

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

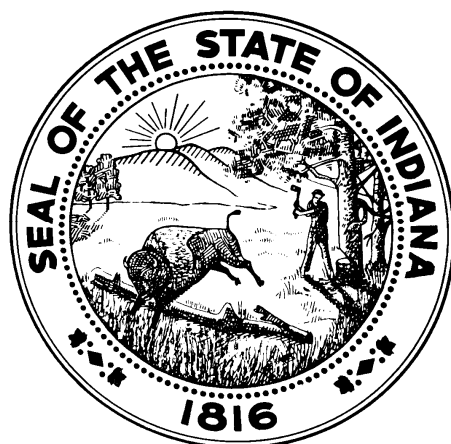
EXAMINATION REPORT

OF

CITY OF BATESVILLE

RIPLEY COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED
12/31/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Ronald C. Weigel	01-01-04 to 12-31-07
Mayor	Richard C. Fledderman	01-01-04 to 12-31-07
President of the Board of Public Works	Richard C. Fledderman	01-01-04 to 12-31-07
President of the Common Council	Gene Lambert	01-01-06 to 12-31-07
Chairman of the Utility Service Board	Sue Siefert	01-01-06 to 12-31-07
Comptroller of Gas and Water Utilities	Douglas Browne	01-01-06 to 12-31-07
Superintendent of Gas and Water Utilities	Elmer M. Vonderheide	01-01-06 to 12-31-07
Superintendent of Wastewater Utility	Randall Gibbs	01-01-06 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF BATESVILLE, RIPLEY COUNTY, INDIANA

We have examined the financial information presented herein of the City of Batesville (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.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

November 14, 2007

CITY OF BATESVILLE
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, FIDUCIARY, AND PROPRIETARY 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	\$ 698,768	\$ 2,641,087	\$ 2,407,496	\$ 932,359
Motor Vehicle Highway	1,106,551	564,774	1,243,796	427,529
Local Road and Street	44,635	28,201	-	72,836
Law Enforcement Continuing Education	4,483	3,937	578	7,842
Park and Recreation	166,492	204,228	239,123	131,597
Butterfly Garden	1,099	-	-	1,099
Microenterprise Loan	30,652	205	-	30,857
Sesquicentennial Park Fund	2,339	1,000	2,950	389
Economic Development Income Tax	1,886,033	398,310	247,439	2,036,904
Brum Donation	148,180	5,614	-	153,794
Clerk's Records Perpetuation	10,900	1,649	-	12,549
Memorial Pool	27,159	104,436	123,564	8,031
Economic Development	189,647	78,060	47,458	220,249
Community Development	176,339	-	-	176,339
Pretrial Diversion Program	43,290	-	2,689	40,601
Safe Passage	-	60,000	60,000	-
Façade Improvement	50,000	60,000	20,512	89,488
Riverboat Fund	108,974	112,028	50,518	170,484
EMS	162,291	200,438	140,831	221,898
Citizens Aquatic Center	-	10,781	10,781	-
Summer Concert Series	4,007	4,750	3,520	5,237
Rainy Day Fund	183,081	29,570	15,000	197,651
Playground Equipment Fund	650	-	-	650
Emergency Management	(4,000)	-	-	(4,000)
Stormwater Utility	17,554	72,347	4,420	85,481
Batesville Tree	26,501	7,500	1,000	33,001
Mayor's Youth Council	99	2,650	231	2,518
Cumulative Capital Improvement	92,019	21,553	8,440	105,132
Cumulative Building and Firefighting Equipment	676,594	83,873	46,378	714,089
Cumulative Park and Pool	80,851	5,290	73,404	12,737
Cumulative Thoroughfare	160,354	-	-	160,354
Cumulative Capital Development	525,437	163,736	26,421	662,752
Fiduciary Funds:				
Police Pension	88,650	33,882	57,679	64,853
Utility Pension	45,155	2,472	19,162	28,465
Payroll	47,634	3,156,234	2,938,282	265,586
User Fees	19,381	108	3,282	16,207
City Court	4,070	119,126	117,446	5,750
Water Temporary Construction	1,420	15,540	12,710	4,250
Public Trust	115	1,604	1,604	115
Sewer Inspection	4,043	57,438	29,275	32,206
Proprietary Funds:				
Water Operating	15,944	1,676,350	1,524,033	168,261
Water Depreciation	98,720	608,048	686,922	19,846
Water Customer Deposits	25,500	18,045	17,134	26,411
Wastewater Operating	126,552	1,756,800	1,946,836	(63,484)
Wastewater Bond and Interest	376,647	775,800	773,325	379,122
Wastewater Debt Reserve	715,972	33,540	-	749,512
Wastewater Construction	942,040	36,662	146,763	831,939
Wastewater Improvement	769,581	64,083	-	833,664
Gas Operating	17,460	9,838,089	9,829,443	26,106
Gas Reserve	1,489,102	1,129,101	421,208	2,196,995
Gas Customer Deposit	23,820	13,683	13,183	24,320
Utility Clearing Account	103,914	7,947,550	7,910,414	141,050
Totals	<u>\$ 11,536,698</u>	<u>\$ 32,150,172</u>	<u>\$ 31,225,250</u>	<u>\$ 12,461,620</u>

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

CITY OF BATESVILLE
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, highways and streets, health and social services, culture and recreation, sanitation, gas, water, wastewater, urban redevelopment, 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 BATESVILLE
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 bonds for Memorial Building renovations. The outstanding principal at December 31, 2006, was \$470,000.

The City has entered into a loan through the State Revolving Loan Fund administered by the Indiana Department of Environmental Management for Wastewater Utility improvements. The outstanding principal at December 31, 2006, was \$8,240,000.

