

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

EXAMINATION REPORT  
OF  
CITY OF LAWRENCE  
MARION COUNTY, INDIANA  
January 1, 2010 to December 31, 2010



**FILED**  
11/15/2011



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Accountant's Report.....	3-4
Financial Statement:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis .....	6
Notes to Financial Statement.....	7-12
Supplementary Information:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis .....	14-20
Schedule of Capital Assets.....	21
Schedule of Long-Term Debt .....	22
Examination Results and Comments:	
Overdrawn Cash Balances.....	23
Bank Account Reconciliations .....	23
Utility Operating Funds Transferred to City .....	23-24
Utility Receipts Tax.....	24
Appropriations.....	24
Public Works Project – Street Paving.....	24-26
Bad Debts and Uncollectible Accounts .....	26
Delinquent Wastewater Accounts.....	26-27
Utility Bad Debts and Uncollectible Accounts – Policy and Practice.....	27
Annual Report.....	27
Exit Conference.....	28

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Mayor	Hon. F. Paul Ricketts	01-01-08 to 12-31-11
Controller	Kimberly M. Diller	01-01-08 to 12-31-11
Clerk	Kathleen A. Walton	01-01-08 to 12-31-11
Utility Superintendent	Carlton Curry	01-01-10 to 12-31-11
President of the Common Council	David Freeman Donald Poteat	01-01-10 to 12-31-10 01-01-11 to 12-31-11
Chairman of the Board of Public Safety	R. Douglas Reeser	01-01-10 to 12-31-11
Chairman of the Utility Service Board	Jason Woodruff	01-01-10 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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302 WEST WASHINGTON STREET  
ROOM E418  
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Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial statement of the City of Lawrence (City), for the period of January 1, 2010 to December 31, 2010. The City's management is responsible for the financial statement. 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 statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2010, on the basis of accounting described in Note 1.

Included in the financial statement is the receipts and disbursements activity from emergency telephone system fees (IC 36-8-16) and enhanced wireless emergency telephone fees (IC 36-8-16.5). In accordance with Indiana Code 36-8-16-14 and Indiana Code 36-8-16.5-41 these fees have been subject to an annual examination performed by the State Board of Accounts and, in our opinion, are fairly stated, in all material respects, in relation to the financial statement.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, 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 required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

The City's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the City's response and, accordingly, we express no opinion on it.

INDEPENDENT ACCOUNTANT'S REPORT  
(Continued)

This report is intended solely for the information and use of the City's management, Common Council, Utility Service Board, Board of Public Safety, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

