

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

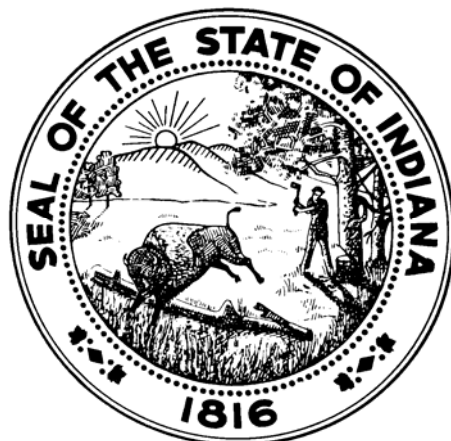
EXAMINATION REPORT

OF

CITY OF PETERSBURG

PIKE COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED
10/25/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tammy Selby	04-01-05 to 12-31-07
Mayor	Jon W. Craig	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Jon W. Craig	01-01-04 to 12-31-07
President of the Common Council	Jon W. Craig	01-01-04 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF PETERSBURG, PIKE COUNTY, INDIANA

We have examined the financial information presented herein of the City of Petersburg (City), for the period of January 1, 2006 to December 31, 2006. 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, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

August 27, 2007

CITY OF PETERSBURG
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 417,758	\$ 644,553	\$ 836,240	\$ 226,071
Motor Vehicle Highway	119,019	93,452	84,300	128,171
Local Road and Street	47,483	9,987	30,000	27,470
Park and Recreation	39,600	119,336	132,259	26,677
Fire Fighting	3,907	10,000	11,347	2,560
Hornady Park Donation	5,694	21,836	25,129	2,401
I P & L Economic Development	54,028	-	-	54,028
Law Enforcement Continuing Education	5,644	470	1,408	4,706
Fire Fighting Equipment Donation	650	-	-	650
Rainy Day	130,278	117,527	20,661	227,144
Riverboat	48,662	16,173	10,000	54,835
Petersburg Pride	3,605	2,218	3,706	2,117
Redevelopment	13,030	-	-	13,030
Fire Grant	(1,531)	5,084	1,710	1,843
Economic Development Income Tax	281,761	60,274	61,440	280,595
Cumulative Capital Improvement	67,019	9,181	5,971	70,229
Cumulative Capital Development	135,117	13,278	13,167	135,228
Proprietary Funds:				
Water Utility - Operating	144,967	1,046,346	999,907	191,406
Water Utility - Bond and Interest	22,465	142,733	131,968	33,230
Water Utility - Depreciation	179,294	-	-	179,294
Water Utility - Customer Deposit	26,804	6,857	5,774	27,887
Water Utility - Debt Service Reserve	135,160	-	-	135,160
Wastewater Utility - Operating	78,020	473,875	444,209	107,686
Wastewater Utility - Bond and Interest	49,031	141,399	127,596	62,834
Wastewater Utility - Debt Service Reserve 2000	85,000	-	-	85,000
Wastewater Utility - Debt Service Reserve 2003	13,940	9,840	-	23,780
Wastewater Utility - Improvement	28,598	8	4,058	24,548
Fiduciary Funds:				
Police Pension	49,822	4,631	6,377	48,076
Kiefer Pool Trust	132,422	1,630	134,052	-
Hornady Park Trust	75,500	-	-	75,500
Payroll	1,065	665,293	668,054	(1,696)
Totals	<u>\$ 2,393,812</u>	<u>\$ 3,615,981</u>	<u>\$ 3,759,333</u>	<u>\$ 2,250,460</u>

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

CITY OF PETERSBURG
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City operates under a Council–Mayor form of government and provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, water and 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 City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF PETERSBURG
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

Note 7. Long-Term Debt

The City has entered into various debts such as bonds for utility improvements, loans for utility improvements, and a capital lease for two fire trucks. The outstanding principal at December 31, 2006, was \$70,000, \$3,020,486, and \$60,811, respectively.

