

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

EXAMINATION REPORT
OF
CITY OF LAWRENCEBURG
DEARBORN COUNTY, INDIANA
January 1, 2008 to December 31, 2008



FILED
01/28/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jacqueline A. Stutz	01-01-08 to 12-31-11
Mayor	William Cunningham	01-01-08 to 12-31-11
President of the Board of Public Works	William Cunningham	01-01-08 to 12-31-11
President of Common Council	William Cunningham	01-01-08 to 12-31-11
Superintendent of Utilities	Charles M. Davis	01-01-08 to 12-31-09



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF LAWRENCEBURG, DEARBORN COUNTY, INDIANA

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

STATE BOARD OF ACCOUNTS

December 15, 2009

CITY OF LAWRENCEBURG
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, 2008

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 4,209,788	\$ 9,198,352	\$ 7,048,212	\$ 6,359,928
Motor Vehicle Highway	1,346,392	1,180,958	691,596	1,835,754
Local Road and Street	29,540	29,783	71,502	(12,179)
Parks and Recreation	324,555	979,078	372,631	931,002
Nonreverting Parking Fees	21,943	965	-	22,908
Police Tow	(1,275)	-	-	(1,275)
Nonreverting Parks Operating	473,041	83,820	25,361	531,500
Law Enforcement Continuing Education	22,640	4,960	2,493	25,107
Nonreverting Police Activity	89	-	-	89
Nonreverting Economic Development	81,854	13,334	273	94,915
Remedial Flood Control	(134,533)	-	-	(134,533)
Nonreverting K-9 Operating	4,356	11,300	15,719	(63)
Operation Pullover	-	3,403	1,131	2,272
Nonreverting Drug Buy Program	30,557	30,000	2,075	58,482
BCC-Operation Pullover	-	5,796	7,431	(1,635)
Municipal Development	2,794,915	30,099,317	50,197,847	(17,303,615)
Municipal Development Bond Bank	4,285,135	106,737	-	4,391,872
Municipal Development Special Sewage	699,821	16,936	19,890	696,867
Riverboat	95,658,608	39,918,871	12,130,583	123,446,896
Nonreverting Refuse Collection	192,475	15,706	-	208,181
AEP Grant	53	200,000	192,068	7,985
Nonreverting Police Equipment	3,281	173	3,291	163
Nonreverting Self Insurance Disaster	65,289	-	-	65,289
Cumulative Capital Improvement	(72,288)	12,134	-	(60,154)
Nonreverting Capital Improvement Parks	(287)	-	-	(287)
Nonreverting Planning Commission	31,389	9,727	793	40,323
Nonreverting Industrial Park	290,782	-	-	290,782
Nonreverting Lawrenceburg Emergency Rescue Unit	151,230	59,377	-	210,607
Nonreverting Fire Fighting Equipment	956,135	125,385	321,912	759,608
Nonreverting Cumulative Equipment	(17,531)	-	-	(17,531)
Worker Training	798	-	-	798
Clerk's Record Perpetuation	23,939	39,716	10,000	53,655
Housing Rehabilitation	116,596	28,571	19,802	125,365
Redevelopment Capital	-	-	-	-
Lawrenceburg Emergency Rescue Unit Fees	132,077	282,283	674	413,686
Fiduciary Funds:				
Police Pension	1,345,746	301,695	161,482	1,485,959
Payroll	29,724	7,263,894	7,248,936	44,682
Law Enforcement User Fees	4,874	9,296	14,279	(109)
County Court Costs	-	86,221	86,221	-
City Court	242,415	511,983	703,038	51,360
Proprietary Funds:				
Electric Operating	2,620,256	10,732,115	9,989,015	3,363,356
Electric Depreciation	413,640	-	-	413,640
Electric Reserve	437,874	-	-	437,874
Electric Customer Deposits	155,313	19,638	14,946	160,005
Water Operating	439,267	769,934	576,667	632,534
Water Depreciation	247,780	-	-	247,780
Wastewater Operating	479,822	350,079	493,178	336,723
Totals	\$ 118,138,075	\$ 102,501,538	\$ 90,423,046	\$ 130,216,567

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

CITY OF LAWRENCEBURG
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, sanitation, health and social services, culture and recreation, general administrative services, public improvement, planning and zoning, electric, water, wastewater, and economic development.

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 District 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 District 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 LAWRENCEBURG
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

A. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

1. 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.

2. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for the 1925 Police Officers' Pension Plan are established by state statute.

