

B41471

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

CITY OF SULLIVAN

SULLIVAN COUNTY, INDIANA

January 1, 2011 to December 31, 2011



FILED
12/04/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Donna Sue Pitts	01-01-08 to 12-31-15
Mayor	Edward F. Eble Clint D. Lamb	06-26-09 to 12-31-11 01-01-12 to 12-31-15
President of the Board of Public Works	Edward F. Eble Clint D. Lamb	01-01-11 to 12-31-11 01-01-12 to 12-31-12
President of the Common Council	Steve Martindale Debra J. Ayers	01-01-11 to 12-31-11 01-01-12 to 12-31-12



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF SULLIVAN, SULLIVAN COUNTY, INDIANA

We have examined the accompanying financial statement of the City of Sullivan (City), for the year ended December 31, 2011. The financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on the financial statement 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.

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, 2011, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Leases and Debt, and Schedule of Capital Assets, 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.

This report is intended solely for the information and use of the City's management, Common Council, and others within the entity 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

October 2, 2012

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF SULLIVAN
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 248,379	\$ 1,248,737	\$ 1,232,511	\$ 264,605
Motor Vehicle Highway	90,870	159,047	167,121	82,796
Local Road And Street	72,477	14,655	2,146	84,986
Park Non Reverting	13,004	60,077	56,859	16,222
Crime Control	915	1	-	916
Wvcf Grant	1,843	-	-	1,843
Local Law Enf Cont Ed	15,298	1,735	7,580	9,453
Unsafe Building	3,519	-	3,415	104
Riverboat	86,918	28,893	6,770	109,041
Parks And Recreation	-	26,579	21,232	5,347
Rainy Day	70,910	129,321	165,762	34,469
Levy Excess	2,824	-	2,824	-
Cumulative Capital Development	53,025	6,181	-	59,206
Cumulative Capital Improvement	57,605	13,259	-	70,864
Police Pension	82,153	76,070	80,655	77,568
Fire Pension	130,124	72,508	83,709	118,923
Sullivan Co Comm Found Grant	539	3,500	2,990	1,049
Adopt A Spot	241	-	-	241
Cemetery Non Reverting	15,105	19,763	24,179	10,689
Fire Non Reverting	1,118	2,818	336	3,600
Street Cut Deposit	8,650	1,700	-	10,350
Street Dept Non Reverting	25,102	11,435	15,813	20,724
Fire Reports/Donation	1,215	493	305	1,403
Park Pool Donations	20	-	-	20
Police Ordinance Violation	3,873	615	1,383	3,105
Section Street Infrastructure	197,345	126,049	323,394	-
Ambulance	74,936	171,520	218,150	28,306
Tax Draw Clearing	13,938	84,345	70,840	27,443
Gas/Fuel Clearing	1,477	69,367	68,267	2,577
Fire Wvcf Hazmat Grant	196	-	-	196
Edit	-	546,143	174,502	371,641
Payroll	18,897	1,353,125	1,369,031	2,991
Wastewater Utility-Operating	881,526	1,254,367	1,463,752	672,141
Sewer Sinking	27,734	496,536	496,497	27,773
Sewer Deprec & Sewer Improv	20,592	38	-	20,630
Sewer Construction	4,017	4	-	4,021
Sewer Improvement Money Mkt	122,371	194	-	122,565
Sewer Const Money Market	52,659	56	-	52,715
Sewer Sinking Money Market	308,289	489	-	308,778
Sewer Debt Service Reserve	-	24,280	24,280	-
Tgr	31,150	279,150	293,742	16,558
Totals	<u>\$ 2,740,854</u>	<u>\$ 6,283,050</u>	<u>\$ 6,378,045</u>	<u>\$ 2,645,859</u>

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

CITY OF SULLIVAN
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, wastewater and trash.

The accompanying financial statement presents the financial information for the City.

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 include 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.

