

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, 2009 to December 31, 2009



FILED
04/21/2011

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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	01-01-09 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 LAWRENCEBURG, DEARBORN COUNTY, INDIANA

We have examined the financial information presented herein of the City of Lawrenceburg (City), for the period of January 1, 2009 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 year ended December 31, 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, 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

December 20, 2010

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

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 6,359,928	\$ 5,515,030	\$ 6,909,574	\$ 4,965,384
Motor Vehicle Highway	1,835,754	931,546	641,261	2,126,039
Local Road and Street	(12,179)	34,042	21,068	795
Parks and Recreation	931,002	737,254	352,673	1,315,583
Nonreverting Parking Fees	22,908	735	-	23,643
Police Tow	(1,275)	-	-	(1,275)
Nonreverting Parks Operating	531,500	132,590	26,403	637,687
Law Enforcement Continuing Education	25,107	5,248	-	30,355
Nonreverting Police Activity	89	-	-	89
Nonreverting Economic Development	94,915	13,208	147	107,976
Remedial Flood Control	(134,533)	-	-	(134,533)
Nonreverting K-9 Operating	(63)	11,016	6,132	4,821
Operation Pullover	2,272	-	139	2,133
Nonreverting Drug Buy Program	58,482	-	17,715	40,767
BCC-Operation Pullover	(1,635)	8,007	6,372	-
Municipal Development	(17,303,615)	88,688,272	51,303,907	20,080,750
Municipal Development Bond Bank	4,391,872	-	4,391,872	-
Municipal Development Special Sewage	696,867	4,599	-	701,466
Riverboat	123,446,896	29,344,160	66,520,033	86,271,023
Nonreverting Refuse Collection	208,181	9,212	-	217,393
AEP Grant	7,985	200,000	166,210	41,775
Nonreverting Police Equipment	163	-	-	163
Nonreverting Self Insurance Disaster	65,289	-	-	65,289
Council Public Ent Loans	-	1,870,000	1,870,000	-
Council Private Ent Loans	-	1,359,916	1,359,916	-
Cumulative Capital Improvement	(60,154)	27,870	-	(32,284)
Nonreverting Capital Improvement Parks	(287)	-	-	(287)
Nonreverting Planning Commission	40,323	16,807	5,975	51,155
Nonreverting Industrial Park	290,782	-	-	290,782
Nonreverting Lawrenceburg Emergency Rescue Unit	210,607	60,681	-	271,288
Nonreverting Fire Fighting Equipment	759,608	38,396	42,790	755,214
Nonreverting Cumulative Equipment	(17,531)	-	-	(17,531)
Worker Training	798	-	-	798
Clerk's Record Perpetuation	53,655	49,928	19,755	83,828
Housing Rehabilitation	125,365	19,411	132,343	12,433
Lawrenceburg Emergency Rescue Unit Fees	413,686	259,627	1,114	672,199
Fiduciary Funds:				
Police Pension	1,485,959	266,594	145,223	1,607,330
Payroll	44,682	7,647,858	7,678,951	13,589
Law Enforcement User Fees	(109)	10,996	10,996	(109)
County Court Costs	-	107,636	70,592	37,044
City Court	51,360	571,068	587,099	35,329
Proprietary Funds:				
Electric Operating	3,363,356	11,703,163	12,483,481	2,583,038
Electric Depreciation	413,640	67,604	-	481,244
Electric Reserve	437,874	35,144	-	473,018
Electric Customer Deposits	160,005	58,557	75,689	142,873
Water Operating	632,534	757,378	1,159,125	230,787
Water Depreciation	247,780	24,582	-	272,362
Wastewater Operating	336,723	689,287	938,034	87,976
Totals	\$ 130,216,566	\$ 151,277,422	\$ 156,944,589	\$ 124,549,399

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 City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF 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.

CITY OF LAWRENCEBURG
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2009

	Ending Balance
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 39,368,196
Infrastructure	80,639,025
Buildings	52,584,921
Improvements other than buildings	30,051,370
Machinery and equipment	8,628,382
Construction in progress	4,000,000
 Total governmental activities, capital assets not being depreciated	 \$ 215,271,894
	Ending Balance
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 487,844
Buildings	8,646,517
Improvements other than buildings	17,655,524
Machinery and equipment	2,403,724
 Total Water Utility capital assets	 29,193,609
Wastewater Utility:	
Capital assets, not being depreciated:	
Buildings	173,960
Improvements other than buildings	111,404,390
Machinery and equipment	909,816
 Total Wastewater Utility capital assets	 112,488,166
Electric Utility:	
Capital assets, not being depreciated:	
Buildings	2,266,042
Improvements other than buildings	12,829,193
Machinery and equipment	981,454
 Total Electric Utility capital assets	 16,076,689
 Total business-type activities capital assets	 \$ 157,758,464

