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

EXAMINATION REPORT  
OF  
CITY OF WHITING  
LAKE COUNTY, INDIANA  
January 1, 2008 to December 31, 2009



**FILED**  
12/20/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mark S. Adam	01-01-08 to 12-31-11
Mayor	Joseph Stahura	01-01-08 to 12-31-11
President of the Town Council	Chris Sarvanidis	01-01-08 to 12-31-10
City Court Judge	Ann P. Likens	01-01-08 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF WHITING, LAKE COUNTY, INDIANA

We have examined the financial information presented herein of the City of Whiting (City), for the period of January 1, 2008 to December 31, 2009. 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 years ended December 31, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

October 25, 2010

CITY OF WHITING  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 545,085	\$ 10,887,451	\$ 10,225,948	\$ 1,206,588
Special Revenue Funds:				
Motor Vehicle Highway	285,212	346,068	392,584	238,696
Local Road and Street	296,977	348,513	327,153	318,337
Park and Recreation	201,690	1,745,583	1,713,153	234,120
Park Nonreverting Operating	19,820	36,632	31,584	24,868
Park Donation	5,643	3,004	2,667	5,980
Park Shoreline Improvement	186,152	13,091	24,272	174,971
Local Supplement Probation	7,178	8,455	7,115	8,518
Law Enforcement Continuing Education	15,758	4,734	10,971	9,521
Court Donation	7,073	1,775	3,185	5,663
Clerk Record Perpetuation	5,096	894	481	5,509
Economic Development Project Innkeepers Tax	75,781	4,677	16,256	64,202
Economic Development Commission	1,348	-	966	382
Animal Control	25,045	3,523	16,310	12,258
Street Light	26,616	238,283	116,308	148,591
Redevelopment Commission Operating	115,339	147,545	116,666	146,218
Riverboat	52,567	68,729	25,000	96,296
Lakefront Commons Allocation	47,763	-	-	47,763
New York Avenue Allocation	6,000	12,000	-	18,000
Tax Increment Financing (TIF) Allocation No. 1	782,651	2,978,966	1,339,553	2,422,064
BP Settlement (City)	357,515	310,033	385,376	282,172
Debt Service Funds:				
Whiting Bond	5,171	142,396	144,160	3,407
Redevelopment District Tax Increment Financing (TIF)				
Revenue Bond and Interest	264,418	364,528	624,448	4,498
Debt Service Reserve Held in Trust (See Note)	850,662	639,666	519,725	970,603
Capital Projects Funds:				
RDA Lakefront Grant	-	846,330	399,361	446,969
Park Nonreverting Capital	130,282	75,693	111,792	94,183
Cumulative Capital Improvement	97,347	16,705	31,974	82,078
Cumulative Capital Development	26,016	135,791	105,124	56,683
Redevelopment Standard Avenue Construction	1,679,369	198,180	1,713,725	163,824
Proprietary Funds:				
Water Utility - Operating	459,035	667,301	689,274	437,062
Sanitary District General	151,235	2,983,394	2,591,018	543,611
Solid Waste Recycling Grant	171,065	-	64,777	106,288
Basin/Sewer Users	580,112	1,164,741	967,595	777,258
BP Settlement (Sanitary District)	549,376	889,850	740,644	698,582
Sanitary District Bond	76,124	2,125,390	2,167,785	33,729
Internal Service Fund:				
Hospitalization	96,645	1,245,350	1,338,371	3,624
Fiduciary Funds:				
Fire Pension	91,584	635,067	681,117	45,534
Police Pension	171,977	553,166	535,430	189,713
Public Employees Retirement Fund	28,039	104,158	132,197	-
IN Police and Fire Pension	20,523	84,874	104,948	449
Town Court	74,242	202,019	210,104	66,157
Tax Fund	-	1,498,060	1,498,060	-
Payroll Fund	-	6,188,627	6,188,627	-
Child Support Fund	-	34,020	34,020	-
Totals	<u>\$ 8,589,531</u>	<u>\$ 37,955,262</u>	<u>\$ 36,349,824</u>	<u>\$ 10,194,969</u>

