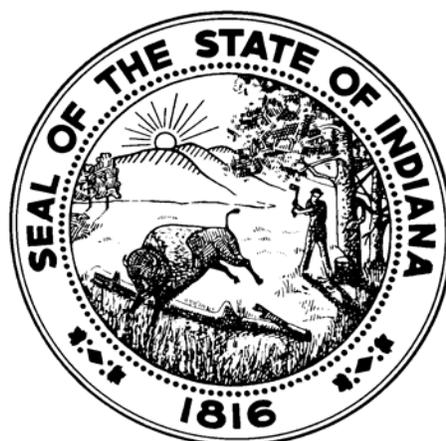


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

EXAMINATION REPORT  
OF  
CITY OF LAWRENCE  
MARION COUNTY, INDIANA  
January 1, 2005 to December 31, 2005



**FILED**  
08/04/2006



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Accountant's Report .....	3
Schedule of Receipts, Disbursements, and Cash and Investment Balances.....	4
Notes to Schedule .....	5-6
Examination Results and Comments:	
Internal Controls .....	7
Receipt Issuance .....	7
Ordinances and Resolutions.....	7
Deposits.....	7
Timely Record Keeping .....	7-8
Capital Asset Records .....	8
Cash Necessary to Balance, Bank Reconciliation.....	8
Public Works Project.....	8
Exit Conference.....	9
Official Response .....	10-11

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Rebecca L. Fuller	01-01-05 to 12-31-06
Mayor	Hon. Deborah Cantwell	01-01-04 to 12-31-07
Clerk	Kathleen Walton	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Hon. Deborah Cantwell	01-01-04 to 12-31-07
President of the Common Council	Paul Whitehead DeAnna K. Lowry	01-01-05 to 12-31-05 01-01-06 to 12-31-06



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF LAWRENCE, MARION COUNTY, INDIANA

We were engaged to examine the schedule of receipts, disbursements, and cash and investment balances of the City of Lawrence (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.

Management did not maintain complete financial records for the enterprise funds (Water and Wastewater Utilities). The City's records did not permit the application of other examination procedures to present the enterprise funds. No financial transactions for the enterprise funds are reflected in this report.

Except as discussed in the preceding paragraph, the 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, except for the omission of the enterprise funds described in the second paragraph, the schedule referred to above presents fairly, in all material respects, the cash transactions of the City 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 6, 2006

