

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

EXAMINATION REPORT
OF
CITY OF BOONVILLE
WARRICK COUNTY, INDIANA
January 1, 2008 to December 31, 2008



FILED
01/19/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Nancy Shull	01-01-08 to 12-31-11
Mayor	Pamela Hendrickson	01-01-08 to 12-31-11
President of the Board of Public Works	Pamela Hendrickson	01-01-08 to 12-31-09
President of the City Council	Dennis Shreve Robert Barnett	01-01-08 to 12-31-08 01-01-09 to 12-31-09



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 BOONVILLE, WARRICK COUNTY, INDIANA

We have examined the financial information presented herein of the City of Boonville (City), for the period of January 1, 2008 to December 31, 2008. 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, 2008, 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 17, 2009

CITY OF BOONVILLE
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, 2008

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 693,933	\$ 3,313,002	\$ 3,913,643	\$ 93,292
Motor Vehicle Highway	123,172	389,826	482,937	30,061
Local Road and Street	127,768	65,538	138,418	54,888
Park and Recreation	97,575	132,025	158,904	70,696
Spray Park Donations	17,332	-	17,332	-
Law Enforcement Continuing Education	25,834	4,143	10,036	19,941
Build Indiana	2,990	-	1,317	1,673
Rainy Day	35,378	-	-	35,378
Fire Department Training	214	5	-	219
Donation - Fire	848	10,536	637	10,747
Donation - Police	8,867	10,116	15,869	3,114
Cumulative Capital Improvement	65,357	22,224	53,638	33,943
Dept. of Justice Grant SF269 04	918	6,296	7,088	126
County Economic Development Tax	1,843,328	1,692,620	2,286,088	1,249,860
Parking Meter	57,610	28,756	37,210	49,156
Lease Rental Reserve	2,551,312	1,019,462	491,000	3,079,774
Proprietary Funds:				
Water Utility - Operating	42,239	1,431,495	1,484,961	(11,227)
Water Utility - Bond and Interest	318	336,709	336,974	53
Water Utility - Bond and Interest Reserve	83,462	-	-	83,462
Water Utility - Debt Service Reserve	134,322	69,927	-	204,249
Water Utility - Customer Deposit	117,228	18,950	15,698	120,480
Wastewater Utility - Operating	10,307	1,491,102	1,538,636	(37,227)
Wastewater Utility - Bond and Interest	4,834	345,639	347,641	2,832
Wastewater Utility - Debt Service Reserve	531,280	43,137	28,873	545,544
Wastewater Utility - Construction	10,647	99	-	10,746
Wastewater Utility - Replacement	47,272	6,000	-	53,272
Electric Utility - Operating	78,996	467,408	467,611	78,793
Electric Utility - Cash Reserve	1,059,743	471,095	539,476	991,362
Fiduciary Funds:				
Police Officers' Pension	417,993	74,657	100,925	391,725
Firefighters' Pension	325,956	83,761	120,650	289,067
Payroll	10,493	1,593,998	1,593,537	10,954
Payroll Tax	-	328,486	328,486	-
Levy Excess	17,357	-	17,357	-
Totals	\$ 8,544,883	\$ 13,457,012	\$ 14,534,942	\$ 7,466,953

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

CITY OF BOONVILLE
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, electric, water, and wastewater.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

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

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

CITY OF BOONVILLE
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. Subsequent Event

In 2009, the City started construction of \$7,100,000 in Water Utility improvements. The improvements are being funded with the proceeds of a \$1,260,000 EDIT Bond Issue, a \$2,325,000 transfer from the Electric Utility Cash Reserve, a \$1,757,500 Water Utility State Revolving Fund loan, and a \$1,757,500 ARRA grant.