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

CITY OF WHITING  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2008 And 2009  
(Continued)

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 1,206,588	\$ 11,973,722	\$ 12,572,285	\$ 608,025
Special Revenue Funds:				
Motor Vehicle Highway	238,696	291,601	349,161	181,136
Local Road and Street	318,337	145,181	283,020	180,498
Park and Recreation	234,120	1,907,552	1,872,817	268,855
Park Nonreverting Operating	24,868	24,586	47,017	2,437
Park Donation	5,980	3,759	4,427	5,312
Park Shoreline Improvement	174,971	75,000	170,128	79,843
Local Supplement Probation	8,518	6,656	10,832	4,342
Law Enforcement Continuing Education	9,521	4,654	10,572	3,603
Court Donation	5,663	900	2,900	3,663
Clerk Record Perpetuation	5,509	890	1,699	4,700
Economic Development Project Innkeepers Tax	64,202	4,773	16,608	52,367
Economic Development Commission	382	9,985	382	9,985
Animal Control	12,258	2,807	4,160	10,905
Street Light	148,591	57,473	112,936	93,128
Redevelopment Commission Operating	146,218	216,577	270,176	92,619
Riverboat	96,296	70,392	85,000	81,688
Lakefront Commons Allocation	47,763	18,525	-	66,288
New York Avenue Allocation	18,000	6,000	24,000	-
Tax Increment Financing (TIF) Allocation No. 1	2,422,064	1,798,464	3,449,914	770,614
BP Settlement (City)	282,172	281,212	563,384	-
Debt Service Funds:				
Whiting Bond	3,407	251,981	213,579	41,809
Redevelopment District Tax Increment Financing (TIF)				
Revenue Bond and Interest	4,498	900,414	761,984	142,928
Redevelopment District Tax Increment Financing (TIF)				
Subordinate Bond and Interest	-	38,336	37,836	500
Debt Service Reserve Held in Trust (See Note)	970,603	800,104	675,174	1,095,533
Capital Projects Funds:				
RDA Lakefront Grant	446,969	1,649,925	1,160,722	936,172
Park Nonreverting Capital	94,183	270	24,635	69,818
Cumulative Capital Improvement	82,078	19,313	42,168	59,223
Cumulative Capital Development	56,683	63,995	118,372	2,306
Redevelopment Standard Avenue Construction	163,824	-	163,824	-
Cleveland Avenue Bond Construction Project	-	1,971,901	84,349	1,887,552
Proprietary Funds:				
Water Utility - Operating	437,062	623,449	612,789	447,722
Sanitary District General	543,611	3,278,418	1,879,519	1,942,510
Solid Waste Recycling Grant	106,288	39,606	97,793	48,101
Basin/Sewer Users	777,258	1,112,839	1,004,311	885,786
BP Settlement (Sanitary District)	698,582	525,909	656,960	567,531
Sanitary District Bond	33,729	2,116,483	1,730,465	419,747
Internal Service Fund:				
Hospitalization	3,624	1,101,587	1,081,960	23,251
Fiduciary Funds:				
Fire Pension	45,534	705,260	562,994	187,800
Police Pension	189,713	794,478	692,189	292,002
Public Employees Retirement Fund	-	102,144	102,144	-
IN Police and Fire Pension	449	81,333	81,327	455
Town Court	66,157	175,778	162,049	79,886
Tax Fund	-	1,460,918	1,460,918	-
Payroll Fund	-	6,216,418	6,216,418	-
Child Support Fund	-	34,508	34,508	-
Totals	<u>\$ 10,194,969</u>	<u>\$ 40,966,076</u>	<u>\$ 39,510,405</u>	<u>\$ 11,650,640</u>

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

CITY OF WHITING  
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, health and social services, culture and recreation, 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.

