

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

CITY OF LAWRENCEBURG

DEARBORN COUNTY, INDIANA

January 1, 2011 to December 31, 2011



FILED
07/03/2013

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Accountant's Report.....	3
Financial Statement:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	6
Notes to Financial Statement.....	7-12
Supplementary Information - Unaudited:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	14-22
Schedule of Payables and Receivables	23
Examination Results and Comments:	
Annual Report Variances.....	24
Investments	24
Internal Controls Over Funds Received Per Development Agreement.....	24-25
Internal Controls Over Loans to Private Entities	25
Concrete Work Performed on Private Property.....	25-26
Accounting For Amounts Due From Property Owners	26
Municipal Development Fund and Riverboat Fund Budgets	27
Expenditures in Excess of Appropriations	28
Overdrawn Cash Balances	28-29
Public Works Projects.....	29-30
Public Purchases Law	30
Purchase of Property	31
Dearborn County Economic Development Initiative Agreement.....	31
Payments to Nongovernmental Entities	31
Errors on Claims	32
Receipt and Deposit of Pool Collections	32
Delinquent Utility Accounts.....	32-33
Delinquent Wastewater Accounts.....	33
Compensation Paid in Advance	33-34
Unused Vacation Leave Paid to Employees	34
Payroll Schedule and Voucher Not Used	35
Capital Asset Records	35
Overpayment to Contractor	35
Exit Conference.....	36
Official Responses	37-43

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jacqueline A. Stutz	01-01-08 to 12-31-15
Mayor	William Cunningham Dennis Carr	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Board of Public Works	William Cunningham Dennis Carr	01-01-11 to 12-31-11 01-01-12 to 12-31-13
President of the Common Council	William Cunningham Doug Taylor William M. Lawrence	01-01-11 to 12-31-11 01-01-12 to 12-31-12 01-01-13 to 12-31-13
Superintendent of Utilities	Charles M. Davis	01-01-11 to 12-31-13



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statement of the City of Lawrenceburg (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. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2011.

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 and Schedule of Payables and Receivables, 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 Responses. We did not examine the City's response and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

April 8, 2013

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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 LAWRENCEBURG
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	\$ 3,001,423	\$ 5,603,107	\$ 7,415,688	\$ 1,188,842
Motor Vehicle Highway	2,387,857	730,930	663,770	2,455,017
Local Road And Street	3,841	28,544	29,962	2,423
Nr Parks Operating	693,461	164,988	73,972	784,477
Nr LERU	332,640	24,103	-	356,743
Nr EDC	126,551	13,568	-	140,119
Nr Planning Commission	58,648	15,814	17,043	57,419
Nr Refuse	267,222	38,103	-	305,325
Nr Parking Fees	22,708	40	2,525	20,223
Lawrenceburg Law Enforcement Continuing Ed	34,510	3,822	6,990	31,342
Riverboat Wagering/Admissions	73,274,605	44,294,420	35,996,702	81,572,323
Parks And Recreation	1,643,215	296,294	431,191	1,508,318
Rainy Day	186,348	-	-	186,348
Nr K-9 Operating	255	11,000	4,378	6,877
Levy Excess	12,986	-	12,986	-
Nr Drug Buy Program	40,393	25	248	40,170
Nr Redevelopment Escrow	-	2,837	-	2,837
Nr Industrial Park	290,782	-	-	290,782
Nr Police Equipment	3	-	-	3
Nr Fire Fighting Equipment	920,186	137,311	77,483	980,014
Nr Cumulative Equipment	(17,531)	-	-	(17,531)
Cumulative Capital Improv	(32,071)	6,507	-	(25,564)
Nr Self-Insurance Disaster	65,289	-	-	65,289
Police Pension	1,648,900	321,476	201,602	1,768,774
DUI Operation Pullover	-	3,000	-	3,000
Event Center Hollywood Funds	-	1,004,629	263,288	741,341
Grant Funds	1,750,000	6,936	-	1,756,936
City Court	40,161	758,812	751,351	47,622
User Fee-Law Enforcement	(1,033)	14,220	13,296	(109)
Operation Pull Over	2,133	-	-	2,133
County Court Costs	-	123,294	108,664	14,630
Nr Police Activity	89	-	-	89
Remedial Flood Control	(134,533)	-	-	(134,533)
Bcc Operation Pull Over	800	20,032	18,621	2,211
Municipal Development	20,040,932	18,962,832	21,144,714	17,859,050
AEP	65,027	210,000	215,179	59,848
Council Public Entity Loan	3,974,563	341,530	42,500	4,273,593
Council Priv Entity Loan	2,394,240	649,906	38,864	3,005,282
Record Perpetuation	111,424	42,312	10,956	142,780
Workers Training	798	-	-	798
Lawrenceburg Housing RLF	120,274	9,284	31,852	97,706
Medical Insurance Account	30,492	2,192,320	2,252,369	(29,557)
N/R Monument/Bldg Maint	2,019,090	-	-	2,019,090
N/R Parks Maintenance	2,019,090	-	-	2,019,090
N/R Fall Fest	22,355	24,417	79,145	(32,373)
LERU Billing	911,473	257,209	-	1,168,682
Nr Capital Improvements Parks	(287)	-	-	(287)
MDF Special Sewage	705,609	3,536	-	709,145
Payroll	104,774	5,682,651	5,789,629	(2,204)
Electric Utility Operating	2,520,102	12,150,868	12,147,477	2,523,493
Electric Utility Depreciation	492,756	6,196	-	498,952
Electric Utility Customer Deposit	115,003	54,334	58,785	110,552
Electric Utility Reserve	481,295	-	-	481,295
Sewage Operating	65,996	1,102,826	940,455	228,367
Water Utility Operating	157,678	1,010,813	826,902	341,589
Water Utility Depreciation	279,362	1,863	-	281,225
Totals	\$ 123,251,884	\$ 96,326,709	\$ 89,668,587	\$ 129,910,006