CITY OF BOONVILLE
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2008

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Wastewater Utility Treatment Plant	\$ 6,810,000	\$ 249,000
Fire Truck	<u>47,635</u>	<u>50,000</u>
Total governmental activities debt	<u>\$ 6,857,635</u>	<u>\$ 299,000</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
Water Utility Improvements	\$ 4,065,000	\$ 90,280
Total Water Utility	<u>4,065,000</u>	<u>90,280</u>
Wastewater Utility:		
Revenue bonds:		
Wastewater Utility Improvements	1,440,000	43,981
Wastewater Utility Improvements	<u>970,000</u>	<u>130,540</u>
Total Wastewater Utility	<u>2,410,000</u>	<u>174,521</u>
Total business-type activities debt	<u>\$ 6,475,000</u>	<u>\$ 264,801</u>

CITY OF BOONVILLE
EXAMINATION RESULTS AND COMMENTS

ACCOUNTABLE ITEMS (Applies to Water and Wastewater Utilities)

Records presented for examination indicated that gallons of water billed totaled 257,823,700 and gallons of water pumped by the Water Utility totaled 435,749,000, resulting in a difference of 177,925,300 gallons of water lost and not billed. Forty-one percent of the water pumped for the year 2008 was not billed. Calculations indicate that the potential dollar amount of this loss would be between \$217,069 and \$859,378 because the Water Utility bills on a sliding scale based on the amount of water used. This could result in a potential loss for the Wastewater Utility of \$1,217,007 because the wastewater bills are based on water consumption. A similar comment was contained in the prior report.

Tickets, goods 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)

CUSTOMER DEPOSIT REGISTER (Applies to Water Utility)

As stated in the prior report, the detailed customer deposit register does not reconcile with the customer deposit fund cash and investment balance.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CEDIT SUPPLEMENTAL DISTRIBUTIONS (Applies to City)

The City received a supplemental CEDIT distribution of \$99,860 in the year 2008. The distribution was deposited in the CEDIT bank account and recorded in the CEDIT fund. Supplemental distributions of CEDIT should be deposited in the Rainy Day Fund.

Supplemental distributions of CEDIT money shall be deposited in accordance with IC 6-3.5-7-17.3 which states that a supplemental distribution shall be made in January of an ensuing year and allocated in the same manner as certified distributions for deposit in a civil unit's rainy day fund. (Cities and Towns Bulletin and Uniform Compliance Guidelines, March 2007, Page 4)

DELINQUENT WASTEWATER ACCOUNTS (Applies to Wastewater Utility)

As stated in the prior report, 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.

IC 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:

CITY OF BOONVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (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 . . ."

"(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. . . ."

IN LIEU OF TAX (Applies to Water Utility)

The Water Utility has not paid the entire amount due for in lieu of tax for the years 2005-2008. The balance due at December 31, 2008, was \$72,500. A similar comment was contained in the prior report.

IC 8-1.5-3-8(g) states in part:

". . . the commission shall approve rates and charges sufficient to compensate the municipality for taxes that would be due the municipality on the utility property were it privately owned."

In an order issued December 13, 2005, the Utility Regulatory Commission established an in lieu of tax amount of \$19,756 for Phase I of the current improvement project.

INTERFUND RECEIVABLE/PAYABLE (Applies to City and Electric Utility)

As stated in the prior report, the City of Boonville owes the Boonville Electric Utility for street lighting services. The amount due at December 31, 2008, was \$325,000.

Electric Utility ordinance 1980-35 states: "No free service shall be furnished by the utility to the city or to any person, firm, or corporation, public or private, or to a public agency, or any organization."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Manual for Cities and Towns, Chapter 7)

CITY OF BOONVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

OVERDRAWN CASH BALANCES (Applies to Water and Wastewater Utilities)

The cash balance of the Water Utility - Operating Fund, and the Wastewater Utility - Operating Fund were overdrawn in 2008.

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 BOONVILLE
EXIT CONFERENCE

The contents of this report were discussed on December 8, 2009, with Pamela Hendrickson, Mayor; and Nancy Shull, Clerk-Treasurer. The officials concurred with our findings.