CITY OF LAWRENCEBURG
NOTES TO FINANCIAL INFORMATION
(Continued)

B. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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 Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF.

Note 7. Loans Receivable

The City made long-term loans to various public entities and private entities from their Municipal Development Fund. The total outstanding loans as of December 31, 2008, were \$2,632,117 and \$13,357,190 to public entities and private entities, respectively.

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS

CONCRETE WORK PERFORMED ON PRIVATE PROPERTY (Applies To Common Council)

Invoices paid by the City for street paving and street repairs from the Municipal Development Fund showed additional costs being paid for concrete work on private property. Mario Todd, City Councilman and City Construction Inspector, stated it is the City's practice to allow the contractor who is awarded the annual street bid to perform additional work for property owners. The contractor provides an estimate to the property owner for the work to be performed. If the property owner signs the estimate, agreeing to the work, the work is performed and paid for by the City. The property owners are periodically sent notices, requesting reimbursement to the City for the cost of the work performed. Records presented for examination showed amounts due from property owners was \$210,207 as of December 31, 2008. (See Examination Result and Comment titled "Accounting for Amounts Due from Property Owners")

Generally, public funds may not be used to make improvements to property not owned by the governmental unit, unless permitted by statute, federal or state requirements, or safety concerns. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

We recommended that the City discontinue the practice of paying for concrete work performed on private property.

ACCOUNTING FOR AMOUNTS DUE FROM PROPERTY OWNERS
(Applies to Common Council and Clerk Treasurer)

Records presented for examination by the Clerk-Treasurer showed that property owners owed the City \$210,207 as of December 31, 2008, for the cost of concrete work performed on private property. (See Examination Result and Comment titled "Concrete Work Performed on Private Property") The City periodically sends notices to the property owners requesting reimbursement for the cost of the work performed. We noted following deficiencies regarding the accounting for amounts due from property owners:

1. No written agreements between the City and the property owners establishing the amount due or terms of repayment to the City were presented for our examination.
2. Information was not presented for examination showing reconcilements were performed between the amounts billed to the property owners for work performed with the actual cost paid by the City as shown on contractor invoices to help assure that all costs paid by the City were billed to the property owner.
3. The total amount due from property owners (accounts receivable) can only be determined by adding the outstanding balances of the property owners. No accounts receivable control account was maintained showing the total amount billed for the year, total amount paid during the year and the total accounts receivable balance at any point in time. An accounts receivable control account would help assure that billings and payments are properly recorded on individual property owner's accounts.

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES (Applies to Clerk-Treasurer)

The following schedule are examples of funds with a deficit cash balance as of December 31, 2008:

Fund	Deficit Cash Balance	Investment Balance	Reported Balance Cash and Investments
Municipal Development Fund	\$ (36,884,365)	\$ 19,580,750	\$ (17,303,615)
Remedial Flood Control	(204,533)	70,000	(134,533)
Local Road and Street	(12,179)	-	(12,179)
Nonreverting Cumulative Equipment	(17,531)	-	(17,531)
Cumulative Capital Improvement	(60,154)	-	(60,154)

Deficit cash balances occurred because several City funds share a common depository account. When a deficit cash balance occurs, the Clerk-Treasurer is in effect borrowing funds from other City funds without obtaining formal approval from the City Council.

The deficit cash balance in the Municipal Development Fund (MDF) occurred as a result of a transaction recording error. A Municipal Development Fund receipt of \$17,341,844 (received per a contractual agreement with a local riverboat operator) was recorded to the credit of the City's Riverboat Fund rather than to the MDF. We brought this to the attention of the Clerk-Treasurer who made a correction in the year 2009.

IC 36-1-8-4 (a) states:

"The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met:

- (1) It must be necessary to borrow money to enhance the fund that is in need of money for cash flow purposes.
- (2) There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred.
- (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.
- (4) The amount transferred must be returned to the other fund at the end of the prescribed period.

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (5) Only revenues derived from the levying and collection of property taxes or special taxes or from operation of the political subdivision may be included in the amount transferred."

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)

A similar comment was reported in Reports B33750 and B31498.