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,

CITY OF SULLIVAN
NOTES TO FINANCIAL STATEMENT
(Continued)

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 statement. The aggregate disbursements include 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.

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.

CITY OF SULLIVAN
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

CITY OF SULLIVAN
NOTES TO FINANCIAL STATEMENT
(Continued)

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 statement. 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 any 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 Indiana Public Retirement System (INPRS) 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.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

CITY OF SULLIVAN
NOTES TO FINANCIAL STATEMENT
(Continued)

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 Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

C. 1937 Firefighters' Pension Plan

Plan Description

The 1937 Firefighters' 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 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

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

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF SULLIVAN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Local Road And Street	Park Non Reverting	Crime Control	Wvcf Grant
Cash and investments - beginning	\$ 248,379	\$ 90,870	\$ 72,477	\$ 13,004	\$ 915	\$ 1,843
Receipts:						
Taxes	866,833	29,337	-	-	-	-
Licenses and permits	28,107	-	-	-	-	-
Intergovernmental	206,165	120,278	14,655	-	-	-
Charges for services	102,237	-	-	60,077	-	-
Fines and forfeits	2,336	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	43,059	9,432	-	-	1	-
Total receipts	<u>1,248,737</u>	<u>159,047</u>	<u>14,655</u>	<u>60,077</u>	<u>1</u>	<u>-</u>
Disbursements:						
Personal services	859,705	105,639	-	-	-	-
Supplies	107,163	17,676	-	-	-	-
Other services and charges	254,062	8,065	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	11,080	35,741	2,146	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	501	-	-	56,859	-	-
Total disbursements	<u>1,232,511</u>	<u>167,121</u>	<u>2,146</u>	<u>56,859</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>16,226</u>	<u>(8,074)</u>	<u>12,509</u>	<u>3,218</u>	<u>1</u>	<u>-</u>
Cash and investments - ending	<u>\$ 264,605</u>	<u>\$ 82,796</u>	<u>\$ 84,986</u>	<u>\$ 16,222</u>	<u>\$ 916</u>	<u>\$ 1,843</u>

CITY OF SULLIVAN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Local Law Enf Cont Ed	Unsafe Building	Riverboat	Parks And Recreation	Rainy Day	Levy Excess
Cash and investments - beginning	\$ 15,298	\$ 3,519	\$ 86,918	\$ -	\$ 70,910	\$ 2,824
Receipts:						
Taxes	-	-	-	11,955	-	-
Licenses and permits	1,400	-	-	-	-	-
Intergovernmental	-	-	28,893	2,139	80,848	-
Charges for services	335	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	12,485	48,473	-
Total receipts	<u>1,735</u>	<u>-</u>	<u>28,893</u>	<u>26,579</u>	<u>129,321</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	2,945	-	-
Supplies	7,547	-	-	451	-	-
Other services and charges	-	-	-	8,883	15,542	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	8,953	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	33	3,415	6,770	-	150,220	2,824
Total disbursements	<u>7,580</u>	<u>3,415</u>	<u>6,770</u>	<u>21,232</u>	<u>165,762</u>	<u>2,824</u>
Excess (deficiency) of receipts over disbursements	<u>(5,845)</u>	<u>(3,415)</u>	<u>22,123</u>	<u>5,347</u>	<u>(36,441)</u>	<u>(2,824)</u>
Cash and investments - ending	<u>\$ 9,453</u>	<u>\$ 104</u>	<u>\$ 109,041</u>	<u>\$ 5,347</u>	<u>\$ 34,469</u>	<u>\$ -</u>

CITY OF SULLIVAN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Cumulative Capital Development	Cumulative Capital Improvement	Police Pension	Fire Pension	Sullivan Co Comm Found Grant	Adopt A Spot
Cash and investments - beginning	\$ 53,025	\$ 57,605	\$ 82,153	\$ 130,124	\$ 539	\$ 241
Receipts:						
Taxes	5,243	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	938	13,259	75,946	72,350	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	124	158	3,500	-
Total receipts	6,181	13,259	76,070	72,508	3,500	-
Disbursements:						
Personal services	-	-	80,655	83,709	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	2,990	-
Total disbursements	-	-	80,655	83,709	2,990	-
Excess (deficiency) of receipts over disbursements	6,181	13,259	(4,585)	(11,201)	510	-
Cash and investments - ending	\$ 59,206	\$ 70,864	\$ 77,568	\$ 118,923	\$ 1,049	\$ 241