September 8, 2011

FINANCIAL STATEMENT

CITY OF LAWRENCE  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 1,501,813	\$ 24,994,454	\$ 25,475,162	\$ 1,021,105
Motor Vehicle Highway	795,199	1,715,225	2,176,394	334,030
Local Road And Street	86,365	491,597	402,706	175,256
Park Nonreverting Operating	291,704	221,351	189,351	323,704
Emergency Medical Services/Ambulance	437,104	807,650	1,197,906	46,848
Donations	30,784	63,849	50,217	44,416
Animal Shelter	916	400	-	1,316
Federal Grants # 1	(127,271)	279,662	157,476	(5,085)
Law Enforcement Continuing Ed	71,256	47,256	20,678	97,834
Deferral Program	8,096	13,907	5,261	16,742
State Grant	14,836	-	-	14,836
Nonreverting (Special)	711,896	-	-	711,896
Rainy Day	474,740	796,369	-	1,271,109
Developers Escrow Fund	95,745	-	-	95,745
Hazardous Materials	19,285	1,320	5,705	14,900
Federal Revenue Sharing Trust	28,910	38,588	36,118	31,380
Levy Excess	-	28,563	-	28,563
Local Govt Grant # 1	162	1,950	-	2,112
Loit-Public Safety	893,899	1,741,102	2,291,827	343,174
Park Building Debt	49,988	96,000	86,000	59,988
Park Bond - 1990	8,301	-	-	8,301
Park Debt - 1998	107,692	264,147	255,169	116,670
Fire Debt li (Station 3)	16,899	-	-	16,899
Fire Debt V (Station 4)	68,490	-	-	68,490
Fire Debt (Stn 2 - Training Ctr)	6,867	558,540	196,100	369,307
Municipal Building Corp Debt	167,949	553,323	693,784	27,488
Government Center Debt	79,214	-	-	79,214
Redevelopment Capital	188,080	513,075	82,141	619,014
Transportation Bond (Proceeds)	302,417	-	165,039	137,378
Cumulative Building	52,193	-	-	52,193
Cumulative Capital Improvement	39,877	604,946	566,722	78,101
Ft. Harrison Reuse Authority	112,931	5,395,311	3,556,357	1,951,885
Self Funding Insurance	1,597	3,786,540	5,345,128	(1,556,991)
Police Pension	58,712	473,010	469,516	62,206
Payroll	35,792	25,989,383	24,796,875	1,228,300
Wastewater Utility-Operating	270,332	8,111,775	5,877,914	2,504,193
Wastewater Util-Bond And Interest	-	-	1,000	(1,000)
Sewer Bond Proceeds	50,580	-	-	50,580
Sewer Srf Loan Fund	-	-	1,953,610	(1,953,610)
Sewer '09 Bond Proceeds	2,024,655	-	307,091	1,717,564
Sewer Debt Service Reserve '09	6,066	3	277	5,792
Wastewater Utility-Debt Reserve	234,874	66	410	234,530
Water Utility-Operating	1,978,070	6,709,554	6,651,118	2,036,506
Water Utility-Bond And Interest	-	-	1,000	(1,000)
Water Utility Bond Proceeds	313,000	-	-	313,000
Water '09 Bond Proceeds	163,214	-	-	163,214
Water Debt Service Reserve '09	9,426	5	277	9,154
Water Utility-Debt Reserve	665,173	83	1,087	664,169
<b>Totals</b>	<b>\$ 12,347,828</b>	<b>\$ 84,299,004</b>	<b>\$ 83,015,416</b>	<b>\$ 13,631,416</b>

The notes to the financial statement are an integral part of this statement.

CITY OF LAWRENCE  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, storm water, trash, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City (primary government), and does not include financial information for any of the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the City (primary government).

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF LAWRENCE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

CITY OF LAWRENCE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

CITY OF LAWRENCE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 4. *Deposits and Investments***

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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.

**Note 5. *Risk Management***

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement and replacement items purchased.

**Note 6. *Pension Plans***

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is 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 percent 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:

CITY OF LAWRENCE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.

*B. 1925 Police Officers' Pension Plan*

*Plan Description*

The 1925 Police Officers' Pension Plan 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.

*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 Indiana Code 5-10.3-11.

*C. 1977 Police Officers' and Firefighters' Pension and Disability Fund*

*Plan Description*

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is 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 LAWRENCE  
NOTES TO FINANCIAL STATEMENT  
(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.

**Note 7. Subsequent Event**

On June 16, 2011, the Redevelopment Commission issued \$2,000,000 City of Lawrence Redevelopment District Bonds. The proceeds were used to pay off an outstanding Bond Anticipation Note (BAN) issued in 2008 and the remaining funds will be used for future projects.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Report can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