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 WHITING  
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 the 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 member's 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. The 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

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the City for 2009 were \$181,225.

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

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

CITY OF WHITING  
NOTES TO FINANCIAL INFORMATION  
(Continued)

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11. The State of Indiana has contributed \$607,339 for 2009 on behalf of the City. On behalf contributions from the State of Indiana approximates the amount paid out for benefits.

3. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' 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 36-8-7). 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

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11. The State of Indiana has contributed \$470,501 for 2009 on behalf of the City. On behalf contributions from the State of Indiana approximates the amount paid out for benefits.

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 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. 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:

CITY OF WHITING  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for 2009 were \$264,313.

Note 7. Debt Service Reserve Held in Trust

Certain funds held in trust by a third party were not reported in the prior period financial statements. The cash and investment balances and trust account activity has been reported in these financial statements as Debt Service Reserve Held in Trust.

Note 8. Subsequent Events

Lakefront Project Bonds

Redevelopment District Tax Increment Revenue Bonds were issued for \$18,455,000 for Lakefront Development.

Phase II Standard Avenue and Front Street

The City was awarded a \$1,093,452 federal grant for the reconstruction of Standard Avenue and Front Street. The City will be required to remit a 20% match to the Indiana Department of Transportation who will then perform the reconstruction project.

Tax Increment Financing (TIF) Area

The TIF area owes the City \$249,427.76 for improvement expenses incurred for projects in or physically located next to the allocation area.

Regional Development Authority Grant

The City of Whiting was awarded a grant of \$19,500,000 from the Regional Development Authority for the Whiting Lakefront Park development project.

CITY OF WHITING  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended December 31, 2009

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 2,532,228
Infrastructure	-
Buildings	3,907,729
Improvements other than buildings	641,627
Machinery and equipment	4,856,213
Construction in progress	-
Total governmental activities, capital assets not being depreciated	<u>\$ 11,937,797</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ -
Construction in progress	-
Buildings	216,704
Improvements other than buildings	-
Machinery and equipment	320,797
Total Water Utility capital assets	537,501
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	-
Construction in progress	-
Buildings	2,989,094
Improvements other than buildings	68,423
Machinery and equipment	499,576
Total Wastewater Utility capital assets	3,557,093
Total business-type activities capital assets	<u>\$ 4,094,594</u>

CITY OF WHITING  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2009

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Notes and loans payable:		
1944 New York Ave TIF	\$ 68,513	\$ 5,796
2418 Indianapolis Blvd TIF	146,450	11,179
Hammond Sanitary District Debt	115,834	30,342
Bonds payable:		
General obligation bonds:		
2004 General Obligation Refunding Bonds	325,000	98,924
Sanitary District Bond	4,025,000	1,075,954
2009 Sanitary District Special Taxing District Bonds	2,000,000	130,592
Redevelopment Tax Increment Bonds	7,140,000	633,646
Subordinate Tax Increment Bonds	<u>1,000,000</u>	<u>1,021,200</u>
Total governmental activities debt	<u>\$ 14,820,797</u>	<u>\$ 3,007,633</u>

CITY OF WHITING  
EXAMINATION RESULTS AND COMMENTS

MANUAL AND COMPUTERIZED RECORDS

The Court Clerk maintains a manually posted cash book that court officials indicated is the official court record. The Court Clerk also enters transactions using a computer software (Court View Software). The balances of the cash book and Court View system do not agree. The cash balances for the cash book at December 31, 2008 and 2009, were \$66,157 and \$79,885.50, respectively; however, the Court View year end balances were \$75,428 and \$66,352.50. Various reasons were noted as to why the Court View records do not agree to the hand-posted records:

1. Court View has not been updated to include outstanding bonds balances prior to 2007.
2. Only outstanding parking tickets are entered into Court View.
3. Parking ticket payments are only entered in the manually-posted records.
4. Disbursements are made using hand-written checks, instead of Court View electronically generated checks. Some of these disbursements have not been entered into Court View.