CITY OF SULLIVAN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Cemetery Non Reverting	Fire Non Reverting	Street Cut Deposit	Street Dept Non Reverting	Fire Reports/Donation	Park Pool Donations
Cash and investments - beginning	\$ 15,105	\$ 1,118	\$ 8,650	\$ 25,102	\$ 1,215	\$ 20
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	2,818	1,700	11,435	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	19,763	-	-	-	493	-
Total receipts	19,763	2,818	1,700	11,435	493	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	24,179	336	-	15,813	305	-
Total disbursements	24,179	336	-	15,813	305	-
Excess (deficiency) of receipts over disbursements	(4,416)	2,482	1,700	(4,378)	188	-
Cash and investments - ending	\$ 10,689	\$ 3,600	\$ 10,350	\$ 20,724	\$ 1,403	\$ 20

CITY OF SULLIVAN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Police Ordinance Violation	Section Street Infrastructure	Ambulance	Tax Draw Clearing	Gas/Fuel Clearing	Fire Wvcf Hazmat Grant
Cash and investments - beginning	\$ 3,873	\$ 197,345	\$ 74,936	\$ 13,938	\$ 1,477	\$ 196
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	171,447	-	-	-
Fines and forfeits	615	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	126,049	73	84,345	69,367	-
Total receipts	615	126,049	171,520	84,345	69,367	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	1,383	-	-	-	-	-
Other services and charges	-	89,000	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	234,394	218,150	70,840	68,267	-
Total disbursements	1,383	323,394	218,150	70,840	68,267	-
Excess (deficiency) of receipts over disbursements	(768)	(197,345)	(46,630)	13,505	1,100	-
Cash and investments - ending	<u>\$ 3,105</u>	<u>\$ -</u>	<u>\$ 28,306</u>	<u>\$ 27,443</u>	<u>\$ 2,577</u>	<u>\$ 196</u>

CITY OF SULLIVAN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Edit	Payroll	Wastewater Utility-Operating	Sewer Sinking	Sewer Deprec & Sewer Improv	Sewer Construction
Cash and investments - beginning	\$ -	\$ 18,897	\$ 881,526	\$ 27,734	\$ 20,592	\$ 4,017
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	174,502	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	1,254,367	-	-	-
Other receipts	371,641	1,353,125	-	496,536	38	4
Total receipts	546,143	1,353,125	1,254,367	496,536	38	4
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	496,257	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	744,924	-	-	-
Other disbursements	174,502	1,369,031	718,828	240	-	-
Total disbursements	174,502	1,369,031	1,463,752	496,497	-	-
Excess (deficiency) of receipts over disbursements	371,641	(15,906)	(209,385)	39	38	4
Cash and investments - ending	\$ 371,641	\$ 2,991	\$ 672,141	\$ 27,773	\$ 20,630	\$ 4,021