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

CITY OF LAWRENCEBURG
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, electric, trash, and urban redevelopment and housing.

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 may 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, 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 LAWRENCEBURG
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, and major moves distributions received from the state.

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, recycling 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.

Penalties which include fees received for late payments.

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 may 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.

CITY OF LAWRENCEBURG
NOTES TO FINANCIAL STATEMENT
(Continued)

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 LAWRENCEBURG
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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

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

CITY OF LAWRENCEBURG
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

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. 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 Retirement System (INPRS) 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.

INPRS 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

CITY OF LAWRENCEBURG
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Report information for years 2011 and later 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 LAWRENCEBURG
 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	Nr Parks Operating	Nr LERU	Nr EDC	Nr Planning Commission
Cash and investments - beginning	\$ 3,001,423	\$ 2,387,857	\$ 3,841	\$ 693,461	\$ 332,640	\$ 126,551	\$ 58,648
Receipts:							
Taxes	4,060,000	574,211	-	-	-	-	-
Licenses and permits	1,355	-	-	-	-	500	15,814
Intergovernmental	1,006,758	127,220	28,544	-	-	-	-
Charges for services	50	-	-	164,042	24,103	13,068	-
Fines and forfeits	84,299	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	450,645	29,499	-	946	-	-	-
Total receipts	5,603,107	730,930	28,544	164,988	24,103	13,568	15,814
Disbursements:							
Personal services	5,209,949	390,716	-	-	-	-	-
Supplies	234,374	140,106	-	24,672	-	-	-
Other services and charges	1,804,984	77,277	-	17,377	-	-	13,513
Capital outlay	155,381	55,671	29,962	31,923	-	-	3,530
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	11,000	-	-	-	-	-	-
Total disbursements	7,415,688	663,770	29,962	73,972	-	-	17,043
Excess (deficiency) of receipts over disbursements	(1,812,581)	67,160	(1,418)	91,016	24,103	13,568	(1,229)
Cash and investments - ending	\$ 1,188,842	\$ 2,455,017	\$ 2,423	\$ 784,477	\$ 356,743	\$ 140,119	\$ 57,419

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

	Nr Refuse	Nr Parking Fees	Lawrenceburg Law Enforcement Continuing Ed	Riverboat Wagering/Admissions	Parks And Recreation	Rainy Day	Nr K-9 Operating
Cash and investments - beginning	\$ 267,222	\$ 22,708	\$ 34,510	\$ 73,274,605	\$ 1,643,215	\$ 186,348	\$ 255
Receipts:							
Taxes	-	-	-	-	292,502	-	-
Licenses and permits	-	-	760	-	-	-	-
Intergovernmental	-	-	-	-	1,195	-	-
Charges for services	38,103	-	2,502	-	-	-	-
Fines and forfeits	-	40	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	560	44,294,420	2,597	-	11,000
Total receipts	<u>38,103</u>	<u>40</u>	<u>3,822</u>	<u>44,294,420</u>	<u>296,294</u>	<u>-</u>	<u>11,000</u>
Disbursements:							
Personal services	-	-	-	-	396,260	-	-
Supplies	-	2,525	6,990	-	22,333	-	-
Other services and charges	-	-	-	-	10,664	-	-
Capital outlay	-	-	-	-	1,934	-	4,378
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	35,996,702	-	-	-
Total disbursements	<u>-</u>	<u>2,525</u>	<u>6,990</u>	<u>35,996,702</u>	<u>431,191</u>	<u>-</u>	<u>4,378</u>
Excess (deficiency) of receipts over disbursements	<u>38,103</u>	<u>(2,485)</u>	<u>(3,168)</u>	<u>8,297,718</u>	<u>(134,897)</u>	<u>-</u>	<u>6,622</u>
Cash and investments - ending	<u>\$ 305,325</u>	<u>\$ 20,223</u>	<u>\$ 31,342</u>	<u>\$ 81,572,323</u>	<u>\$ 1,508,318</u>	<u>\$ 186,348</u>	<u>\$ 6,877</u>