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

	Cash and Investments		Cash and Investments	
	01-01-05	Receipts	Disbursements	12-31-05
<b>Governmental Funds</b>				
General	\$ 2,241,736	\$ 15,405,066	\$ 15,584,597	\$ 2,062,204
Motor Vehicle Highway	1,221,148	1,944,973	2,013,986	1,152,134
Local Road and Street	639,607	546,831	754,014	432,425
Street/MVH Construction Fund	895,842	-	895,842	-
Developers Escrow/Street Inspection	76,435	4,250	-	80,685
Police Department Donations	20,229	-	20,229	-
Police Grant Equipment	2,421	1,569	-	3,991
Police K-9 Donations Fund	3	439	469	(28)
Law Enforcement Continuing Education	36,703	16,455	15,610	37,548
Explorer Park Donations Fund	826	-	-	826
Police Dare Program	809	150	-	959
Prosecutors Diversion Fund	37,724	18,968	3,866	52,826
Park Nonreverting Operating	84,257	155,297	85,642	153,912
Federal Forfeiture Funds	48,621	160,252	47,690	161,183
Police Firing Range Fund	-	3,662	-	3,662
Criminal Investigation Fund	(500)	8,799	6,741	1,558
Transportation Bond Proceeds	3,041,017	944,470	411,441	3,574,047
Youth Soccer N/R Fund	(17,112)	20,612	3,500	-
Recycling	534	-	-	534
Fire Donation Fund	2,300	-	500	1,800
Hazardous Materials	640	3,294	472	3,462
Cumulative Capital Development	957,668	570,726	589,512	938,882
Rainy Day Fund	28,780	-	-	28,780
Cumulative Capitol Building	232,482	54,099	174,788	111,793
Meth Lab Training Grant	162	-	-	162
Waste Tire Recycling Grant	-	11,775	11,775	-
Animal Shelter	-	1,000	-	1,000
Chaplain Relief Donations	-	500	-	500
Defibrillator Donations	-	1,500	-	1,500
National Night Out	-	2,535	1,035	1,500
Pal Club Donations	-	2,485	-	2,485
SWAT Team Donations	-	1,000	-	1,000
Police Honor Guard Program	-	1,476	-	1,476
Police Other Donations	-	13,057	-	13,057
FEMA Fire Radio Grant	-	314,850	314,850	-
Federal Grant/Police Equipment	-	25,322	25,322	-
Government Center Debt	260,205	515,177	493,828	281,554
2000 Park Building Debt	20,188	104,000	87,000	37,188
1999 Park Bond Debt	2,123	115,024	108,479	8,667
1998 Park Bond	85,147	286,000	246,478	124,669
Fire Debt II (Station #3)	(1,765)	165,245	102,276	61,205
Fire Debt V (Station #4)	13,893	187,926	135,982	65,837
Fire - Police 2002 Debt	19,945	458,475	395,170	83,250
Nonreverting (Special)	711,896	-	-	711,896
Emergency Medical Services/Ambulance	333,449	518,699	540,470	311,677
Self Funding Insurance	-	2,155,824	1,921,617	234,207
Employees Recognition Fund	1,998	-	470	1,528
Self Insurance	648,264	-	648,264	-
<b>Fiduciary Funds:</b>				
Police Officers' Pension	377,636	218,146	270,196	325,586
Payroll	(79,596)	3,383,234	3,252,813	50,825
Levy Excess	-	57,832	-	57,832
Fort Harrison Reuse Authority	1,399,038	3,188,664	3,050,998	1,536,704
<b>Totals</b>	<b>\$ 13,344,753</b>	<b>\$ 31,589,658</b>	<b>\$ 32,215,921</b>	<b>\$ 12,718,491</b>

The accompanying notes are an integral part of the schedules.

CITY OF LAWRENCE  
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 (police and fire), highways and streets, health, welfare and social services, culture and recreation, public improvements, planning and zoning, 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 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 LAWRENCE  
NOTES TO SCHEDULE  
(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 gives 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 general obligation bonds for the acquisition and construction of major capital facilities and capital leases for a government center building, maintenance buildings and various types of equipment. The outstanding principal at December 31, 2005, was \$7,410,000 and \$13,455,542, respectively.

CITY OF LAWRENCE  
EXAMINATION RESULTS AND COMMENTS

INTERNAL CONTROLS (APPLIES TO THE BUILDING DEPARTMENT)

Controls over the issuance of permits from the Building Department were insufficient. The computer generated permit forms were not prenumbered. The computer assigns a permit number to each document but is not always reliable. Duplicate numbers are sometimes assigned, numbers are sometimes assigned out of sequence and records of some permits are inadvertently deleted. A similar comment appeared in the previous Audit Report B26062.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPT ISSUANCE (APPLIES TO THE BUILDING DEPARTMENT)

Receipts were not issued for solid waste collection fees, which were remitted through the Building Department.

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)

ORDINANCES AND RESOLUTIONS (APPLIES TO THE BUILDING DEPARTMENT)

The Building Department did not charge the solid waste delinquent fees, as established by ordinance.

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

DEPOSITS (APPLIES TO THE EMERGENCY MEDICAL SERVICE DEPARTMENT)

In numerous instances, receipts collected by the Emergency Medical Service (EMS) Department were deposited later than the next business day.

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."

TIMELY RECORD KEEPING (APPLIES TO THE EMERGENCY MEDICAL SERVICE DEPARTMENT)

The Emergency Medical Service (EMS) Department's accounting system is set up only to show current accounts receivable balances. Reports on the system must be run as close as possible to year end, in order to determine year end balances. The EMS did run year-end reports which would allow them to determine ending 2005 EMS accounts receivable balances. Balances from prior years were not readily available. A similar comment appeared in Audit Report B26062.