CITY OF SULLIVAN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Sewer Improvement Money Mkt	Sewer Const Money Market	Sewer Sinking Money Market	Sewer Debt Service Reserve	Tgr	Totals
Cash and investments - beginning	\$ 122,371	\$ 52,659	\$ 308,289	\$ -	\$ 31,150	\$ 2,740,854
Receipts:						
Taxes	-	-	-	-	-	913,368
Licenses and permits	-	-	-	-	-	29,507
Intergovernmental	-	-	-	-	-	789,973
Charges for services	-	-	-	-	-	350,049
Fines and forfeits	-	-	-	-	-	2,951
Utility fees	-	-	-	-	277,017	1,531,384
Other receipts	194	56	489	24,280	2,133	2,665,818
Total receipts	194	56	489	24,280	279,150	6,283,050
Disbursements:						
Personal services	-	-	-	-	-	1,132,653
Supplies	-	-	-	-	-	134,220
Other services and charges	-	-	-	-	-	375,552
Debt service - principal and interest	-	-	-	24,280	-	520,537
Capital outlay	-	-	-	-	21,451	79,371
Utility operating expenses	-	-	-	-	267,091	1,012,015
Other disbursements	-	-	-	-	5,200	3,123,697
Total disbursements	-	-	-	24,280	293,742	6,378,045
Excess (deficiency) of receipts over disbursements	194	56	489	-	(14,592)	(94,995)
Cash and investments - ending	<u>\$ 122,565</u>	<u>\$ 52,715</u>	<u>\$ 308,778</u>	<u>\$ -</u>	<u>\$ 16,558</u>	<u>\$ 2,645,859</u>

CITY OF SULLIVAN
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	Section Street	\$ 1,025,000	\$ 43,500
Notes and loans payable	Police Car	63,875	23,058
Notes and loans payable	Ambulance	121,983	29,598
Notes and loans payable	Fire Truck	121,296	43,580
Notes and loans payable	Pool Liner	22,446	8,029
Notes and loans payable	Dura Patch Dump Truck	27,736	14,802
Notes and loans payable	Grasshopper Zero Turn Mower	10,624	3,460
Total governmental activities		<u>1,392,960</u>	<u>166,027</u>
Wastewater:			
Notes and loans payable	State Revolving Wastewater	6,318,098	485,089
Notes and loans payable	Dump Truck	6,288	6,547
Notes and loans payable	Trash Truck	63,618	11,447
Total Wastewater		<u>6,388,004</u>	<u>503,083</u>
Totals		<u>\$ 7,780,964</u>	<u>\$ 669,110</u>

CITY OF SULLIVAN
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

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.

	Ending Balance
Governmental activities:	
Land	\$ 172,157
Infrastructure	6,320,022
Buildings	1,360,812
Improvements other than buildings	365,522
Machinery, equipment and vehicles	2,030,102
Total governmental activities	10,248,615
Wastewater:	
Land	122,420
Infrastructure	265,578
Buildings	571,582
Improvements other than buildings	3,759,091
Machinery, equipment and vehicles	594,345
Total Wastewater	5,313,016
Total capital assets	\$ 15,561,631

CITY OF SULLIVAN
EXAMINATION RESULTS AND COMMENTS

TRASH RECEIPTS NOT DEPOSITED (Applies to City)

A receipt book located at the City garage shows receipts 267005 through 267016 being used for collection of trash fees by Robert L. Queen, former Street Commissioner, from July 11, 2011 through December 12, 2011. Of these twelve receipts, only one could be verified as deposited leaving \$398 not accounted for as being deposited into the City funds.

Indiana Code 5-13-6-1(d) states in part: "A city or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories selected by the city or town as provided in an ordinance adopted by the city or the town and approved as depositories of state funds."

Public funds shall be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Robert L. Queen, former Street Commissioner, was requested to reimburse \$398 to the City of Sullivan. Robert L. Queen, former Street Commissioner, reimbursed \$398 to the City of Sullivan on November 14, 2012. (See Summary of Charges, page 35)

PERSONAL EXPENSES (Applies to City and Wastewater)

Robert L. Queen, former Street Commissioner, purchased miscellaneous parts from local parts stores for personal use during 2011. The City paid \$15.67 by check 22777 to Toys Auto Parts, Inc., for safety glasses which would not be the typical type of purchase for the City. On September 8, 2011, payment was made by City check 23314 to Toys Auto Parts, Inc., for parts on a 1999 Ford Taurus in the amount of \$92.31. The City does not own a 1999 Ford Taurus. On December 8, 2011, the City issued check 23592 to pay \$118.07 for brake parts for a 2002 Hyundai Sante Fe to Catlin Automotive Parts; however, the City does not own a 2002 Hyundai.

