

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

EXAMINATION REPORT  
OF  
CITY OF LAWRENCE  
MARION COUNTY, INDIANA  
January 1, 2008 to December 31, 2008



**FILED**  
12/29/2009



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Mayor	Honorable F. Paul Ricketts	01-01-08 to 12-31-11
Controller	Kimberly M. Diller	01-01-08 to 12-31-09
Clerk	Kathleen A. Walton	01-01-08 to 12-31-11
President of the Common Council	Donald K. Poteat	01-01-08 to 12-31-09
Chairman of the Board of Public Safety and Works	R. Douglas Reeser	01-01-08 to 12-31-09
President of the Utility Service Board	Jason Woodruff	01-01-08 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 LAWRENCE, MARION COUNTY, INDIANA

We have examined the financial information presented herein of the City of Lawrence (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 16, 2009

CITY OF LAWRENCE  
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	\$ 224,946	\$ 20,692,065	\$ 19,669,522	\$ 1,247,489
Motor Vehicle Highway	1,342,425	1,531,044	2,072,534	800,935
Local Road and Street	630,395	514,590	663,456	481,529
Law Enforcement Continuing Education	45,716	40,964	29,144	57,536
Rainy Day	28,780	236,225	-	265,005
Developers Escrow/St. Insp.	83,995	11,525	-	95,520
Police Department Donations	-	-	-	-
Police Grant Equipment	3,991	-	3,895	96
Explorer Park Donations	826	-	-	826
Police DARE Program	959	-	-	959
Prosecutors Diversion	47,698	14,735	25,579	36,854
Park Nonreverting Operating	291,590	187,780	200,214	279,156
Federal Forfeiture	30,385	10,512	29,251	11,646
Police Firing Range	14,996	9,266	14,551	9,711
Recycling Education Grant	265	-	-	265
Fire Department Donations	2,305	-	1,763	542
Hazardous Materials Response	1,136	31,293	4,942	27,487
City Festival & Celebration Activities	500	8,928	1,327	8,101
Public Safety	-	2,275,811	1,339,620	936,191
Grant Meth Lab Training	162	-	-	162
Waste Tire Recycling Grant	9,483	-	-	9,483
Animal Shelter Donations	1,103	-	187	916
Chaplain Relief Donations	672	-	-	672
Defibrillator Donations	1,500	-	-	1,500
National Night Out	10	1,500	924	586
PAL Club Donations	2,199	-	-	2,199
SWAT Team Donations	858	2,600	3,310	148
Police Honor Guard Program	689	-	-	689
Police Other Donations	11,655	3,219	10,331	4,543
Federal Grant/Police Equipment	5,896	-	32,534	(26,638)
Federal Grant	-	187,020	199,082	(12,062)
Redevelopment District General	89,447	-	67,923	21,524
Special Non-Reverting	711,896	-	-	711,896
Emergency Medical Service	139,976	678,320	584,357	233,939
Government Center Debt	175,531	113,685	175,531	113,685
Park Building Debt	47,688	96,000	86,600	57,088
Park Bond	8,301	-	-	8,301
1998 Park Bond	129,679	264,000	253,805	139,874
Fire Debt II	35,170	23,827	35,170	23,827
Fire Debt V	111,875	30,139	64,304	77,710
Fire & Police 2002 Debt	125,128	357,133	396,350	85,911
Lawrence Building Corporation	-	930,670	708,989	221,681
Cumulative Capital Development	534,676	207,818	474,729	267,765
Cumulative Capital - Building	52,193	-	-	52,193
Transportation Bond Proceeds	874,088	-	571,671	302,417
Redevelopment District Bonds	-	200,631	125,906	74,725
Proprietary Funds:				
Water Utility - Operating	390,646	8,068,070	5,627,625	2,831,091
Water Utility - Bond and Interest Sinking	6,343	1	24	6,320
Water Utility - Bond Debt Reserve	259,738	621,255	880,877	116
Water Utility - Bond Proceeds	2,811,525	-	2,811,525	-
Wastewater Utility - Operating	35,997	6,535,063	6,570,616	444
Wastewater Utility - Bond and Interest Sinking	6,342	1	23	6,320
Wastewater Utility - Bond Debt Reserve	259,738	50,256	308,283	1,711
Wastewater Utility - Bond Proceeds	888,793	-	888,213	580
Self-Funded Insurance	118,327	2,964,609	3,041,759	41,177
Fiduciary Funds:				
Police Officers' Pension	290,551	296,045	410,501	176,095
Ft. Harrison Reuse Authority	1,643,848	2,488,889	2,459,484	1,673,253
Payroll	95,952	4,065,236	4,045,747	115,441
Employee Recognition	3,278	3,050	2,910	3,418
Totals	<u>\$ 12,631,861</u>	<u>\$ 53,753,775</u>	<u>\$ 54,895,088</u>	<u>\$ 11,490,548</u>

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

CITY OF LAWRENCE  
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, health 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).