MUNICIPAL DEVELOPMENT FUND BUDGET (Applies to Common Council and Clerk-Treasurer)

Due to the Municipal Development Fund (MDF) incurring a deficit cash balance at December 31, 2008, (See Examination Result and Comment titled "Overdrawn Cash Balances") and a deficit balance in the amount of \$5,440,544 as of November 30, 2009, we reviewed the City's budgeting procedures for the MDF. The primary source of revenue to the MDF is contractual payments made by a riverboat operator in connection with an agreement between the City and the riverboat operator. The following is a comparison of budgeted expenditures with available funding:

2008 Appropriations (Note 1)	\$	90,509,561
2007 Appropriation carry-over (Note 2)		<u>24,962,215</u>
Total budgeted expenditures for the year 2008		<u>115,471,776</u>
Funds available to fund budgeted expenditures:		
Cash and investment balance 01-01-08		2,794,915
Actual receipts		30,099,317
Additional receipts (Note 3)		<u>17,341,845</u>
Total funds available to fund budgeted expenditures		<u>50,236,077</u>
Budgeted disbursements in excess of available funds	\$	<u><u>(65,235,699)</u></u>

Note 1: The 2008 appropriation amount was obtained from the Appropriation Report and a budget spreadsheet prepared by the City Manager.

Note 2: The 2007 appropriation carry over amount was obtained from the Appropriation Report and a budget spreadsheet prepared by the City Manager. No supporting documentation such as purchase orders or outstanding contracts was presented for examination to support the carry over amount.

Note 3: Additional receipts are to account for payments received from a local riverboat operator that were recorded in error to the credit of the Riverboat Fund instead of the MDF. This error was corrected in the year 2009.

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

An ordinance showing the Common Council approved appropriations for the MDF for the year 2008 was not presented for examination.

We also attempted to compare budgeted receipts with actual receipts. However, no budgeted receipt (income) information was presented for examination.

City Ordinance No. 8-2004, approved by Common Council on August 2, 2004, states that the Municipal Development Fund (MDF) annual budget shall include the following:

- "1. Income by source, including actual receipts for the preceding year, if applicable, anticipated receipts for the budget year and next year.
2. Line items approved by City Council for all major expense categories.
3. Year-end balance of the MDF Fund.
4. A provision for reserves of two and one-half percent of current year receipts."

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)

IC 36-4-8-2 states in part:

". . . Unless a statute provides otherwise, the fiscal officer may draw a warrant against a fund of the city only if:

- (1) an appropriation has been made for that purpose and the appropriation is not exhausted . . ."

LOANS TO PRIVATE ENTITIES (Applies to City Council)

The City made long-term loans to various private entities directly from their Municipal Development Fund without establishing a Revolving Loan Fund. The City had a total of \$13,357,190 loans outstanding to private entities as of December 31, 2008. The primary source of revenue to the Municipal Development Fund is monies contributed by a riverboat operator in connection with an agreement between the City and the riverboat operator.

IC 5-1-14-14(b) states in part:

"A . . . municipality may establish a revolving fund from grants . . . The . . . municipality may loan the money in the revolving fund to any borrower if the . . . municipal fiscal body finds that the loan will be used by the borrower for one (1) or more of the following economic development purposes:

- (1) Promoting significant opportunities for the gainful employment of the . . . municipality's residents.
- (2) Attracting a major new business enterprise to the . . . municipality.
- (3) Retaining or expanding a significant business enterprise in the . . . municipality."

A similar comment was reported in Report B33750.

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS OVER LOANS TO PRIVATE ENTITIES (Applies to Clerk-Treasurer)

The City made long-term loans to various private entities from their Municipal Development Fund. (See Examination Result and Comment titled "Loans to Private Entities") Controls over the accounting for loans to private entities were insufficient:

1. The City does not maintain sufficient detailed records of loans receivable. A spreadsheet was maintained for each loan, which listed the original loan amount and a list of repayments. However, the repayments were not broken down by principal and interest; therefore, the outstanding loan balance could not be determined based upon the information provided in the spreadsheets.
2. Amortization schedules documenting the payment amounts due were not on file for all loans.
3. According to the promissory notes signed by the respective loan recipients, the loans were to be repaid in monthly payments. The City did not send a bill or invoice to the loan recipients for payments due.
4. The promissory notes include a provision to assess a late charge for overdue payments; however, the City did not assess late charges on overdue payments.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RENT ASSISTANCE (Applies to Board of Works)

Payments of \$845 were noted for rent and rental deposits for two individuals. City officials stated that after a fire in a local apartment building, funds were provided to residents to assist them in relocating.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PAYMENT OF REPAIR WITHOUT SUPPORTING DOCUMENTATION (Applies to Clerk-Treasurer)

A customer contacted the Wastewater Utility regarding damage done on the customer's private property during a sanitary sewer construction project. The customer was paid \$2,589; however, no bills or invoices to support the cost of the damages incurred was presented for examination.