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS

PAYMENT OF CREDIT CARD CHARGES WITHOUT ITEMIZATION
(Applies to Utility Service Board; Clerk-Treasurer; and City Council)

A review of two months of payments made during the year 2010 on the Utilities credit card assigned to Charles M. Davis, Superintendent of Utilities, showed credit card charges in the amount of \$1,927.54 paid without proper itemization as described below:

1. Credit card charges totaling \$1,094.16 were supported only by credit card slips and were not supported by itemized receipts.
2. While in travel status, four employees charged \$833.38 to their hotel rooms, in addition to the regular room charge and taxes. The hotel bills listed only a reference code and did not provide adequate itemization of the items charged to the room. The hotel bills were paid using the Utilities credit card assigned to Charles M. Davis, Superintendent of Utilities.

Charles M. Davis, at our request, subsequently provided supporting documentation for the above charges on November 23, 2010.

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.

(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; . . ."

Payments should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was reported in Report B29113 (January 1, 2005 to December 31, 2005) and Report B33750 (January 1, 2007 to December 31, 2007). In Report B33750, we recommended that payments on credit card accounts be limited to amounts for which supporting documentation was available.

We recommended that the City Council adopt a policy that would hold employees personally responsible for any purchases they make without providing supporting documentation and to be personally responsible for any associated finance charges caused by late payment.

EMPLOYEE MEALS (Applies to Utility Service Board, Clerk-Treasurer, and City Council)

The City paid a total of \$1,309.91 for meals for five employees who attended the American Power Association Conference in Orlando, Florida in June of 2010. The payments were for the actual cost of meals rather than reimbursing each employee at the rate of \$50.00 per day as required by the City's "Per Diem and Mileage Reimbursement Policy". In addition, \$1,049.76 of the \$1,309.91 of employee meal costs was charged on the credit card of Charles M. Davis, Superintendent of Utilities. No documentation was presented for examination showing the total meal cost the City paid for each individual employee per day.

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

The City's Per Diem and Mileage Reimbursement Policy, approved by the Council on September 19, 2005, establishes a \$50.00 per day meal allowance for employees and officials who attend conventions and seminars.

Jacqueline A. Stutz, Clerk-Treasurer, stated that it is the City's practice to allow employees to charge meals to City or Utility credit cards, or to be reimbursed for meals based upon itemized receipts in lieu of receiving per diem.

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)

MEALS PAID FOR EMPLOYEE SPOUSES (Applies to Electric Utility)

Meal expenses charged to the Utility credit card during the American Power Association Conference in Orlando, Florida in June of 2010 included meal expenses for officials' spouses and employees' spouses who accompanied them to the conference. The following is a schedule of officials and employees and the amounts the City paid for their spouse's meals:

<u>Official/Employee</u>	<u>Position</u>	<u>Amount</u>
Charles M. Davis	Superintendent of Utilities	\$ 42.38
William Bruner	City Council member	52.89
Dennis Carr	Board of Works member	117.48
J. R. Holdcraft	City Council member	<u>76.74</u>
Total		<u>\$ 289.49</u>

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)

Charles M. Davis refunded \$42.38 to the City on December 7, 2010. (See Summary, page 20)

William Bruner refunded \$52.89 to the City on December 1, 2010. (See Summary, page 20)

Dennis Carr refunded \$117.48 to the City on November 29, 2010. (See Summary, page 20)

J. R. Holdcraft refunded \$76.74 to the City on December 10, 2010. (See Summary, page 20)

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

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

PURCHASE OF ALCOHOLIC BEVERAGES (Applies to Electric Utility and City Council)

The City paid \$398.40 for alcoholic beverages at the time five officials and employees attended the American Power Association Conference in Orlando, Florida in June of 2010. The following is a schedule of officials and employees and the amounts the City paid for their alcohol purchases:

<u>Official/Employee</u>	<u>Position</u>	<u>Amount</u>
Charles M. Davis	Superintendent of Utilities	\$ 281.65
William Bruner	City Council member	23.25
Dennis Carr	Board of Works member	48.00
J. R. Holdcraft	City Council member	<u>45.50</u>
Total		<u>\$ 398.40</u>

The City's "Per Diem and Mileage Reimbursement Policy", approved by City Council on September 19, 2005, states: "no charges for alcohol may be made to any City credit card or room charge to be paid for by the City of Lawrenceburg."