CITY OF LAWRENCE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road and Street	Park Nonreverting Operating	Emergency Medical Services/ Ambulance	Donations	Animal Shelter
Cash and investments - beginning	\$ 1,501,813	\$ 795,199	\$ 86,365	\$ 291,704	\$ 437,104	\$ 30,784	\$ 916
Receipts:							
Taxes	11,405,859	-	-	-	-	-	-
Licenses and permits	231,341	8,265	-	-	-	-	-
Intergovernmental	4,497,622	1,706,442	491,597	-	-	-	-
Charges for services	5,228,712	-	-	212,932	807,635	-	400
Fines and forfeits	42,462	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	3,588,458	518	-	8,419	15	63,849	-
Total receipts	<u>24,994,454</u>	<u>1,715,225</u>	<u>491,597</u>	<u>221,351</u>	<u>807,650</u>	<u>63,849</u>	<u>400</u>
Disbursements:							
Personal services	15,902,260	1,096,291	-	27,906	748,711	-	-
Supplies	574,304	366,518	-	49,253	105,292	3,841	-
Other services and charges	2,549,142	407,898	44,536	104,006	282,788	46,376	-
Debt service - principal and interest	318,338	142,152	358,170	877	6,067	-	-
Capital outlay	80,293	163,535	-	7,309	55,048	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	6,050,825	-	-	-	-	-	-
Total disbursements	<u>25,475,162</u>	<u>2,176,394</u>	<u>402,706</u>	<u>189,351</u>	<u>1,197,906</u>	<u>50,217</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(480,708)</u>	<u>(461,169)</u>	<u>88,891</u>	<u>32,000</u>	<u>(390,256)</u>	<u>13,632</u>	<u>400</u>
Cash and investments - ending	<u>\$ 1,021,105</u>	<u>\$ 334,030</u>	<u>\$ 175,256</u>	<u>\$ 323,704</u>	<u>\$ 46,848</u>	<u>\$ 44,416</u>	<u>\$ 1,316</u>

CITY OF LAWRENCE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Federal Grants	Law Enforcement Continuing Ed	Deferral Program	State Grant	Nonreverting (Special)	Rainy Day	Developers Escrow Fund
Cash and investments - beginning	\$ (127,271)	\$ 71,256	\$ 8,096	\$ 14,836	\$ 711,896	\$ 474,740	\$ 95,745
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	279,662	-	-	-	-	796,369	-
Charges for services	-	24,605	-	-	-	-	-
Fines and forfeits	-	22,066	13,907	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	585	-	-	-	-	-
<b>Total receipts</b>	<b>279,662</b>	<b>47,256</b>	<b>13,907</b>	<b>-</b>	<b>-</b>	<b>796,369</b>	<b>-</b>
Disbursements:							
Personal services	40,076	-	-	-	-	-	-
Supplies	65,206	12,776	1,974	-	-	-	-
Other services and charges	8,335	7,902	42	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	43,859	-	3,245	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>157,476</b>	<b>20,678</b>	<b>5,261</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	122,186	26,578	8,646	-	-	796,369	-
Cash and investments - ending	<u>\$ (5,085)</u>	<u>\$ 97,834</u>	<u>\$ 16,742</u>	<u>\$ 14,836</u>	<u>\$ 711,896</u>	<u>\$ 1,271,109</u>	<u>\$ 95,745</u>

CITY OF LAWRENCE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Hazardous Materials	Federal Revenue Sharing Trust	Levy Excess	Local Govt Grants	Loit-Public Safety	Park Building Debt	Park Bond 1990
Cash and investments - beginning	\$ 19,285	\$ 28,910	\$ -	\$ 162	\$ 893,899	\$ 49,988	\$ 8,301
Receipts:							
Taxes	-	-	28,563	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	38,588	-	1,950	1,741,102	-	-
Charges for services	1,320	-	-	-	-	96,000	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>1,320</u>	<u>38,588</u>	<u>28,563</u>	<u>1,950</u>	<u>1,741,102</u>	<u>96,000</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	1,475,416	-	-
Supplies	358	21,449	-	-	193,168	-	-
Other services and charges	2,178	14,271	-	-	240,073	-	-
Debt service - principal and interest	-	-	-	-	237,141	86,000	-
Capital outlay	3,169	398	-	-	146,029	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>5,705</u>	<u>36,118</u>	<u>-</u>	<u>-</u>	<u>2,291,827</u>	<u>86,000</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(4,385)</u>	<u>2,470</u>	<u>28,563</u>	<u>1,950</u>	<u>(550,725)</u>	<u>10,000</u>	<u>-</u>
Cash and investments - ending	<u>\$ 14,900</u>	<u>\$ 31,380</u>	<u>\$ 28,563</u>	<u>\$ 2,112</u>	<u>\$ 343,174</u>	<u>\$ 59,988</u>	<u>\$ 8,301</u>

