revenue bonds	Economic Development Income Tax Lease Rental Refunding Bonds of 2012	\$ 5,750,000	\$ 598,024	
Revenue bonds	Annual Appropriation General Revenue Bonds of 2012 Series A	600,000	71,917	
Revenue bonds	General Revenue Bonds of 2012 Series B	<u>895,000</u>	<u>36,344</u>	
Total governmental activities		<u>7,245,000</u>	<u>706,285</u>	
Wastewater:				
Revenue bonds	Sewage Works Refunding Revenue Bonds of 2010 Series B	1,405,000	220,835	
Revenue bonds	Sewage Works Revenue Bonds of 2010 Series A	<u>4,524,000</u>	<u>102,874</u>	
Total Wastewater		<u>5,929,000</u>	<u>323,709</u>	
Water:				
Revenue bonds	Waterworks Revenue Bonds of 2006	3,415,000	332,935	
Revenue bonds	Construction new Water Plant 2009	<u>1,629,500</u>	<u>122,911</u>	
Total Water		<u>5,044,500</u>	<u>455,846</u>	
Totals		<u>\$ 18,218,500</u>	<u>\$ 1,485,840</u>	

CITY OF BOONVILLE
SCHEDULE OF CAPITAL ASSETS
December 31, 2012

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.

	Ending Balance
Governmental activities:	
Land	\$ 789,024
Infrastructure	4,022,112
Buildings	31,222,431
Improvements other than buildings	12,832,578
Machinery, equipment, and vehicles	6,079,236
Total governmental activities	54,945,381
Electric:	
Land	43,094
Infrastructure	672,780
Buildings	1,802,999
Improvements other than buildings	168,233
Machinery, equipment, and vehicles	621,947
Books and other	132,164
Total Electric	3,441,217
Wastewater:	
Land	382,990
Infrastructure	2,382,448
Buildings	10,078,413
Improvements other than buildings	223,691
Machinery, equipment, and vehicles	1,888,334
Construction in progress	11,067,983
Total Wastewater	26,023,859
Water:	
Land	164,305
Infrastructure	6,313,789
Buildings	6,291,813
Improvements other than buildings	905,440
Machinery, equipment, and vehicles	729,045
Total Water	14,404,392
Total capital assets	\$ 98,814,849

CITY OF BOONVILLE
AUDIT RESULTS AND COMMENTS

ACCOUNTABLE ITEMS (Applies to the Water and Wastewater Utilities)

Records presented for audit for the year 2012 indicate that gallons of water billed to customers for the year totaled 263,635,700 and gallons of water pumped by the Water Utility during the same period totaled 451,751,000. This resulted in a difference of 188,115,300 which represents gallons of water pumped which were not billed to customers. In the year 2012, 42 percent of the water pumped was not billed to customers. Calculations indicate that the potential charge for the gallons of water not billed would be between \$445,883 and \$1,151,264 because the Water Utility bills on a sliding scale based on each customer's monthly consumption. Since wastewater bills are calculated on water consumption the potential loss of revenue for the Wastewater Utility would be \$1,066,578. A similar comment was included in several prior reports.

Tickets, good for sale, billings, and other collections are considered accountable items for which a corresponding deposit must be made in the bank accounts of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS (Applies to the City)

The City did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: the names of both federal programs were reported incorrectly and the amount expended from one program was reported incorrectly. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statements.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE CITY OF BOONVILLE, WARRICK COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the City of Boonville's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2012. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Other Matters

The City's response to our audit is described in the accompanying Official Response. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The City's response to our audit is described in the accompanying Official Response. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Bruce Hartman
State Examiner

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the City. The schedule and note are presented as intended by the City.

CITY OF BOONVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2012

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Housing and Urban Development</u>				
CDBG - State-Administered CDBG Cluster				
Community Development Block Grant/States Program and Non Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs	14.228	DR2-09-135	\$ <u>271,661</u>
Total - Department of Housing and Urban Development				<u>271,661</u>
<u>Environmental Protection Agency</u>				
Capitalization Grants for Clean Water State Revolving Funds Sewer CSO Project	Indiana Finance Authority	66.458	2W-00E73001-0	<u>596,413</u>
Total - Environmental Protection Agency				<u>596,413</u>
Total federal awards expended				<u>\$ <u>868,074</u></u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF BOONVILLE
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Boonville and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

CITY OF BOONVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	no

Identification of Major Program:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2012-1 - LACK OF CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The City did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: the names of both federal programs were reported incorrectly and the amount expended for one federal program was reported incorrectly. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statements.

CITY OF BOONVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310 (b) states:

"(b) Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Section III – Federal Award Findings and Questioned Cost

No matters are reportable.

**Clerk Treasurer
CITY OF BOONVILLE
P.O. BOX 508
BOONVILLE, IN 47601
Telephone: 812-897-6543
Fax: 812-897-6545
Email address: bnclerkns@sbcglobal.net**

July 11, 2013

Corrective Action Plan
City of Boonville
July 11, 2013

Section II – Financial Statement Findings

Finding 2012-1 Lack of Controls Over the Preparation of the Schedule of Expenditures of Federal Awards

Inaccurate disclosure of grants on the schedule of Expenditures of Federal Awards (SEFA) was merely an oversight at the time of data entry for the Gateway Annual Reporting. In subsequent years, expenditures related to federal grants included in the schedule will be verified for accuracy by the Clerk/Treasurer and Deputy Clerk/Treasurer.



Nancy Brill
Clerk/Treasurer
July 11, 2013

CITY OF BOONVILLE
EXIT CONFERENCE

The contents of this report were discussed on July 15, 2013, with Pamela Hendrickson, Mayor; Nancy Brill, Clerk-Treasurer; Ronald Tubbs, President of the Common Council; and Tammy Boruff, Deputy Clerk-Treasurer. The Official Response has been made a part of this report and may be found on page 42.

**CITY OF BOONVILLE
P.O. BOX 508
BOONVILLE, IN 47601
Telephone: 812.897.6543
Fax: 812.897.6545**

July 17, 2013

Karla Geisler, Auditor
State Board of Accounts
302 West Washington Street
Room E418
Indianapolis, IN 46204

Dear Mrs. Geisler:

This is the City of Boonville's Response to the State Board of Accounts Audit results for 2012 as follows:

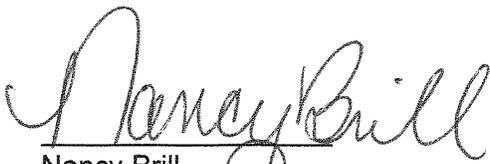
ACCOUNTABLE ITEMS (Applies to the Water and Wastewater Utilities)

The City of Boonville has hired an engineering firm to conduct a study on our water loss. When their study is complete the City plans to discuss with the engineers and Veolia Water the options for reducing the water loss.

INTERNAL CONTROLS

The City of Boonville has implemented a proper system of internal controls this year. The City provides reasonable assurance regarding the reliability of financial information and records and safeguarding controls over cash, receipting, disbursing, recording and accounting for the financial activities.

Thank you for the opportunity to explain our position to the results of the 2012 SBA Audit. If you find we need to include additional information, please contact my office at 812-897-6543.


Nancy Brill
Clerk/Treasurer


Pam Hendrickson
Mayor