

City of Rapid City
Management Comments
12/31/2006

1. *Oral Finding:* In the current year, as in past years, capitalized interest has not been considered during periods of construction. Accrued interest expense is also not recorded.

Recommendation: Amounts of potential capitalized interest during construction periods should be reviewed in the upcoming year and recorded for those funds, which are to be impacted significantly. Accrued interest should be recorded at the end of each year.

2. *Oral Finding:* The City did not meet its debt reserve requirement for its 2006 water refunding bonds as of December 31, 2006. The new agreement was not closely reviewed by any employee of the City to determine the correct reserve amount.

Recommendation: The reserve requirement has been met subsequent to December 31, 2006. The City should ensure that all debt reserve requirements are met, especially those issuance in which the City is responsible for the reserves.

3. *Oral Finding:* Due to incorrect criteria, the 12/31/06 utility receivable aging report was not available and could not be recreated due to software limitations.

Recommendation: The City should ensure that all year-end reports are properly generated, especially when the account software does not allow the reports to be recreated at a future date.

4. *Oral Finding:* The finance officer, accountant, and accounts payable supervisor all have the ability to post general journal entries, but no one is reviewing these entries for propriety.

Recommendation: The City should have the finance officer reviewing all general journal entries. The review could be delegated in certain situations.

5. *Oral Finding:* Each year, we propose and pass on an entry to increase the claims incurred but not paid through the date of the May claims report from First Administrators. This additional claim amount has ranged from approximately \$60,000 to \$160,000 over the past 4 years. This difference is due to the claims incurred but not paid being based on a confirmation from First Administrators in March each year, rather than through May.

Recommendation: The City should consider adding an estimated additional claims amount to the claims incurred but not paid each year.