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

	Levy Excess	Nr Drug Buy Program	Nr Redevelopment Escrow	Nr Industrial Park	Nr Police Equipment	Nr Fire Fighting Equipment	Nr Cumulative Equipment
Cash and investments - beginning	\$ 12,986	\$ 40,393	\$ -	\$ 290,782	\$ 3	\$ 920,186	\$ (17,531)
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	100,000	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	25	2,837	-	-	37,311	-
Total receipts	-	25	2,837	-	-	137,311	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	12,986	248	-	-	-	-	-
Capital outlay	-	-	-	-	-	77,483	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	12,986	248	-	-	-	77,483	-
Excess (deficiency) of receipts over disbursements	(12,986)	(223)	2,837	-	-	59,828	-
Cash and investments - ending	\$ -	\$ 40,170	\$ 2,837	\$ 290,782	\$ 3	\$ 980,014	\$ (17,531)

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

	Cumulative Capital Improv	Nr Self-Insurance Disaster	Police Pension	DUI Operation Pullover	Event Center Hollywood Funds	Grant Funds
Cash and investments - beginning	\$ (32,071)	\$ 65,289	\$ 1,648,900	\$ -	\$ -	\$ 1,750,000
Receipts:						
Taxes	-	-	96,601	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	6,507	-	217,425	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	7,450	3,000	1,004,629	6,936
Total receipts	<u>6,507</u>	<u>-</u>	<u>321,476</u>	<u>3,000</u>	<u>1,004,629</u>	<u>6,936</u>
Disbursements:						
Personal services	-	-	201,602	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	263,288	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>201,602</u>	<u>-</u>	<u>263,288</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>6,507</u>	<u>-</u>	<u>119,874</u>	<u>3,000</u>	<u>741,341</u>	<u>6,936</u>
Cash and investments - ending	<u>\$ (25,564)</u>	<u>\$ 65,289</u>	<u>\$ 1,768,774</u>	<u>\$ 3,000</u>	<u>\$ 741,341</u>	<u>\$ 1,756,936</u>

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

	City Court	User Fee-Law Enforcement	Operation Pull Over	County Court Costs	Nr Police Activity	Remedial Flood Control
Cash and investments - beginning	\$ 40,161	\$ (1,033)	\$ 2,133	\$ -	\$ 89	\$ (134,533)
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	758,812	14,220	-	123,294	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	<u>758,812</u>	<u>14,220</u>	<u>-</u>	<u>123,294</u>	<u>-</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	13,296	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	751,351	-	-	108,664	-	-
Total disbursements	<u>751,351</u>	<u>13,296</u>	<u>-</u>	<u>108,664</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>7,461</u>	<u>924</u>	<u>-</u>	<u>14,630</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 47,622</u>	<u>\$ (109)</u>	<u>\$ 2,133</u>	<u>\$ 14,630</u>	<u>\$ 89</u>	<u>\$ (134,533)</u>

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

	Bcc Operation Pull Over	Municipal Development	AEP	Council Public Entity Loan	Council Priv Entity Loan	Record Perpetuation
Cash and investments - beginning	\$ 800	\$ 20,040,932	\$ 65,027	\$ 3,974,563	\$ 2,394,240	\$ 111,424
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	69,989	-	-	-	-
Intergovernmental	20,032	-	210,000	-	-	-
Charges for services	-	5,959,538	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	12,933,305	-	341,530	649,906	42,312
Total receipts	<u>20,032</u>	<u>18,962,832</u>	<u>210,000</u>	<u>341,530</u>	<u>649,906</u>	<u>42,312</u>
Disbursements:						
Personal services	18,621	3,897,986	-	-	-	-
Supplies	-	340,751	-	-	-	-
Other services and charges	-	2,292,696	215,179	-	-	-
Capital outlay	-	12,098,537	-	-	-	10,956
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	2,514,744	-	42,500	38,864	-
Total disbursements	<u>18,621</u>	<u>21,144,714</u>	<u>215,179</u>	<u>42,500</u>	<u>38,864</u>	<u>10,956</u>
Excess (deficiency) of receipts over disbursements	<u>1,411</u>	<u>(2,181,882)</u>	<u>(5,179)</u>	<u>299,030</u>	<u>611,042</u>	<u>31,356</u>
Cash and investments - ending	<u>\$ 2,211</u>	<u>\$ 17,859,050</u>	<u>\$ 59,848</u>	<u>\$ 4,273,593</u>	<u>\$ 3,005,282</u>	<u>\$ 142,780</u>