Note 8. Diversion of Utility Funds

The Gas Utility operating bank account and the Utilities clearing bank account were fraudulently accessed by unknown persons in November 2006, and large sums of money were electronically withdrawn. A portion of the diverted funds was recovered in 2006, and the balance was recovered in 2007 prior to the date of this statement. Cash and investment balances reported at December 31, 2006, include the amounts recovered in 2007.

CITY OF BATESVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2006

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Bonds payable:		
General obligation bonds:		
Memorial Building	\$ 470,000	\$ 91,675
Business-type Activities:		
Wastewater Utility		
Loans Payable:		
State Revolving Fund Loan	\$ 8,240,000	\$ 455,000

CITY OF BATESVILLE
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN FUND BALANCES

The Wastewater Operating Fund and the Emergency Management Fund were overdrawn in 2006.

The fund 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)

PRESCRIBED FORMS

The City is not using the Investment Register, General Form 350. Some investments are listed in the City's computerized records, but others are not. Some investments continue to be listed that have been sold in prior years. Some investments have been sold and repurchased at another financial institution without a corresponding entry to record the new Certificate of Deposit and related serial numbers.

The Investment Register, General Form 350, should be used for keeping a record of all investments purchased by the political subdivision. 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)

UNPAID LOANS BETWEEN FUNDS

The Gas Utility has made loans to the Water Utility over the past several years. The balance of those unpaid loans at December 31, 2006, was \$2,414,965. Included in that balance were loans of \$574,500 advanced in year 2000 and \$420,000 advanced in year 2001.

Indiana Code 8-1.5-3-11(f) states: "A cash reserve fund, if authorized by ordinance, may be used to make loans to another utility owned by the same municipality, for periods not to exceed five (5) years, at any interest rate. The repayment of the loan and interest shall be returned to the cash reserve fund."

CREDIT CARDS

The Water and Gas Utilities are using credit cards to purchase items without an approved credit card policy.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.

CITY OF BATESVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

The Utilities do not maintain sufficient detailed records of capital assets for its Utility Plant in Service accounts. Upon purchase, the costs of the capital assets are added to a control Utility Plant in Service account, and to subsidiary accounts in the general ledger for land, buildings, etc. However, records providing historical costs for some of the Utility's capital assets are not available, and records classifying and summarizing the Utility's capital assets are incomplete. Deletions or disposals of capital assets are not recorded.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. 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)

CAPITALIZATION POLICY

The Utilities Service Board has not adopted a capitalization policy. Consequently, all assets purchased or constructed are included in the Capital Assets listing regardless of acquisition cost.

The governing body should establish a capitalization policy that sets a dollar amount as a threshold to be used in determining which items will be recorded. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF BATESVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

COMPENSATION AND BENEFITS

The salary schedule for 2006 adopted by the Utility Service Board for the Water and Gas Utilities' employees was not approved by the Common Council.

In Official Opinion 30 of 1967, the Attorney General held as follows:

1. In a city of the third class operating a public utility, the salary of those utility officers and employees who receive an annual salary as in the first instance set by the board operating that utility (whether a committee of the common council, a utility service board, or the board of public works and safety), but such salary must be approved by the common council, which council may lower but cannot raise the salary so set.
2. In a city of the third class operating a public utility, the wages of those utility employees who receive an hourly wage is in the first instance set by the board operating that utility (whether a committee of the common council, a utility service board, or the board of public works and safety), but such salary must be approved by the common council, which council may lower but cannot raise the salary so set.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF BATESVILLE
EXIT CONFERENCE

The contents of this report were discussed on November 14, 2007, with Richard C. Fledderman, Mayor; Ronald C. Weigel, Clerk-Treasurer; Douglas Browne, Comptroller of Gas and Water Utilities; and Randall Gibbs, Superintendent of Wastewater Utility. The official response has been made a part of this report and may be found on page 12.



City of Batesville

City Clerk Treasurer
Ronald C. Weigel

December 20, 2007

State Board of Accounts

RE: Examination results & Comments

To Whom It May Concern:

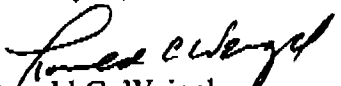
This letter is in response to comments documented during the recent audit that was performed for the City of Batesville, year 2006.

In regards to the "Overdrawn Fund Balances", these errors were strictly posting errors that was not understood and corrected until after the year-end procedures had been completed. The situation with the Wastewater Operating Fund was a posting error regarding a TMOD. With the way it was posted, it did not indicate on the monthly balancing that there was a problem; it only became clear to me that it was posted incorrectly after speaking with a State Board of Accounts representative that was here in the building at the time. With her help and explanation of the correct procedure, the error was corrected immediately. Unfortunately the timing was just as the office finished the year-end roll over procedure and items could no longer be posted. In regards to the Emergency Management Fund, the City had the position created and in place prior to the yearly budget approval from the DLGF where the funds for the position was removed. While not having received the approved budget from the DLGF showing that the funds had been removed; the established fund incurred some deficit due to the payroll for this position. Once the correct information was received, the position was moved to the correct fund while the negative balance was left so that I may question how to properly correct the issue.

The third comment that our office received was in respect to the current Investment form that we use. The suggestion was made that we should use form #350 and include the Water & Gas investment information as well. After speaking to our regional State Board of Accounts Director, Ron Robertson, he has informed me that since we are currently using software that was approved by State Board of Accounts, it does not require me to deviate my current process of input. He also indicated that since the Water & Gas department is keeping detailed records at their location that I am not required to duplicate it on my records.

If you have any further questions regarding this information, please feel free to contact my office anytime at (812) 933-6101.

Thank you,


Ronald C. Weigel
City Clerk Treas.

132 S. Main Street • Batesville, Indiana 47006

(812) 933-6101

clerk47006@nalu.net