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 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 Events

Board of Public Works and Safety (Board)

On January 7, 2009, the Board awarded the 52<sup>nd</sup> Street Revisions at U.S. Highway/State Road 67 Project to Tramco for \$242,353.

On March 26, 2009, the Board awarded the Traffic Signal at Pendleton Pike/Sheila Drive Project to The Hunt Paving Co., Inc., for \$322,067; awarded the Government Center Remodel Project to Myers Construction Management, Inc., for \$404,700; and awarded the Skate Park Project to Myers Construction Management, Inc., for \$317,300.

CITY OF LAWRENCE  
NOTES TO FINANCIAL INFORMATION  
(Continued)

On May 14, 2009, the Board approved the purchase of a 25 yard refuse packer from Best Equipment for \$153,880.

On July, 23, 2009, the Board awarded the bid for two heavy-duty rescue trucks to Donley Safety for \$632,072.

On August 27, 2009, the Board approved the lease purchase of two Labrie Automizers (automatic side loader trash trucks), one Petersen FL3 Lighting Loader (truck with clamshell mounted in truck bed), and 12,760 toters (96 gal trash containers) to TCF Equipment for \$1,463,509.

On September 10, 2009, the Board approved the purchase of three 2009 Ford Crown Victoria cars from Bloomington Ford in the amount of \$63,917 for the Police Department.

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

The City has entered into the following long-term debt:

Description of Asset	Ending Balance	Due Within One Year
Governmental activities:		
Capital leases:		
GEM Capital Corporation		
Park Facility Improvement, 1996 Issue	\$ 236,648	\$ 98,416
Lawrence Government Center Building Corporation:		
Park Facility Improvement, 2000 Issue	642,500	86,000
Lawrence Municipal Building Corporation:		
Government Center & Addition, 2006 Issue	5,966,580	697,237
Lawrence Fire Station Building Corporation:		
Fire Station Number 2, 2002 Issue	3,970,000	393,000
Pumper Trucks, 2003 Lease	193,595	137,364
Sterling Dump Trucks (2), 2006 Lease	72,185	39,400
2008 Ford Crown Victoria Police Cars (20), 2007 Lease	138,293	145,416
2006 Pierce Arrow XT Pumper Truck	310,000	87,141
2008 Dell Laptops (5)	7,119	3,647
2008 OCE TCS 500 System Plotter/Scanner/Color Printer	18,769	8,484
2008 Bobcat	<u>40,626</u>	<u>7,200</u>
 Total - capital leases	 <u>11,596,315</u>	 <u>1,703,305</u>
Bonds payable:		
General obligation bonds:		
Community Park Soccer Fields, 1998 Issue	2,075,000	252,183
Transportation - City Roads, 2004 Issue	<u>4,360,000</u>	<u>353,536</u>
 Total - bonds payable	 <u>6,435,000</u>	 <u>605,719</u>
 Total governmental activities long-term debt	 <u>\$ 18,031,315</u>	 <u>\$ 2,309,024</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
Waterworks Plant Improvements, 2007A Issue	\$ 3,535,000	\$ 289,994
Waterworks Plant Improvements, 2007B Issue	<u>3,885,000</u>	<u>374,932</u>
 Total Water Utility	 <u>7,420,000</u>	 <u>664,926</u>
Wastewater Utility:		
Revenue bonds:		
Sewage Works Plant Improvements, 2007A Issue	815,000	68,029
Sewage Works Plant Improvements, 2007B Issue	<u>1,705,000</u>	<u>164,106</u>
 Total Wastewater Utility	 <u>2,520,000</u>	 <u>232,135</u>
 Total business-type activities long-term debt	 <u>\$ 9,940,000</u>	 <u>\$ 897,061</u>

CITY OF LAWRENCE  
EXAMINATION RESULTS AND COMMENTS

EMERGENCY MEDICAL SERVICES INTERNAL CONTROLS

Controls over the receipting, recording, and accounting for the Emergency Medical Services (EMS) financial activities were insufficient due to the computer accounts receivable/billing system currently in place. The current system is incapable of generating an all-inclusive outstanding accounts receivable report. To obtain the outstanding accounts receivable balance at year-end, an accounts receivable report would have to be run for each entered year, back to the implementation of the system. In addition, while those reports do show all payments made to those accounts, they do not show the payment dates. This means that, in order to determine if a 2008 payment was made on a 2006 account, an individual would have to pull up the 2006 account with a payment on the computer to view the date paid. The system also is incapable of generating payment reports for a specified period of time such as for the year 2008. Therefore, at this time, total payments made in 2008 per the EMS accounts receivable/billing system cannot be readily determined. A similar comment appeared in prior Report B32929.