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 City and Towns, Chapter 4)

RECEIPT ISSUANCE - PARKING TICKETS

The City Court Clerk issues a generic-type receipt for parking ticket collections for those that are paying in person. The receipts issued did not always designate the composition (i.e. cash or check). The Clerk does not issue receipts for collections received by mail. At the end of each month, the Clerk accumulates all collections, issues a prescribed court receipt for the collections, which is used to post the cash book, and deposits the collections in the bank.

Parking ticket collections are not entered into Court View a software accounting system commonly used by County and City Courts. Only unpaid parking tickets which result in a court appearance are entered, into Court View. Paid tickets are posted by batch totals in the manual cash book but not in Court View.

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 City and Town Courts, Chapter 1)

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

"...all funds collected by a city or town court shall be deposited not later than the business day following the receipt of funds in depositories selected by the city or town as provided in an ordinance adopted by the city or town and approved as depositories of state local officers ..."

CITY OF WHITING  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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 City and Town Courts, Chapter 1)

ACCOUNTS PAYABLE VOUCHERS

Not all accounts payable vouchers (Claims) were properly documented or itemized. For example, claims for travel did not always indicate the business nature of the travel, or include documentation, such as an agenda or registration form, from the event attended to validate attendance at the conference. Furthermore, claims for business lunches did not always indicate the business nature, or the attendees.

Also, claims from a contractual consultant indicated services performed "on the budget detail and other projects as needed" for the City and Sanitary District. The invoices simply detail the dates, number of hours, and the rate per hour. Information is not provided by the vendor as the work performed, and to which entity the invoice should be charged the City or the Sanitary District. The Clerk-Treasurer indicated they try to allocate approximately 50% of the claims to the General Fund, and 50% to the Sanitary District due to the lack of clarity as to which entity should bear the expense.

Some claims for services were not supported by contracts or by current contracts.

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for which amounts are claimed, including the nature, name, and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim, may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Because the term "itemized" has not been defined in the Indiana Code, we have recommended the following as a guide to local officials responsible for the approval and payment of claims.

A claim to be properly itemized should show the kind of service, where performed, date service rendered, by whom, rate per day, number of hours, rate per hour, price per foot, per yard, per hundred, per pound, per ton, etc. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$580.33 were paid from the Water Utility and \$62.65 from the Park Department to the Indiana Department of Revenue in 2010 for late remittance of sales tax.

Additionally, penalties and interest were paid to the Indiana Department of Revenue on April 12, 2010, for underpayment of the utility receipts tax (\$453), and late remittances of the quarterly amounts due (\$366). Officials made quarterly payments of the utility receipts taxes based upon collections;

CITY OF WHITING  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

however, the annual return was prepared based the City's ledger which erroneously included public hydrant rental in the sales, which is excluded from the utility receipts tax. The discrepancy resulted in an underpayment of tax in the amount of \$646 which lead to the imposition of an underpayment penalty of \$453; however, had the return been filed based upon collections the Utility would have overpaid by \$129. Officials were instructed to contact the Indiana Department of Revenue to determine proper instructions for calculation basis of both the sales taxes and utility receipts taxes.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

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)

IC 6-2.3-2-1 states:

"An income tax, known as the utility receipts tax, is imposed upon the receipt of:

- (1) the entire taxable gross receipts of a taxpayer that is a resident or a domiciliary of Indiana; and
- (2) the taxable gross receipts derived from activities or businesses or any other sources within Indiana by a taxpayer that is not a resident or a domiciliary of Indiana."

IC 6-2.3-1-4 states:

"'Gross receipts' refers to anything of value, including cash or other tangible or intangible property, that a taxpayer receives in consideration for the retail sale of utility services for consumption before deducting any costs incurred in providing the utility services."