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)

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

Charles M. Davis refunded a total of \$281.65 to the City on December 7, 2010 and February 23, 2011. (See Summary, page 20)

William Bruner refunded \$23.25 to the City on December 7, 2010. (See Summary, page 20)

Dennis Carr refunded \$48.00 to the City on December 15, 2010. (See Summary, page 20)

J. R. Holdcraft refunded \$45.50 to the City on December 7, 2010. (See Summary, page 20)

CONCRETE WORK PERFORMED ON PRIVATE PROPERTY (Applies to City 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 agrees to the work, the property owner enters into a contract with the City and the work is performed and paid for by the City. The contract includes payment arrangements for the property owner to reimburse the City for the cost of the work performed. Property owners who do not make payments are sent notices regularly requesting reimbursement to the City for the cost of the work performed. Records presented for examination showed amounts due from property owners was \$349,010 as of December 31, 2009.

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

On December 15, 2009, we met with City officials to discuss a similar comment included in prior Report B35646. At that time we recommended that the City discontinue the practice of paying for concrete work performed on private property. However, for the period December 15, 2009 through September 7, 2010, additional concrete work of \$196,632.20 was invoiced to property owners. Mario Todd, City Councilman and City Construction Inspector, stated that the City did not want to discontinue the practice until the concrete program had been offered to all 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)

LOANS TO PRIVATE ENTITIES (Applies to City Council)

On January 20, 2009, the City Council passed Ordinances 1-2009 and 2-2009 creating the Private Entity Loan Program Fund and the Public Entity Loan Program Fund, respectively. These ordinances make provisions for the City's revolving loan program to be funded from the City's Riverboat Fund.

During the year 2009, the City transferred \$1,512,458 and \$354,027 from the Riverboat Fund to the Private Entity Loan Program Fund and the Public Entity Loan Program Fund, respectively.

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

"A . . . municipality may establish a revolving fund from grants, the revenue received by the . . . municipality under IC 6-3.5-7, the proceeds of the sale of notes, or the proceeds of bonds . . ."

The above statute does not contain provisions authorizing a municipality to establish a revolving fund from revenue derived from riverboat admission or riverboat wagering taxes.

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

The City made long-term loans to various private entities from their Private Entity Loan Program Fund. Controls over the accounting for loans to private entities were insufficient as follows:

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 recorded did not distinguish between the principal and the interest portions of the repayment, therefore, the outstanding loan balance could not be determined based upon the information recorded in the spreadsheets.
2. Amortization schedules documenting the payment amounts due were not on file for all loans.

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

3. The City does not have a policy that requires notices to be sent to borrowers that are delinquent on making principal and interest payments.
4. The promissory notes include a provision to assess a late charge for delinquent payments; however, the City did not assess late charges on delinquent payments.

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)

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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES (Applies to Clerk-Treasurer)

The following is a schedule of funds with a deficit cash balance as of December 31, 2009:

Fund	Deficit Cash Balance	Investment Balance	Reported Balance Cash and Investments
Remedial Flood Control	\$ (204,533)	\$ 70,000	\$ (134,533)
Cumulative Capital Improvement	(32,284)	-	(32,284)
Nonreverting Cumulative Equipment	(17,531)	-	(17,531)
Police Tow	(1,275)	-	(1,275)
Nonreverting Capital Improvement Parks	(287)	-	(287)
Law Enforcement User Fees	(109)	-	(109)

As 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.

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.

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (4) The amount transferred must be returned to the other fund at the end of the prescribed period.
- (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, B31498, and B35646.

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 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.

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)

ANNUAL REPORT NOT FILED TIMELY (Applies to Clerk-Treasurer)

An annual report for the year 2009 was not filed with the Indiana State Board of Accounts until August 17, 2010.

IC 5-11-1-4(a) states in part:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year . . ."

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

TRANSACTION RECORDING (Applies to the Clerk-Treasurer)

On December 22, 2009, the Clerk-Treasurer cashed a certificate of deposit valued at \$2,336,284.32; however, only \$52,477.65 was receipted onto the City's financial records. The remaining \$2,283,806.67 was used to obtain a cashier's check which was used to pay off a City loan. No Accounts Payable Voucher was prepared to support the loan payment and the payment was not listed on the Accounts Payable Voucher Register.

IC 5-11-10-1.6(c) states in part:

"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;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim.

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

UNAUTHORIZED TRANSFER OF FUNDS (Applies to Clerk-Treasurer)

A transfer of \$29,319,567 was made in the year 2009 from the Riverboat Fund to the Municipal Development Fund (MDF). We reviewed the transfer and found the following:

1. No ordinance or resolution approved by the City Council was passed permitting the transfer. The transfer has not been repaid as of September 21, 2010.

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

"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 depleted fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met: . . .