CITY OF LAWRENCE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Park Debt 1998	Fire Debt II (Station 3)	Fire Debt V (Station 4)	Fire Debt (Station 2 - Training Ctr)	Municipal Building Corp Debt	Government Center Debt	Redevelopment Capital
Cash and investments - beginning	\$ 107,692	\$ 16,899	\$ 68,490	\$ 6,867	\$ 167,949	\$ 79,214	\$ 188,080
Receipts:							
Taxes	-	-	-	513,826	513,747	-	512,990
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	44,714	39,576	-	-
Charges for services	264,000	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	147	-	-	-	-	-	85
Total receipts	<u>264,147</u>	<u>-</u>	<u>-</u>	<u>558,540</u>	<u>553,323</u>	<u>-</u>	<u>513,075</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	1,100	1,000	-	50,036
Debt service - principal and interest	255,169	-	-	195,000	692,784	-	32,105
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>255,169</u>	<u>-</u>	<u>-</u>	<u>196,100</u>	<u>693,784</u>	<u>-</u>	<u>82,141</u>
Excess (deficiency) of receipts over disbursements	<u>8,978</u>	<u>-</u>	<u>-</u>	<u>362,440</u>	<u>(140,461)</u>	<u>-</u>	<u>430,934</u>
Cash and investments - ending	<u>\$ 116,670</u>	<u>\$ 16,899</u>	<u>\$ 68,490</u>	<u>\$ 369,307</u>	<u>\$ 27,488</u>	<u>\$ 79,214</u>	<u>\$ 619,014</u>

CITY OF LAWRENCE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Transportation Bond (Proceeds)	Cumulative Capital Building	Cumulative Capital Improvement	Ft. Harrison Reuse Authority	Self Funding Insurance	Police Pension	Payroll
Cash and investments - beginning	\$ 302,417	\$ 52,193	\$ 39,877	\$ 112,931	\$ 1,597	\$ 58,712	\$ 35,792
Receipts:							
Taxes	-	-	560,329	5,395,311	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	44,617	-	-	473,010	-
Charges for services	-	-	-	-	2,717,381	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	-	1,069,159	-	25,989,383
Total receipts	<u>-</u>	<u>-</u>	<u>604,946</u>	<u>5,395,311</u>	<u>3,786,540</u>	<u>473,010</u>	<u>25,989,383</u>
Disbursements:							
Personal services	-	-	75,672	-	-	469,516	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	328,359	-	-	-	-
Capital outlay	165,039	-	162,691	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	3,556,357	5,345,128	-	24,796,875
Total disbursements	<u>165,039</u>	<u>-</u>	<u>566,722</u>	<u>3,556,357</u>	<u>5,345,128</u>	<u>469,516</u>	<u>24,796,875</u>
Excess (deficiency) of receipts over disbursements	<u>(165,039)</u>	<u>-</u>	<u>38,224</u>	<u>1,838,954</u>	<u>(1,558,588)</u>	<u>3,494</u>	<u>1,192,508</u>
Cash and investments - ending	<u>\$ 137,378</u>	<u>\$ 52,193</u>	<u>\$ 78,101</u>	<u>\$ 1,951,885</u>	<u>\$ (1,556,991)</u>	<u>\$ 62,206</u>	<u>\$ 1,228,300</u>