Invoices show that the employee did not pay sales tax on the purchased items. We instructed the employee to contact the Indiana Department of Revenue to rectify this situation.

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)

Robert L. Queen, former Street Commissioner, reimbursed \$226.05 to the City of Sullivan on October 9, 2012. (See Summary of Charges, page 35)

SCRAP MATERIAL RECEIPTS NOT DEPOSITED (Applies to City)

Weigh tickets from A & E Salvage and Recycling show that, on June 23, 2011 and June 24, 2011, Bobby Walker, street employee, sold scrap material to A & E Salvage and Recycling in the City of Sullivan's name. Mr. Walker signed his name on three out of the six weigh tickets and his supervisor's name on the other three. Out of these six weigh tickets, only one dated June 24, 2011, could be accounted for in the City records. This was for \$89.30 on receipt 27572. The remaining weigh tickets totaling \$777.10 could not be accounted for. On September 27, 2012, former City employee, Dustin L. Saude, signed an affidavit stating that he observed Bobby Walker turn over the money received from A & E Salvage and Recycling to Robert L. Queen.

CITY OF SULLIVAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-13-6-1(d) states in part: "A city or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories selected by the city or town as provided in an ordinance adopted by the city or the town and approved as depositories of state funds."

Public funds shall be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Robert L. Queen, former Street Commissioner, was requested to reimburse \$777.10 to the City of Sullivan. Robert L. Queen, former Street Commissioner, reimbursed \$777.10 to the City of Sullivan on November 14, 2012. (See Summary of Charges, page 35)

OLD OUTSTANDING CHECKS (Applies to City)

Our review of the bank reconcilements as of December 31, 2011, revealed checks outstanding in excess of two years.

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

Indiana Code 5-11-10.5-3 states in part:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the board of finance of the political subdivision or the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

OPTICAL IMAGES OF WARRANTS (Applies to City)

As stated in the prior Reports B38066 and B39865, Harris Bank did not return the actual deposit documents and cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

CITY OF SULLIVAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-15-6-3 concerning optical imaging of checks, states in part:

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

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

Further, Indiana Code 26-2-8-111 states in part:

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

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

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

BANK ACCOUNT RECONCILIATIONS (Applies to City and Wastewater Utility)

As stated in prior Reports B38066 and B39865, depository reconciliations of fund balances to the bank account balance for the City's "Civil City" account and Sewer Sinking were incorrect as of December 31, 2011, by \$126 and \$20, respectively.

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 responsibility for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS (Applies to Park Department)

As stated in the prior Report 39865, the records presented for examination indicated the following expenditures in excess of budgeted appropriations:

Fund	Year	Excess Amount Expended
Park and Recreation	2011	<u>\$ 21,232</u>

CITY OF SULLIVAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

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 RECORDS RETENTION (Applies to City and Park Department)

Park receipts presented for examination show that cash register tapes are not always readable leaving no records for reconciling the day's activity. In addition, receipts presented for examination show that receipts were missing or voided and not available for 2011 examination.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

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

DISBURSEMENTS WITHOUT APPROPRIATIONS (Applies to Park Department)

As stated in prior Reports B38066 and B39865, disbursements were made from the City's Park Non Reverting Fund for supplies and other miscellaneous items. Formal budgets and appropriations were not found to have been prepared and approved for these disbursements. Concession charges, pool pass fees, and shelter rental fees were the primary sources of revenue used to fund these disbursements.

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."

Indiana Code 36-10-3-22 relates to charging fees for park services and authorizes establishing either/or a special nonreverting operating fund or a special nonreverting capital fund and states:

". . . (b) The unit's fiscal body may establish by ordinance upon request of the board:

- (1) a special nonreverting operating fund for park purposes from which expenditures may be made as provided by ordinance, either by appropriation by the board or by the unit's fiscal body; . . ."