IC 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim . . ."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TRAVEL EXPENSES (Applies to Electric, Water, and Wastewater Utilities)

On August 27, 2008, the Utilities' credit card was used to purchase airline tickets for Utility Director Charles M. Davis and his spouse. It is the Utility's practice to allow a spouse's flight to be charged to the Utility credit card when they are accompanying an employee on a business trip. The cost of the spouse's ticket is later reimbursed.

Due to a medical emergency, the airline tickets were not used. Mr. Davis stated that he had received a letter from the airlines stating that a credit would be received on the Utility's credit card account for the cost of his spouse's airline ticket. Mr. Davis stated that he had instructed the Utility's Accounting Customer Service employee not to process the payment for this credit card charge because a credit would be received. However, the cost of Mr. Davis' spouse's airline ticket was paid on November 4, 2008. As of November 8, 2009, the airline had not issued a credit to the Utility's credit card account. Mr. Davis stated he is in the process of trying to locate the letter and will contact the airline to see if a credit can be obtained.

We advised Mr. Davis on November 19, 2009, that we would review the status of the above to determine if a credit or refund was received by the Utility.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

We recommended that the Utility discontinue the practice of allowing spouse's travel expenses to be charged to the Utility credit card.

COMPENSATION NOT REPORTED (Applies to Clerk-Treasurer)

The Park and Recreation Department's facility rental agreements for Agner Hall require police coverage during events that will have alcohol beverages on the premises. The rental agreement sets the cost of the police coverage at \$25 dollars per hour. The Police Department then assigns an off-duty police officer or a reserve officer to cover the event. The agreement requires the renter to pay the Clerk-Treasurer at the time the rental fee is paid; however, payment for police coverage is not collected by the Clerk-Treasurer. Per inquiry of Clerk-Treasurer, the renter pays the assigned officer directly for his services.

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

The City appears to be the employer of the assigned police officer because they are setting the compensation and they are assigning the police officer to monitor activity at a City facility. We recommended that the City contact the IRS and request a written determination on whether they have any responsibility to report these wages and to remit any applicable payroll taxes.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was reported in Reports B33750 and B31498.

ANNUAL REPORT (Applies to Clerk-Treasurer)

The Annual City and Town Financial Report (Form CTAR-1), Part 1 was incomplete. The annual report did not contain receipt, disbursement, or balance figures for the Electric, Water, or Wastewater Utility Funds. In addition, the Annual Report did not include the financial activity of the Local Emergency Rescue Unit Fund. (See Examination Result and Comment titled "Funds Not Recorded on Financial Records")

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 . . ."

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)

DONATIONS TO SCHOOL ENDOWMENT CORPORATIONS (Applies to Common Council)

There are three school corporations in Dearborn County and three school endowment corporations established to provide educational resources to the respective school corporations. In 2008, the City paid a total of \$1,001,753 from gaming tax revenues to the three school endowment corporations. Prior to 2008, the City entered into separate revenue sharing agreements with each of the school corporations that provided for a portion of the gaming tax revenue received by the City from riverboat gaming operations to be paid to the respective school endowment corporations. However, there were no agreements between the three school endowment corporations and the City.

IC 20-47-1-3 states:

"A political subdivision may donate proceeds from riverboat gaming to a public school endowment corporation under the following conditions:

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (1) The public school endowment corporation retains all rights to the donation, including investment powers.
- (2) The public school endowment corporation agrees to return the donation to the political subdivision if the corporation:
 - (A) loses the corporation's status as a public charitable organization;
 - (B) is liquidated; or
 - (C) violates any condition of the endowment set by the fiscal body of the political subdivision."

A similar comment was reported in prior Reports B33750 and B31498.

SCHOLARSHIP PROGRAM (Applies to City Council)

Prior to the year 2008, the City Council passed Resolution No. 14-2002 that authorized the establishment of a "City of Lawrenceburg Education Grant Program" to be administered by the Dearborn County Community Foundation (Foundation). This program provides scholarships to graduates of Lawrenceburg High School and is funded by the City with payments to the Foundation from the City's Municipal Development Fund (MDF). The source of funding for the MDF fund is a contractual fee paid to the City by a riverboat operator. Prior to the year 2008, the City Council passed Home Rule Ordinance No. 8-2006 authorizing the use of City funds for this purpose. During the year 2008, the City paid \$400,000 to the Foundation to distribute the scholarships; however, no contractual agreement between the City and the Foundation was presented for examination.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was reported in prior Reports B33750 and B31498.