CITY OF LAWRENCE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Wastewater Utility-Operating	Wastewater Util-Bond And Interest	Sewer Bond Proceeds	Sewer SRF Loan Fund	Sewer '09 Bond Proceeds	Sewer Debt Service Reserve '09	Wastewater Utility-Debt Reserve
Cash and investments - beginning	\$ 270,332	\$ -	\$ 50,580	\$ -	\$ 2,024,655	\$ 6,066	\$ 234,874
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	7,931,196	-	-	-	-	-	-
Penalties	180,296	-	-	-	-	-	-
Other receipts	283	-	-	-	-	3	66
Total receipts	<u>8,111,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>66</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	808,059	-	-	-	-	-	-
Capital outlay	40,078	-	-	-	-	-	-
Utility operating expenses	3,454,960	-	-	1,953,610	307,091	-	-
Other disbursements	1,574,817	1,000	-	-	-	277	410
Total disbursements	<u>5,877,914</u>	<u>1,000</u>	<u>-</u>	<u>1,953,610</u>	<u>307,091</u>	<u>277</u>	<u>410</u>
Excess (deficiency) of receipts over disbursements	<u>2,233,861</u>	<u>(1,000)</u>	<u>-</u>	<u>(1,953,610)</u>	<u>(307,091)</u>	<u>(274)</u>	<u>(344)</u>
Cash and investments - ending	<u>\$ 2,504,193</u>	<u>\$ (1,000)</u>	<u>\$ 50,580</u>	<u>\$ (1,953,610)</u>	<u>\$ 1,717,564</u>	<u>\$ 5,792</u>	<u>\$ 234,530</u>

CITY OF LAWRENCE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility Bond Proceeds	Water '09 Bond Proceeds	Water Debt Service Reserve '09	Water Utility-Debt Reserve	Totals
Cash and investments - beginning	\$ 1,978,070	\$ -	\$ 313,000	\$ 163,214	\$ 9,426	\$ 665,173	\$ 12,347,828
Receipts:							
Taxes	-	-	-	-	-	-	18,930,625
Licenses and permits	-	-	-	-	-	-	239,606
Intergovernmental	-	-	-	-	-	-	10,155,249
Charges for services	-	-	-	-	-	-	9,352,985
Fines and forfeits	-	-	-	-	-	-	78,435
Utility fees	6,480,382	-	-	-	5	-	14,411,583
Penalties	-	-	-	-	-	-	180,296
Other receipts	229,172	-	-	-	-	83	30,950,225
Total receipts	<u>6,709,554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>83</u>	<u>84,299,004</u>
Disbursements:							
Personal services	-	-	-	-	-	-	19,835,848
Supplies	-	-	-	-	-	-	1,394,139
Other services and charges	-	-	-	-	-	-	3,759,683
Debt service - principal and interest	1,254,179	-	-	-	-	-	4,714,400
Capital outlay	14,953	-	-	-	-	-	885,646
Utility operating expenses	2,984,206	-	-	-	-	-	8,699,867
Other disbursements	2,397,780	1,000	-	-	277	1,087	43,725,833
Total disbursements	<u>6,651,118</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>277</u>	<u>1,087</u>	<u>83,015,416</u>
Excess (deficiency) of receipts over disbursements	<u>58,436</u>	<u>(1,000)</u>	<u>-</u>	<u>-</u>	<u>(272)</u>	<u>(1,004)</u>	<u>1,283,588</u>
Cash and investments - ending	<u>\$ 2,036,506</u>	<u>\$ (1,000)</u>	<u>\$ 313,000</u>	<u>\$ 163,214</u>	<u>\$ 9,154</u>	<u>\$ 664,169</u>	<u>\$ 13,631,416</u>

CITY OF LAWRENCE  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2010

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>
City Capital Assets:	
Capital assets, not being depreciated:	
Land	\$ 2,829,000
Infrastructure	122,565,521
Buildings	577,888
Improvements other than buildings	4,695,039
Machinery and equipment	<u>7,386,968</u>
 Total City Capital Assets	 <u>\$ 138,054,416</u>
	<u>Ending Balance</u>
Utility Capital Assets:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 610,062
Buildings	3,311,800
Improvements other than buildings	68,412,129
Machinery and equipment	<u>3,583,506</u>
 Total Water Utility capital assets	 <u>75,917,497</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Improvements other than buildings	36,790,481
Machinery and equipment	<u>178,503</u>
 Total Wastewater Utility capital assets	 <u>36,968,984</u>
 Total Utility Capital Assets	 <u>\$ 112,886,481</u>