DEPOSITS (Applies to City)

In 18 out of 54 instances, receipts were found to be deposited from 2 to 27 days later than the next business day.

CITY OF SULLIVAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-13-6-1(d) states:

"A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

CASH CHANGE FUND (Applies to City)

On August 11, 2012, the City pool closed for the season with \$150 on record as cash change. We requested to count the cash change on August 26, 2012, and verified the cash change could not be located. After discussion with the Clerk-Treasurer, the money was deposited and receipted into the Park Non Reverting Fund on receipt 29483 by the Clerk-Treasurer.

The entire cash change fund is to be returned to the fund from which it was advanced if and when it is no longer needed, and must be returned at the conclusion of each term served by the person drawing same. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns Manual, Chapter 7)

INTERNAL CONTROLS OVER CITY PARK RECORDS (Applies to City and Park Department)

We noted deficiencies in the internal control system of the City related to City Park records. We believe the following deficiencies constitute material weaknesses:

1. Claims were paid 7 out of 12 months without the City Park Board or Board of Works approval and/or authorization.
2. City pool Cash Change Fund was not available for examination.
3. Cash register tapes at the City pool were not always readable. In addition, there was not a daily reconciliation between the cash register and cash collected for each cash register.

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 objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

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

FINANCE CHARGES (Applies to City)

The City incurred, and subsequently paid, financial charges for delinquent payment of vendor invoices during 2011.

CITY OF SULLIVAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPORTING DOCUMENTATION (Applies to City)

Payments were observed 5 out of 60 instances which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

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

ERRORS ON CLAIMS (Applies to City)

The following deficiencies were noted on claims during the examination period:

1. Claims were not always approved for payment. Seven out of twelve months were not approved by the Park Board or City.
2. Claims or invoices did not have evidence to support receipt of goods or services.
3. Claims were not always certified by department head or disbursing agent.

Indiana Code 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;
- (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.

CITY OF SULLIVAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

PRESCRIBED FORMS (Applies to City)

The following prescribed or approved form was not always in use:

Mileage Claim 101

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ORDINANCES AND RESOLUTIONS (Applies to City)

Records presented for examination indicate that the Mayor did not follow the City's personnel policy in reprimanding the former Street Commissioner, Greg Pitts. Records also indicate that the City Council was not following the personnel policy in paying out Mr. Pitts' unused vacation days and paid time for the month of December 2010 not worked. On December 1, 2010, the Board of Works approved meeting minutes stated that Mayor Eble presented the Board with two letters. One letter stated that Mayor Eble was rescinding the appointment of Greg Pitts as Sullivan Street Commissioner and replacing him with temporary employee, Robert L. Queen. The other letter stated that Greg Pitts' employment was terminated, effective as of today's date. The last letter mentioned could not be located and was not presented for examination. The last day shown as worked by Mr. Pitts was December 1, 2010. The City Council and Greg Pitts claim that no verbal or written warnings were given to Mr. Pitts for disciplinary behavior. The Mayor presented the City Council a memo on January 5, 2011, stating the reason for replacing the Street Commissioner. During the January 13, 2011 City Council meeting minutes, the Council approved paying Greg Pitts for 374 hours of unused compensation time, four weeks of vacation, and paying his regular salary through January 5, 2011. Records show that Greg Pitts was issued checks on January 21, 2011, to reimburse the 374 hours compensation, the unused four weeks of vacation time, and being paid his regular salary through January 5, 2011.

The City of Sullivan's Personnel Policy Manual states under 8.040 Progressive Discipline:

"A. Normally, misconduct or unsatisfactory performance by an employee will be subject to a progressive disciplinary system, except as circumstances might otherwise suggest.

B. A progressive system of discipline is designed to allow both the City of Sullivan and its employees to address misbehavior through communication and consistent action.