APPROPRIATIONS (Applies to Clerk-Treasurer)

The records presented for examination showed the Local Road and Street Fund expenditures were in excess of budgeted appropriations in the amount of \$10,302.

IC 36-4-8-2 states in part:

". . . Unless a statute provides otherwise, the fiscal officer may draw a warrant against a fund of the city only if:

- (1) an appropriation has been made for that purpose and the appropriation is not exhausted . . ."

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

OPTICAL IMAGES OF WARRANTS (Applies to Clerk-Treasurer)

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

IC 5-15-6-3 concerning optical imaging of checks states in part:

"(a) . . . 'original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . . "

Further, IC 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

LAWRENCEBURG COMMUNITY CENTER (Applies to the Common Council)

The City paid \$560,000 to the Lawrenceburg Community Center (Community Center). City officials stated the payment was for the purpose of operating the Community Center. The funds were paid from the Municipal Development Fund (MDF). The MDF is funded mainly through a contractual agreement with a riverboat operator. No contractual agreement between the City and the Community Center was presented for examination.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FUNDS NOT RECORDED ON FINANCIAL RECORDS (Applies to Clerk-Treasurer)

The Local Emergency Rescue Unit (LERU) became a department of the City in the year 2005. Receipts collected by the LERU during the year 2008 for emergency runs were deposited into a separate City bank account; however, these funds are not recorded in the City's financial records.

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 7)

A similar comment was reported in prior Reports B33750 and B31498.

BANK ACCOUNT RECONCILIATIONS (Applies to Clerk-Treasurer)

Depository reconciliations of the fund balances to the bank account balances for the Lawrenceburg Housing RLF bank account were not presented for examination.

IC 5-13-6-1(e) states in part:

"All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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)

CLOTHING ALLOWANCES (Applies to Clerk-Treasurer and Utility Service Board)

Article III (7) of the collective bargaining agreement between the City of Lawrenceburg, Indiana and the International Association of Machinists and Aerospace Workers, effective through December 31, 2008, states in part:

"The Employer agrees to pay each employee the cost of five complete sets of uniforms per employee per year, to be paid in March of each year. The City agrees to obtain current prices each year. . . . Employees will be required to show proof of purchase and wear the uniforms."

On March 5, 2008, each Utility employee was paid a clothing allowance of \$525. No proof of purchase was presented for examination and the amount paid was not reported on Internal Revenue Form W-2.

Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was reported in prior Reports B33750 and B31498.

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS – GOVERNMENTAL ACTIVITIES (Applies to Clerk-Treasurer)

The City does not maintain sufficient detailed records of its capital assets for its governmental activities.

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)

A similar comment was reported in prior Reports B33750 and B31498.

CAPITAL ASSET RECORDS – PROPRIETARY FUNDS
(Applies to Electric, Water, and Wastewater Utilities)

The Utility does 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 an aggregate Utility Plant in Service account, and to subsidiary accounts for land, buildings, etc., in the General Ledger. 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)

A similar comment was reported in prior Reports B33750 and B31498.

DELINQUENT WASTEWATER ACCOUNTS (Applies to Wastewater Utility)

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:

- (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.

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

(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. . . ."

A similar comment was reported in Reports B33750 and B31498.

DELINQUENT UTILITY ACCOUNTS (Applies to Utility Service Board)

The Disconnection for Non-Payment Policy, approved by the Utility Service Board, allows a customer to enter into a payment agreement prior to having service disconnected if the customer pays 50% of the delinquent account balance and agrees to pay the remaining 50% within 30 days. The Superintendent of Utilities and the Utility Office Manager stated that it is the Utilities' practice to allow customers to make other arrangements, handled on a case by case basis, that are not included in the written policy. These practices include the following without written Utility Service Board approval:

1. Customers may sign payment agreements to pay less than 50% of the delinquent account balance.
2. A customer may sign a list in the Utility office, without making a payment, if the customer specifies the date the payment will be made.
3. Service may not be disconnected even if payments are not made in accordance with the payment agreements.

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)

We recommended the Utilities comply with the Disconnection for Non-Payment Policy or modify the policy to agree with their practice for handling delinquent accounts.

A similar comment was reported in prior Reports B33750 and B31498.

CITY OF LAWRENCEBURG
EXIT CONFERENCE

The contents of this report were discussed on December 15, 2009, with William Cunningham, Mayor; Jacqueline A. Stutz, Clerk-Treasurer; Tom Steidel, City Manager; Mario Todd, City Councilman; Charles M. Davis, Superintendent of Utilities; and Vickie Robinson, Utility Accountant. The officials concurred with our findings.