CITY OF LAWRENCE  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF DEBT  
December 31, 2010

The City has entered into the following debt:

Description of Asset	Ending Balance	Due Within One Year
City Debt:		
Capital leases:		
GEM Capital Corporation:		
Park Facility Improvement, 1996 Issue	\$ 54,746	\$ 54,746
Lawrence Government Center Building Corporation:		
Park Facility Improvement, 2000 Issue	550,000	90,000
Lawrence Municipal Building Corporation:		
Government Center & Addition, 2006 Issue	5,101,962	693,966
Lawrence Fire Station Building Corporation:		
Fire Station Number 2, 2002 Issue	3,645,000	391,000
Pumper Trucks, 2003 Lease	67,266	68,682
2006 Pierce Arrow XT Pumper Truck	158,108	87,141
2008 Dell Laptops (5)	1,865	1,865
2008 OCE TCS 500 System Plotter/Scanner/Color Printer	3,716	3,716
2008 Bobcat	29,278	6,600
New World Software System, 2009 Lease	691,679	190,995
2009 Petersen Lightning Loader	113,953	31,710
2009 Trash Truck & Toters- Labrie Automated	850,945	236,793
2010 Trash Truck - Labrie Automated	282,401	64,199
2010 Trash Truck - Labrie Automated	273,501	61,189
2010 Sewer Truck Lease	84,238	22,273
2010 Fire Rescue Trucks (2)	<u>519,817</u>	<u>92,896</u>
Total - capital leases	<u>12,428,475</u>	<u>2,097,771</u>
Bonds payable:		
General obligation bonds:		
Community Park Soccer Fields, 1998 Issue	1,735,000	252,758
Transportation - City Roads, 2004 Issue	<u>3,980,000</u>	<u>357,125</u>
Total - bonds payable	<u>5,715,000</u>	<u>609,883</u>
Total City Debt:	<u>\$ 18,143,475</u>	<u>\$ 2,707,654</u>
Utility Debt:		
Water Utility:		
Revenue bonds:		
Waterworks Plant Improvements, 2007A Issue	3,280,000	289,794
Waterworks Plant Improvements, 2007B Issue	3,650,000	372,006
Waterworks Plant Improvements, 2009A Issue	5,115,000	438,593
Waterworks Plant Improvements, 2009B Issue	<u>1,170,000</u>	<u>133,917</u>
Total Water Utility	<u>13,215,000</u>	<u>1,234,310</u>
Wastewater Utility:		
Revenue bonds:		
Sewage Works Plant Improvements, 2007A Issue	755,000	65,625
Sewage Works Plant Improvements, 2007B Issue	1,605,000	163,606
Sewage Works Plant Improvements, 2009A Issue	3,320,850	191,267
Sewage Works Plant Improvements, 2009B Issue	3,720,000	320,302
Sewage Works Plant Improvements, 2009C Issue	<u>395,000</u>	<u>46,590</u>
Total Wastewater Utility	<u>9,795,850</u>	<u>787,390</u>
Total Water Utility Debt	<u>\$ 23,010,850</u>	<u>\$ 2,021,700</u>

CITY OF LAWRENCE  
EXAMINATION RESULTS AND COMMENTS

**OVERDRAWN CASH BALANCES**

The cash balance of the Self-Funding Insurance Fund was overdrawn on December 31, 2010, in the amount of \$1,556,991. The SRF Loan Fund had a negative balance of \$1,953,610 at December 31, 2010, due to unreimbursed drawdowns. Expenditures from the SRF Loan Fund started in April and continued throughout the year, since the project was incomplete. The City did not receive any reimbursements in 2010, thus City funds were used to pay these expenses without a timely reimbursement.