1. Verbal warnings will first be used in all offenses, but may not be the only means of discipline applied, depending upon the severity of the situation as determined by the supervisor and Board of Works.
2. Should the offense continue past the occasion upon which the verbal warning was given, the result will then be a written reprimand.
3. An additional offense, including but not limited to a repetition of the first offense or incident, within twelve (12) months of the first offense or incident, will result in a written warning and a one (1) to three (3) day suspension with or without pay.
4. A third offense or incident, including but not limited to the repetition of previous offenses or incidents, within twelve (12) months of the second offense or incident, may result in immediate discharge."

CITY OF SULLIVAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

The City of Sullivan's Personnel Policy Manual states Under 3.010 Probationary 4.030(A) Vacations: "It is understood that employees involuntarily dismissed from service shall not be entitled to payment for any accrued vacation."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORT (Applies to the City)

An Annual Report for 2011 was presented for examination; however, the Schedule of Leases and Debt and the Schedule of Capital Assets were incomplete. The City resubmitted the Annual Report.

Indiana Code 5-11-4(a) states:

"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 in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under Indiana Code 5-14-3.8-7."

PAYROLL SCHEDULE AND VOUCHER (General Form 99) (Applies to City and Wastewater)

Records presented for examination show that the department head, the disbursing agent or the governing board did not certify the payroll claims prior to being paid. The accounts payable docket is signed by the Clerk-Treasurer and City Council once a month after the fact for payroll.

Each claim should be certified to by the department head and the Clerk-Treasurer in the appropriate sections provided thereon. The Clerk-Treasurer may elect to certify on the Accounts Payable Voucher Register, General Form No. 364, in lieu of certifying each Payroll Schedule and Voucher. (Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 4)

OFFICIAL BOND (Applies to City)

An official bond was not available or recorded for the fire pension secretary, police pension secretary, first deputy, and wastewater clerk.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond:

- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges and clerk-treasurers.
- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks.

CITY OF SULLIVAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (4) Township trustees.
- (5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county.
- (6) Township assessors (if any).

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. County auditors shall file bonds in amounts of less than thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county. The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000)."

Indiana Code 36-8-7-7 sec 7.(a) states: ". . . The secretary shall, in the manner prescribed by IC 5-4-1, execute a bond conditioned upon the faithful discharge of the secretary's duties."

Indiana Code 36-8-6-3(e) states: "The secretary shall, in the manner prescribed by IC 5-4-1, execute a bond conditioned upon the faithful discharge of the secretary's duties."

1925 POLICE PENSION PLAN MINUTES (Applies to City)

Police Pension meeting minutes were not available for examination for 2011.

Indiana Code 36-8-6-3(d) states:

"The secretary shall:

- (1) keep a true account of the proceedings of the local board and of the police department of the municipality when acting upon matters relating to the 1925 fund;
- (2) keep a correct statement of the accounts of each member with the fund;
- (3) collect and turn over to the treasurer of the local board all money belonging to the fund;

CITY OF SULLIVAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (4) give the local board a monthly account of the secretary's acts and services as secretary; and
- (5) turn over to the secretary's successor all books and papers pertaining to the office."

1937 FIREFIGHTER'S PENSION PLAN MINUTES (Applies to City)

Minutes of the 1937 Firefighter's Pension Plan meetings were not available for 2011 through the current date.

Indiana Code 36-8-7-7 Sec. 7 states:

"(a) The fire chief is the president of the local board.

(b) At the first meeting after each election, the local board shall elect a secretary, who may be chosen from among the trustees. However, the local board may consider it proper to have a secretary who is a member of the fire department, to be elected by the companies for a term of four (4) years in the same manner as the election for trustees. The secretary shall keep a full records of all the proceeding of the local board in a book provided for that purpose. The secretary shall, in the manner prescribed by IC 5-4-1, execute a bond conditioned upon the faithful discharge of the secretary's duties."

1925 POLICE PENSION PLAN UNDERPAYMENTS (Applies to City)

As noted in the prior Reports B34982, B38066, and B39865, pension recipients in the 1925 Police Pension Plan were again underpaid in 2011.

