

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT
OF
CITY OF ALEXANDRIA
MADISON COUNTY, INDIANA
January 1, 2005 to December 31, 2005



FILED
08/23/2006

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CITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janet M. Lynch	01-01-04 to 12-31-07
Mayor	Hon. Steven P. Skaggs	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Hon. Steven P. Skaggs	01-01-04 to 12-31-07
President of the Common Council	John Dockrey Michelle Burnett	01-01-05 to 12-31-05 01-01-06 to 12-31-06
Superintendent of Water Utility	Mark Caldwell	01-01-05 to 12-31-06
Superintendent of Wastewater Utility	Leann Pierce	01-01-05 to 04-19-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF ALEXANDRIA, MADISON COUNTY, INDIANA

We have examined the schedule of receipts, disbursements, and cash and investment balances of the City of Alexandria (City), for the period of January 1, 2005 to December 31, 2005. The City's management is responsible for the schedule. 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 schedule of receipts, disbursements, and cash and investment balances 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 schedule referred to above presents fairly, in all material respects, the cash transactions of the District for the year ended December 31, 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

July 27, 2006

CITY OF ALEXANDRIA
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2005

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 660,700	\$ 2,380,175	\$ 2,410,645	\$ 630,230
Motor Vehicle Highway	211,174	441,817	334,978	318,013
Local Road and Street	139,571	61,310	5,574	195,307
Parks and Recreation	103,090	160,500	153,537	110,053
Law Enforcement Continuing Education	2,906	2,409	2,017	3,298
Riverboat	39,474	39,474	-	78,948
Donation	7,491	3,848	1,598	9,741
Cumulative Capital Improvement	77,907	19,351	35,465	61,793
Cumulative Capital Development	111,453	47,007	57,679	100,781
Park Tree Fund	1,591	300	104	1,787
Park Nonreverting Operating	1,949	350	164	2,135
Trash Fund	30,796	189,581	186,508	33,869
Federal Cop Grant	760	-	-	760
Tax Abatement	2,542	650	-	3,192
Stormwater Management	402,240	240,779	247,025	395,994
1999 State Fire Grant	524	-	-	524
Mayor's Youth Commission	274	-	-	274
Court Nonreverting Fund	1,821	1,775	3,500	96
Reserve Police Nonreverting	168	150	-	318
FEMA Buy-Out Project	-	85,193	76,737	8,456
Yard Waste Management Grant '97	12,253	-	-	12,253
New Fire Pumper Fund	3,087	-	-	3,087
Economic Development Project (EDIT)	99	-	-	99
Economic Development Food and Beverage	98,504	-	37,115	61,389
Bramel Ditch Project	250	-	-	250
Lincoln Heights Project	17	-	-	17
Fire Copy	99	5	-	104
Ordinance Violations	3,503	1,640	3,088	2,055
Defib Donation	-	260	-	260
Emery Lee Security Deposits	1,000	5,500	5,325	1,175
Clerk's Document Fees	3,099	742	1,662	2,179
Drug Recovery Funds	1,482	-	-	1,482
Community Foundation ALS Grant	1,615	-	-	1,615
New Ambulance Fund	-	87,900	87,900	-
Hazardous Waste Clean-Up	8,791	8,574	976	16,389
Housing Feasibility Study 2004	-	2,100	2,100	-
FEMA Fire Grant 2004	-	-	-	-
Proprietary Funds:				
Water Utility - Operating	76,657	429,833	465,493	40,997
Water Utility - Customer Deposit	49,815	20,050	9,760	60,105
Wastewater Utility - Operating	121,266	621,372	728,715	13,923
Wastewater Utility - Bond and Interest	91,786	-	-	91,786
Wastewater Utility - Cash Reserve	37,768	208	-	37,976
Fiduciary Funds:				
Payroll	25,352	2,370,725	2,369,708	26,369
Police Pension	81,250	187,472	191,628	77,094
Fire Pension	57,593	165,657	143,357	79,893
City Court Fees Due County	855	5,939	6,516	278
User Fee Law Enforcement Continuing Education	12,973	1,125	1,254	12,844
Alexandria Insurance	2,138	564,200	566,264	74
Orestes Court Ordinance Fees	-	300	-	300
Summitville Ordinance Violation Fines	927	8,531	7,915	1,543
City Court	11,313	85,108	61,853	34,568
Totals	\$ 2,499,923	\$ 8,241,910	\$ 8,206,160	\$ 2,535,673

The accompanying notes are an integral part of the schedules.