CITY OF LAWRENCE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guide-lines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

The City had a capital asset inventory of machinery, equipment, and buildings from 2000 forward. The City was not using the capital assets ledger (City and Town Form 211) to record other types of capital assets (i.e., infrastructure and land). The City did not have a formal capital asset policy and did not record depreciation. A similar comment appeared in Audit Report B26062.

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)

CASH NECESSARY TO BALANCE, BANK RECONCILIATION

A comparison of the records to the bank account indicated cash necessary to balance of \$2,587 as of December 31, 2005. A similar comment appeared in the previous Audit Report B26062.

At all times, the manual and/or 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)

PUBLIC WORKS PROJECT

The City, during 2005, contracted with Harco for the construction of streets, Phase 2. The total amount paid to Harco was \$232,697. This amount exceeded the contract by \$15,724 with no evidence of a change order.

Indiana Code 36-1-12-4(a) states in part: "This section applies whenever the cost of a public work project will be: (1) at least seventy-five thousand dollars (\$75,000) in: (A) a consolidated city or second class city; (B) a county containing a consolidated city or second class city; or (C) a regional water or sewage district established under IC 13-26; (2) at least fifty thousand dollars (\$50,000) in: (A) a third class city or town with a population of more than five thousand (5,000), or (B) a county containing a third class city or town with a population of more than five thousand (5,000); or (3) at least twenty-five thousand dollars (\$25,000) in a political subdivision or an agency not described in subdivision (1) or (2)."

Indiana Code 36-1-12-4(b) states in part: "The board must comply with the following procedure: (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . . (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3). (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed. . . ."

CITY OF LAWRENCE  
EXIT CONFERENCE

The contents of this report were discussed on July 6, 2006, with Hon. Deborah Cantwell, Mayor; Rebecca L. Fuller, Controller; and DeAnna K. Lowry, President of the Common Council. The official response has been made a part of this report and may be found on pages 10 and 11.



CITY OF  
**LAWRENCE**  
INDIANA

MAYOR  
*Deborah Cantwell*

**"OFFICIAL RESPONSE"**

**State Board of Accounts**

**302 West Washington Street, Room E 418**

**Indianapolis, IN 46204-2738**

Re: City of Lawrence Examination for Year 2005

The City of Lawrence wishes to file an official response to the Examination Results and Comments per Option No. 4 of the Exit Conference Officials' Response for the Examination Year 2005.

**Receipt Issuance (Applies to the Building Department)**

Corrective action has been taken. Effective May 30, 2006, receipts are being issued for solid waste collections, which are remitted through the Building Department.

**Ordinances and Resolutions (Applies to the Building Department)**

The Building Department has been instructed to begin charging the solid waste delinquent fees and/or to request the Council repeal that portion of the ordinance that addresses the solid waste delinquent fees.

**Deposits (Applies to the Emergency Medical Service Department)**

Corrective action has been taken. Effective July 3, 2006, receipts collected by the Emergency Medical Service are being deposited with the Controller's Office a minimum of three times per week and more often if possible.

**Timely Record Keeping (Applies to the Emergency Medical Service Department)**

The Billing Clerk ran a year-end report to show current accounts receivable balances. However, the system combines current year and prior years accounts receivable balances. The City will continue to research other software programs to replace the current accounting system, as funding allows.

**Cash Necessary to Balance, Bank Reconciliations**

The cash necessary to balance is an outstanding adjustment that occurred in 2004 and was reflected on the City's December 31, 2004 year-end close. The outstanding adjustment has been consistent and remains the same for the December 31, 2005 year-end close. Exhaustive research to locate the adjustment has not been successful.

**Public Works Project**

During 2005, the City contracted with Harco for the construction of streets in two separate Phases, I and II. The total of both Phases was not exceeded, but Phase I was exceeded. During 2005, the City was not using a Purchase Order system, which should have caught the error. The City began using a Purchase Order system effective January 1, 2006. The Purchase Order system should alert the City to any over-expending of such a contract in the future.

Thank you for the opportunity to respond to the Examination Results and Comments.

Sincerely yours,



Rebecca L. Fuller  
City Controller

CC: Deborah Cantwell, Mayor