- (3) 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)

2. The transfer was posted as a negative receipt to the Riverboat Fund. The transfer was not processed as a vendor check, therefore there was no Accounts Payable Voucher prepared and the payment was not listed on the Accounts Payable Voucher Register documenting approval by the Board of Works.

Transfers should be affected by issuing a warrant and receipt for the amount of the transfer. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The Clerk-Treasurer stated that the transfer was made to replenish the overdrawn cash balance of the MDF and the City has no plans to repay the transfer at this time. City officials did not present for examination the statutory authority that would allow for a permanent transfer of funds.

PUBLIC PURCHASES LAW (Applies to City Council)

In December 2009, the City purchased a Boss Rotary Cart Tipper. The original cost was \$116,150; however, no evidence of the City soliciting bids or inviting quotes for the purchase was presented for examination.

For equipment (supplies) costing \$50,000 to \$150,000, IC 5-22-7-5(a) states:

"The purchasing agency shall give notice of the invitation for bids in a manner required by IC 5-3-1."

In lieu of advertising for bids, a city may solicit written quotes by following IC 5-22-8-3.

IC 5-22-8-3 states in part the following:

"(a) . . . if the purchasing agent expects the purchase to be . . . at least \$50,000 and . . . not more than \$150,000."

"(b) A purchasing agent may purchase supplies . . . by inviting quotes from at least three (3) persons known to deal in the lines or classes of supplies to be purchased . . ."

"(c) The purchasing agent shall mail an invitation to quote to the persons described in subsection (b) at least seven (7) days before the time fixed for receiving quotes."

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 \$4,610.

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)

INVESTMENTS (Applies to Clerk-Treasurer)

Prior to the year 2009, the City invested \$30,000,000 in various investments with Huntington Bank. As a result of interest and dividends credited to the City's accounts, the cost value of the investments as of December 31, 2009, was \$33,280,365; however, only the initial investment of \$30,000,000 is reflected on the City's records.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (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 2009 for emergency runs were deposited into a separate City bank account; however, these funds are not recorded in the City's financial records.

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, B31498, and B35646.

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 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, B31498, and B35646.

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

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.
 - (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, B31498, and B35646.

CITY OF LAWRENCEBURG
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2010, with William Cunningham, Mayor; Jacqueline A. Stutz, Clerk-Treasurer; Mario Todd, City Councilman; Charles M. Davis, Superintendent of Utilities; and Vickie Robinson, Utility Accountant. The officials concurred with our findings.

CITY OF LAWRENCEBURG
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Charles M. Davis, Superintendent of Utilities:			
Meals Paid For Employee Spouses, page 10	\$ 42.38	\$	\$
Refunded December 7, 2010 (1)		42.38	
Purchase of Alcoholic Beverages, page 11	281.65		
Refunded December 7, 2010 (1)		240.15	
Refunded February 23, 2011 (1)		41.50	-
	<u>324.03</u>	<u>324.03</u>	<u>-</u>
Totals - Charles M. Davis			
	<u>324.03</u>	<u>324.03</u>	<u>-</u>
William Bruner, City Council member:			
Meals Paid For Employee Spouses, page 10	52.89		
Purchase of Alcoholic Beverages, page 11	23.25		
Refunded December 1, 2010 (1)		52.89	
Refunded December 7, 2010 (1)		23.25	-
	<u>76.14</u>	<u>76.14</u>	<u>-</u>
Totals - William Bruner			
	<u>76.14</u>	<u>76.14</u>	<u>-</u>
Dennis Carr, Board of Works member:			
Meals Paid For Employee Spouses, page 10	117.48		
Purchase of Alcoholic Beverages, page 11	48.00		
Refunded November 29, 2010 (1)		117.48	
Refunded December 15, 2010 (1)		48.00	-
	<u>165.48</u>	<u>165.48</u>	<u>-</u>
Totals - Dennis Carr			
	<u>165.48</u>	<u>165.48</u>	<u>-</u>
J. R. Holdcraft, City Council member:			
Meals Paid For Employee Spouses, page 10	76.74		
Purchase of Alcoholic Beverages, page 11	45.50		
Refunded December 10, 2010		76.74	
Refunded December 7, 2010		45.50	-
	<u>122.24</u>	<u>122.24</u>	<u>-</u>
Totals - J. R. Holdcraft			
	<u>122.24</u>	<u>122.24</u>	<u>-</u>
Totals			
	<u>\$ 687.89</u>	<u>\$ 687.89</u>	<u>\$ -</u>

Note to Schedule:

- (1) The City recorded the refund as a journal entry on the date shown. The City did not use separate transaction numbers to identify individual refunds.