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)

**BANK ACCOUNT RECONCILIATIONS**

Depository reconciliations of the fund balances to the bank account balances were presented for examination; however, the reconciliations were not being done timely and contained numerous small adjustments from prior months or years. At December 31, 2010, the small adjustments totaled \$10,567.16 and included more than 50 entries. The end of the year reconciliation included monthly "unreconciled" amounts which were unidentified differences totaling \$1,226.52, of which \$827.00 represented 2010 activity and the remainder from prior years. The Controller's office made a significant effort to identify the corrections or adjustments. The amount was not material to the financial statement; therefore, and audit adjustment was not necessary.

In addition to adjustments reported in the bank reconciliation, there were four voided checks from the health insurance account which were not posted to the records and not removed from the outstanding checklist. The posting of these voided checks will increase the cash balance in the Self-Insurance Fund by \$125,539.67, which is the total of the four voided checks.

Indiana Code 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)

**UTILITY OPERATING FUNDS TRANSFERRED TO CITY**

Monthly transfers of funds from the Water and Wastewater Utilities' Operating Funds to the City funds were authorized by the Utility Service Board. This authorization was given by Resolution 2009-3, which amended Resolution 1, 2007. Several years ago, the City was the recipient of scheduled monthly payments from the former Utility Operator. When this agreement was halted, due to a settlement approved by the court, the first resolution was passed to ensure adequate funding for the City operations. In 2010, \$3,012,000 was transferred from the Utilities to the City and receipted to the General, Park Building Debt, and Park Debt-1998 funds.

CITY OF LAWRENCE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Indiana Code 8-1.5-3-11(d) states in part:

". . . transfers may not be made from any utility funds to the general fund except from the cash reserve fund."

***UTILITY RECEIPTS TAX***

The City of Lawrence Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue in 2010 and had not paid this tax in either of the prior two years. Utility Receipt Tax on an estimated \$6 million in annual sales would equal \$84,000. We did not determine the exact amount due for the period so the tax liability is not known. A similar comment appeared in the prior two reports, the most recent being B37175.

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

***APPROPRIATIONS***

Some instances of noncompliance were noted concerning appropriations. The Indiana Department of Local Government Finance (DLGF) did not approve additional appropriations in the amounts of \$545,570 and \$37,000 for the General Fund and Motor Vehicle Highway Fund, respectively. Proper procedures for advertising and approving the additional appropriations were followed. Additionally, the Park Debt-1998 Fund and Police Pension Fund expenditures exceeded the budgeted appropriations in the amounts of \$2,986 and \$22,149, respectively.

For additional appropriations of funds that receive revenue from property taxes or the State's motor vehicle highway account or local road and street account, a certified copy of the additional appropriation form must be filed with the Department of Local Government Finance. For other funds requiring appropriation, local fiscal body approval is still required. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 6-1.1-18-4 states in part:

". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

***PUBLIC WORKS PROJECT - STREET PAVING***

The Board of Public Works and Safety awarded the 2010 Street Paving Contract to the lowest bidder on August 26, 2010, in the amount of \$292,274, but did not follow all of the provisions required by statute for this public works project. The contract was awarded for the resurfacing and repairs of five streets, but the scope of work was reduced without a change order being issued and approved. A single payment was made in December. This invoice requesting payment did not adequately document which

CITY OF LAWRENCE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

street work had been completed and if the amount actually agreed with the original bid amounts. Since the contract was halted, it was not possible to determine if the amount paid was in agreement with the awarded contract. The amount paid to the contractor was \$256,047.38. Additionally a performance bond was not presented for examination.

Indiana Code 36-1-12-18 states:

"(a) If, in the course of the construction, reconstruction, or repair of a public work project, it becomes necessary to change or alter the original specifications, a change order may be issued to add, delete, or change an item or items in the original contract. The change order becomes an addendum to the contract and must be approved and signed by the board and the contractor.