CITY OF ALEXANDRIA
NOTES TO SCHEDULE

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, water, wastewater, 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 District 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 ALEXANDRIA
NOTES TO SCHEDULE
(Continued)

Note 6. Pension Plans

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

A. 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 the 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 member's 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. The 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 plan members for PERF are established by the Board of Trustees of PERF.

B. 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 ALEXANDRIA
NOTES TO SCHEDULE
(Continued)

C. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' 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 36-8-7). 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 and Annual Pension Cost

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

Note 7. Long-Term Debt

The City has entered into two ambulance loans. The total outstanding principal at December 31, 2005, was \$112,349.

CITY OF ALEXANDRIA
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

As stated in several prior audit reports, information presented for audit indicated the City and Utilities do not maintain sufficient detailed records of capital assets. Records providing historical costs for all of the City's and Utilities' capital assets were not available, and records classifying and summarizing the City's and Utilities' capital assets were incomplete. Deletions or disposals of capital assets were not recorded.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

POLICE AND FIREFIGHTER'S PENSION BENEFITS

During the review of the police and firefighter's pension it was noted that an error was made in the calculation of benefits for all retirees and surviving dependents. The annual benefit paid was less than the actual amount that should have been paid to the qualifying individuals in 2005. This error was attributed to a formula error in the system. The error in the calculation resulted in total underpayments of \$3,038 and \$2,022 in police and firefighter's pension benefits, respectively.

Indiana Code 36-8-7-12.1 states in part: "A member who has been in service twenty (20) years . . . the board shall authorize the payment to the retired member of fifty percent (50%) of the salary of a fully paid first class firefighter of the unit at the time of the payment of the pension, plus . . . one percent (1%) of that salary for each six (6) months of service over twenty (20) years."

Indiana Code 36-8-6-9 states in part: A member of the police department who retires from active duty after twenty (20) or more years of active duty an annual pension equal to fifty percent (50%) of the salary of a first class patrolman in the police department, plus . . . for a member who retires before January 1, 1986, two percent (2%) of the first class patrolman's salary for each year of service; or . . . for a member who retires after December 31, 1985, one percent (1%) of the first class patrolman's salary for each six (6) months of service; of the retired member over twenty (20) years.

INTERNAL CONTROLS (Applies to Building Inspector)

As stated in several prior audit reports, building permits used by the building inspector are not prenumbered. The numbers from the prenumbered application forms were hand written on the building permits.

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)

DEPOSITS (Applies to Utilities)

Of the utility receipts and deposits tested, 30% of the deposits were made later than the next business day following the receipt of the funds.

CITY OF ALEXANDRIA
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

LEAVE AND OVERTIME POLICY

As stated in prior Audit Report B25832, accrual rates for employee vacation and personal leave were increased in 2004; however, the increase has not been approved by the governing board.

Each governmental unit should adopt written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing board would be considered as written policy. The policy should conform to the requirements of all state and federal regulatory agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) a description of the premises, as shown by the records of the county auditor; and
 - (C) the amount of the delinquent fees, together with the penalty; or
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder. . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May"

CITY OF ALEXANDRIA
EXIT CONFERENCE

The contents of this report were discussed on July 27, 2006, with Hon. Steven P. Skaggs, Mayor; and Janet M. Lynch, Clerk-Treasurer. The officials concurred with our findings.