Indiana Code 36-8-6 outlines the computation of benefits for the members of the 1925 Police Pension Plan.

1937 FIREFIGHTER'S PENSION PLAN UNDERPAYMENTS (Applies to City)

The 1937 Firefighter's Pension Plan was underpaid in 2011.

Indiana Code 36-8-7 outlines the computation of benefits for the members of the 1937 Firefighter's Pension Plan.

CITY OF SULLIVAN
EXIT CONFERENCE

The contents of this report were discussed on October 2, 2012, with Donna Sue Pitts, Clerk-Treasurer; Steve Martindale, former President of the Common Council; Debra J. Ayers, President of the Common Council; and Robert L. Queen, former Street Commissioner. The officials concurred with our findings.

The contents of this report were discussed on October 2, 2012, with Clint D. Lamb, Mayor.

The contents of this report were discussed on October 3, 2012, with Edward F. Eble, former Mayor. The Official Response has been made a part of this report and may be found on pages 34.

RECEIVED

OCT 16 2012

STATE BOARD OF ACCOUNTS

To State Board of Accounts,

On December 3, 2010 I Edward F. Eble (Mayor City of SULLIVAN) made an executive decision to remove and terminate employment of Gregg Pitts (Street Superintendent) according to (IC 36-4-11-2) . After consulting The City Attorney I was informed the appointment of Executive Departments is one of the duties of the Mayor and is not subject to city policy; because the appointments and hiring of employees are all done through the Board of Works. I submitted two letters to the Board of Works. I also made copies and gave them to city council members. Both of these letters were produced on the Mayors computer at City Hall. I made electronic copies of them in a file marked Mayors Documents. I do not have access to this computer but unless this file was deleted you should be able to get a copy. I also made hard copies and filed them under resignations and dismissals in the Mayors desk left bottom. On January 5, 2011 I was advised by the City Attorney that I needed to write a letter to City Counsel giving a reason for terminating Gregg Pitts and I did. I wrote another letter stating that I had terminated Gregg Pitts Employment on December 3, 2010 Due to a Difference in Supervisory and Work ethics. Although the Council did not have an official letter addressed to them for a month they were aware of the actions taken. The law does state that I must give them a letter; The Law does not state that they must receive it prior to termination. To add more to this subject, I felt that street department employees were lacking in direction and organization. I had called Greg Pitts into my office on prior occasions to rectify this situation but unfortunately we could not resolve the situation. . .

As for the money that Robert Queen collected for extra jobs He had told me he was keeping a receipt book so he could keep a record of how much he turned into the clerk's office I did witness him giving money to the secretary once. As a department head he should have asked for a receipt or deposited the money himself. I really find it hard to believe that Robert Queen would have intentionally stole money from the city. As for Robert Queen receiving money from Bobby Walker; Robert Queen often worked on personal jobs after work and sold items to Bobby Walker. I could believe Bobby Walker paid Robert Queen at city garage for personal work he had done. Not that it makes a difference but Robert Queen did fire Bobby Walker and the city clerk was married to Gregg Pitts who Robert Queen replaced. I do regret that I was not made aware of any wrong doing by my City Clerk while I was still in office as I will not tolerate employees not doing their job or misappropriating funds. I do not believe the Mayor (myself) made any mistakes in this executive process.

Thank You,



Edward F. Eble

0235 HRS

10/17/12

CITY OF SULLIVAN
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Robert L. Queen, former Street Commissioner:			
Trash Receipts Not Deposited, page 23	\$ 398.00	\$ 398.00	\$ -
Personal Expenses, page 23	226.05	226.05	-
Scrap Material Receipts Not Deposited, pages 23 and 24	<u>777.10</u>	<u>777.10</u>	<u>-</u>
 Totals	 <u>\$ 1,401.15</u>	 <u>\$ 1,401.15</u>	 <u>\$ -</u>

This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.