(b) If a licensed architect or engineer is assigned to the public work project, the change order must be prepared by that person.

(c) A change order may not be issued before commencement of the actual construction, reconstruction, or repairs except in the case of an emergency. In that case, the board must make a declaration, and the board's minutes must show the nature of the emergency.

(d) The total of all change orders issued that increase the scope of the project may not exceed twenty percent (20%) of the amount of the original contract. A change order issued as a result of circumstances that could not have been reasonably foreseen does not increase the scope of the project.

(e) All change orders must be directly related to the original public work project.

(f) If additional units of materials included in the original contract are needed, the cost of these units in the change order must be the same as those shown in the original contract."

Indiana Code 36-1-12-13.1(a) and (b) states in part:

"(a) Except as provided in subsection (e), the appropriate political subdivision or agency:

- (1) shall require the contractor to execute a payment bond to the appropriate political subdivision or agency, approved by and for the benefit of the political subdivision or agency, in an amount equal to the contract price if the cost of the public work is estimated to be more than two hundred thousand dollars (\$200,000); and . . .

The payment bond is binding on the contractor, the subcontractor, and their successors and assigns for the payment of all indebtedness to a person for labor and service performed, material furnished, or services rendered. The payment bond must state that it is for the benefit of the subcontractors, laborers, material suppliers, and those performing services.

(b) The payment bond shall be deposited with the board. The payment bond must specify that:

- (1) a modification, omission, or addition to the terms and conditions of the public work contract, plans, specifications, drawings, or profile;

CITY OF LAWRENCE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (2) a defect in the public work contract; or
- (3) a defect in the proceedings preliminary to the letting and awarding of the public work contract; does not discharge the surety. The surety of the payment bond may not be released until one (1) year after the board's final settlement with the contractor."

***BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS***

Accounts receivable for emergency medical and trash were not covered by a formal policy addressing the write-off of old uncollectible accounts. A similar comment appeared in the several previous reports, the most recent being B37175.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

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

***DELINQUENT WASTEWATER ACCOUNTS***

The Utility had filed the proper documents for liens twice in 2010, but testing of the accounts receivable listing indicated there were other delinquent customer accounts that did not have a lien filing made on their accounts. The delinquent wastewater fees and penalties should have been recorded with the County Recorder and certified to the County Auditor which would result in a lien against the property.

Indiana Code 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; and
  - (C) the amount of the delinquent fees, together with the penalty; or
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent.

CITY OF LAWRENCE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

(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. . . ."

***UTILITY BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS - POLICY AND PRACTICE***

Accounts receivable contained several delinquent accounts which have not been written off and the collection appears unlikely. The Utility used a collection agency and has filed liens to collect from some nonpaying customers. There were several more customers with delinquent wastewater account balances which have not had liens filed on their properties. The Accounts Receivable balance at year end was inflated due to a large number of customer's accounts having unpaid balances. The total accounts receivable on December 31, 2010, was \$1,838,861.94 as reflected on the Trial Balance report for January 3, 2011. It was not possible to determine the collectability of the amounts in the report.

As an example, we examined one account group (book 4) which had a total accounts receivable of \$24,809.44 at December 31, 2010. There were 205 accounts with balances consisting of 40 older accounts which reflected the last payment date was more than 1 year prior, this is 22 percent. Then of these 40 accounts, there were 28 accounts with the last payment date being more than 2 years prior. We found the practice was to not remove any accounts receivable from the records.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

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

***ANNUAL REPORT***

An annual report for 2010 was filed with the State Board of Accounts in June 2011. The annual report should be filed with the State Board of Accounts no later than February 28, 2011.

Indiana Code 5-11-1-4 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. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

CITY OF LAWRENCE  
EXIT CONFERENCE

The contents of this report were discussed on September 8, 2011, with Kimberly M. Diller, Controller; Hon. F. Paul Ricketts, Mayor; and Carlton Curry, Utility Superintendent.