IC 6-2.3-1-9 states:

"'Taxable gross receipts' means the remainder of:

- (1) all gross receipts that are not exempt from tax under IC 6-2.3-4; less
- (2) all deductions that are allowed under IC 6-2.3-5."

INSURANCE COVERAGE PAID BY THE CITY

In 2003, the Board of Public Works and Safety adopted Resolution 2003-18 which authorized the Clerk-Treasurer to reimburse the Mayor 92% of his payment per month for his health and life insurance coverage based upon proof of payment, effective January 1, 2004. (The Mayor does not participate in the City's insurance plan).

CITY OF WHITING  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

In 2009, the Board of Public Works and Safety adopted Resolution 2009-03, effective March 1, 2009, which allows the City to pay 100% of the premium for health and accident insurance coverage, except that the employee pays one dollar (\$1.00) per year for the premium. This resolution also applies to the Mayor.

For the years examined and through October 25, 2010, the City was reimbursing the Mayor 100% of his health and life insurance coverage. For the years 2008, 2009, and 2010 the City paid the Mayor \$488.64, \$161.24, and \$75.58 in excess of the authorized premium reimbursements.

We requested the Mayor reimburse the City these excess premium reimbursements totaling \$725.46. The Mayor agreed and reimbursed the City \$725.46 for the excess reimbursements he received during the examination period. He also reimbursed the City an additional \$1,108.99, for the excess premiums he received from January 1, 2004 to December 31, 2007. (See Summary, page 18)

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)

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 unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Furthermore, none of the reimbursements paid to the Mayor were included as compensation on his Wage and Tax Statement, Federal Form W-2. It is not known if this type of fringe benefit is considered taxable or not; thus, we instructed officials to contact the Internal Department of Revenue for a determination.

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)

CITY OF WHITING  
EXIT CONFERENCE

The contents of this report were discussed on October 25, 2010, with Ann P. Likens, City Court Judge; Wanda Unate, Court Clerk; Mark S. Adam, Clerk-Treasurer; Chris Sarvanidis, President of the Town Council; and Joseph Stahura, Mayor. The official response has been made a part of this report and may be found on page 17.



Mayor Joseph M. Stahura

November 9, 2010

Mr. Bruce Hartman  
State Board of Accounts  
302 West Washington Street, Room E 418  
Indianapolis, Indiana 46204-2765

IN RE: OFFICIAL RESPONSE  
CITY OF WHITING AUDIT FOR 2008 AND 2009

Dear Mr. Hartman:

The City of Whiting wishes to make an Official Response to the Examination Results and Comments from the audit of the City's records for the years 2008 and 2009.

First, the City appreciates the opportunity to provide comment on these matters. We always intend to comply with appropriate procedures and regulations and we take seriously those audit comments which allow us to revise and review our operations to ensure full compliance with State Board of Accounts policies.

It is my understanding that Judge Ann P. Likens will address the comments regarding court records and operations.

I will address the following issues in my response:

1. ACCOUNTS PAYABLE VOUCHERS

The City has taken immediate steps to address this issue. We have a drafted a Travel Expense Reimbursement request which will need to be filed by all employees seeking reimbursement for travel on matters pertaining to City business.

We are also conducting a review of our contracts to ensure that all claims for services supplied by contractual consultants have valid and binding written contracts. We have already obtained a new contract from the Sanitary District consultant.

City of Whiting  
1443 119th Street • P.O. Box 591 • Whiting, Indiana 46394 • tel. 219.659.7700 • fax. 219.473.4452  
[www.whitingindiana.com](http://www.whitingindiana.com)

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CITY OF WHITING  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Joseph Stahura, Mayor:			
Insurance Coverage Paid by the City,			
pages 14 and 15	\$ 725.46	\$	\$
Reimbursed by Joseph Stahura	<u>                    </u>	<u>725.46</u>	<u>                    </u> -
 Totals	 <u>\$ 725.46</u>	 <u>\$ 725.46</u>	 <u>\$           </u> -