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)

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

Accounts receivable for emergency medical and trash services are not covered by a formal policy addressing the write-off of old uncollectible accounts. A similar comment appeared in prior Reports B30013 and B32929.

The governing body of a governmental unit should have a written policy concerning a 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.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

The City, Water Utility, and Wastewater Utility do not maintain sufficient detailed records of capital assets. Additionally, the City does not have a formal capital asset policy. A similar comment appeared in prior Report B32929, and several previous reports.

CITY OF LAWRENCE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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)

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)

ORDINANCES AND RESOLUTIONS

The Water Utility has an ordinance concerning the fees for fire protection services (hydrants, hose connections and sprinkler lines) and an ordinance concerning fees charged to builders for water connection and development. However, the Utility is not charging the fee amount established in the ordinance. A similar comment appeared in prior Report B32929.

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)

ANNUAL REPORT

The 2008 Annual Report was filed after February 2009. A similar comment appeared in prior Report B32929.

IC 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

OFFICIAL BONDS

The Controller and the City Clerk did not have official bonds for 2008. These individuals were later bonded in 2009.

IC 5-4-1-18 states in part: "(a) Except as provided in subsection (b), the following city officers and employees shall file an individual surety bond: (1) City judges, controllers, clerks, and clerk-treasurers. . . . (5) Those employees directed to file an individual bond by the fiscal body of a city, town or county."

PAYMENTS IN LIEU OF TAXES

In 2008, the Water Utility paid \$1,537,000 and the Wastewater Utility paid \$1,115,000 to the City as payments in lieu of taxes. No documentation was provided to support the amount charged.

CITY OF LAWRENCE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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". It is our audit position that municipal utilities not under the Indiana Utility Regulatory Commission (IURC) could also elect to make payments in lieu of taxes under Indiana Code 8-1.5-3-8. (Cities and Towns Bulletin and Uniform Compliance Guidelines issued by State Board of Accounts, March 2001)

In a listing of factors that may be used in the establishment of fees for sewage service, IC 36-9-23-25(d)(9) states: "The amount of money sufficient to compensate the municipality for the property taxes that would be paid on the sewage works if the sewage works were privately owned".

UTILITY RECEIPTS TAX

The Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue during the examination period.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF LAWRENCE  
EXIT CONFERENCE

The contents of this report were discussed on November 16, 2009, with Honorable F. Paul Ricketts, Mayor; and Kimberly M. Diller, Controller; and Donald K. Poteat, President of the Common Council. The official response has been made a part of this report and may be found on pages 13 and 14.



CITY OF  
**LAWRENCE**  
INDIANA

MAYOR  
*Paul Ricketts*

**"OFFICIAL RESPONSE"**

**State Board of Accounts  
302 West Washington Street, Room E 418  
Indianapolis, IN 46204-2738**

Re: City of Lawrence Examination for Year 2008

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 2008.

**Emergency Medical Services Internal Controls**

The City is in the process of implementing a new accounting system with a billing and collections module that will allow accurate reporting on accounts receivable. It will also allow for strong internal control procedures by utilizing an approval process that will ensure accounts are not deleted and payments to accounts are posted by a different person than the person receiving the payment. This system will be in place and operational on April 1, 2010.

**Bad Debts and Uncollectible Accounts**

The City realizes the need for a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. Although it was thought by the City that this policy could be in place before the end of 2008, this was not completed. It is planned that after the new accounting system is in place, a policies and procedures manual will be created that will include bad debts and uncollectible accounts.

**Capital Asset Records**

The City has contracted with Keiser Consulting to perform an inventory of the City's capital assets. The Common Council is adopting a capital asset policy in December 2009. Once the inventory is complete, the City will have an accurate record of all capital assets. The estimated completion date is June 2010.

**Ordinances and Resolutions**

In 2009 the Common Council passed ordinances correcting any inconsistencies in utility fees and the utility is charging the fees based on the new ordinances.

**Annual Report**

The 2008 annual report was filed after the deadline due to additional time needed to ensure the report was as accurate as possible. The 2009 annual report will be filed by the necessary deadline.

**Official Bonds**

Bonds have been obtained for both the Controller and Clerk and will be updated annually as required.

**Payments in Lieu of Taxes**

The current PILOT collected by the utility is an amount voted on by the Common Council years ago when the utility management was transferred to an outside entity. When the City regained management over the utility in late 2007, the Utility Service Board voted to retain the same PILOT amount, to be reviewed at a later date. That review will take place in 2010 and documentation will be provided to support any payment amount approved by the Utility Service Board.

**Utility Receipts Tax**

The City regained management of the utility in late 2007. With 2008 being the first year of management, the City has learned of certain oversights, including the non-payment of the utility receipts tax. The Controller will ensure that this is resolved immediately and payments will be made as required by law.

Sincerely,



Kimberly M. Diller  
Controller  
City of Lawrence

CC: Mayor Paul Ricketts