CITY OF PETERSBURG
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

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

<u>Fund</u>	<u>Excess Amount Expended</u>
General	\$ 3,020
Park and Recreation	48,291

Indiana Code 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."

A similar comment appeared in the prior report.

BUDGETED LINE ITEMS

Disbursements improperly posted to budgeted line items included:

1. Capital asset purchases posted to Supply or Other Services and Charges line items
2. Splash park installation costs posted to Repairs to the City Building line item
3. PERF contribution for the City Clerk-Treasurer was paid from the City Police Retirement line item

Disbursements should be paid from properly authorized line items. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

Capital asset records providing historical costs for all City, Water Utility and Wastewater Utility owned capital assets were not available and records classifying and summarizing the capital assets were incomplete as of December 31, 2006. Deletions or disposals of capital assets were not recorded. As stated in the prior Report B27249, the last detailed listing of capital asset records available was as of December 31, 2002. The Clerk-Treasurer is working on compiling a detailed listing of capital assets that will reflect the actual acquisition date and the location of the asset.

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)

A similar comment appeared in the prior report.

CITY OF PETERSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

DELINQUENT UTILITY BILLS

As stated in the prior Report B27249 based on a review of the aged trial balance report and inquiry of utility officials, collection procedures for delinquent utility bills were not adequate. When a utility bill became delinquent, the computer system automatically printed a final notice that was mailed to the customer stating if payment is not received by a certain date, water service would be discontinued. If payment was not received by the stated date, the meter was shut off and the water deposit was applied to the delinquent water account. No other efforts were made to collect any remaining unpaid balances.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The governing body of a governmental unit should have a written policy concerning the procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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.

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

(2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

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

CITY OF PETERSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

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

A similar comment appeared in the prior report.

INTERFUND PAYABLE/RECEIVABLE

During 2004, wastewater construction claims in the amount of \$59,539.36 were erroneously paid from the General Fund.

Based on inquiry made and documentation from prior years, the intent was to repay the General Fund as sufficient cash became available. The repayment has not been made as of August 27, 2007.

The detail of the claim amounts was as follows:

Check 7390 on October 8, 2004 for	\$ 56,313.00
Check 7473 on November 15, 2004 for	2,392.86
Check 7511 on December 6, 2004 for	833.50

As of August 23, 2007, the Clerk-Treasurer has implemented procedures to transfer \$5,000 per month from the Wastewater Utility Operating Fund to the City General Fund in an effort to satisfy this payable.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. Payments or transfers which are not authorized by statute, ordinance, resolution or court order must be reimbursed or transferred to the appropriation fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter7)

OFFICIAL BONDS

The following exception was noted:

Official bonds were not filed in the Office of the County Recorder, (Public Official Schedule Bond 917829 for term January 1, 2006 to January 1, 2007)

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder . . ."

OVERDRAWN CASH BALANCES

The Clerk-Treasurer's annual report reflects the Payroll Fund was overdrawn in 2006.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF PETERSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

POLICE DEPARTMENT RECEIPTS AND FEES

Receipts and fees collected by the police department were not all remitted to the Clerk-Treasurer and remittances were made less frequently than once a week.

As stated in the prior Report B27249, receipts collected by the police department for handgun licenses were not remitted timely to the Clerk-Treasurer. Forty of forty-two police department collection remittances to the Clerk-Treasurer reflected dates ranging from one to nine months subsequent to the date of collection.

Receipts and fees collected by the 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)

Receipts shall be issued and recorded at the time of the transaction, for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Collections made for handgun permits which are not receipted and deposited may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SERVICE AND TIME RECORDS

Employee attendance/time cards presented for examination did not agree with the employee service records presented.

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

CITY OF PETERSBURG
EXIT CONFERENCE

The contents of this report were discussed on August 27, 2007, with Jon W. Craig, Mayor; and Tammy Selby, Clerk-Treasurer. The officials concurred with our findings.