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

	Workers Training	Lawrenceburg Housing RLF	Medical Insurance Account	N/R Monument/Bldg Maint	N/R Parks Maintenance	N/R Fall Fest
Cash and investments - beginning	\$ 798	\$ 120,274	\$ 30,492	\$ 2,019,090	\$ 2,019,090	\$ 22,355
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	9,284	2,192,320	-	-	24,417
Total receipts	-	9,284	2,192,320	-	-	24,417
Disbursements:						
Personal services	-	-	2,252,369	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	31,852	-	-	-	79,145
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	31,852	2,252,369	-	-	79,145
Excess (deficiency) of receipts over disbursements	-	(22,568)	(60,049)	-	-	(54,728)
Cash and investments - ending	\$ 798	\$ 97,706	\$ (29,557)	\$ 2,019,090	\$ 2,019,090	\$ (32,373)

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

	LERU Billing	Nr Capital Improvements Parks	MDF Special Sewage	Payroll	Electric Utility Operating	Electric Utility Depreciation
Cash and investments - beginning	\$ 911,473	\$ (287)	\$ 705,609	\$ 104,774	\$ 2,520,102	\$ 492,756
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	257,209	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	12,150,868	-
Other receipts	-	-	3,536	5,682,651	-	6,196
Total receipts	<u>257,209</u>	<u>-</u>	<u>3,536</u>	<u>5,682,651</u>	<u>12,150,868</u>	<u>6,196</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	12,147,477	-
Other disbursements	-	-	-	5,789,629	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,789,629</u>	<u>12,147,477</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>257,209</u>	<u>-</u>	<u>3,536</u>	<u>(106,978)</u>	<u>3,391</u>	<u>6,196</u>
Cash and investments - ending	<u>\$ 1,168,682</u>	<u>\$ (287)</u>	<u>\$ 709,145</u>	<u>\$ (2,204)</u>	<u>\$ 2,523,493</u>	<u>\$ 498,952</u>

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

	Electric Utility Customer Deposit	Electric Utility Reserve	Sewage Operating	Water Utility Operating	Water Utility Depreciation	Totals
Cash and investments - beginning	\$ 115,003	\$ 481,295	\$ 65,996	\$ 157,678	\$ 279,362	\$ 123,251,884
Receipts:						
Taxes	-	-	-	-	-	5,023,314
Licenses and permits	-	-	-	-	-	88,418
Intergovernmental	-	-	-	-	-	1,717,681
Charges for services	-	-	-	-	-	6,458,615
Fines and forfeits	-	-	-	-	-	980,665
Utility fees	-	-	1,102,826	1,010,813	-	14,264,507
Other receipts	54,334	-	-	-	1,863	67,793,509
Total receipts	<u>54,334</u>	<u>-</u>	<u>1,102,826</u>	<u>1,010,813</u>	<u>1,863</u>	<u>96,326,709</u>
Disbursements:						
Personal services	-	-	-	-	-	12,367,503
Supplies	-	-	-	-	-	771,751
Other services and charges	-	-	-	-	-	4,555,921
Capital outlay	-	-	-	-	-	12,746,339
Utility operating expenses	-	-	940,455	826,902	-	13,914,834
Other disbursements	58,785	-	-	-	-	45,312,239
Total disbursements	<u>58,785</u>	<u>-</u>	<u>940,455</u>	<u>826,902</u>	<u>-</u>	<u>89,668,587</u>
Excess (deficiency) of receipts over disbursements	<u>(4,451)</u>	<u>-</u>	<u>162,371</u>	<u>183,911</u>	<u>1,863</u>	<u>6,658,122</u>
Cash and investments - ending	<u>\$ 110,552</u>	<u>\$ 481,295</u>	<u>\$ 228,367</u>	<u>\$ 341,589</u>	<u>\$ 281,225</u>	<u>\$ 129,910,006</u>

CITY OF LAWRENCEBURG
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2011

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ -	\$ -
Electric	850,738	242,169
Wastewater	92,769	27,029
Water	35,217	19,985
Totals	<u>\$ 978,724</u>	<u>\$ 289,183</u>

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT VARIANCES (Applies to Clerk-Treasurer)

The following are examples of variances between amounts reported on the City's Annual Report and the financial records for the year 2011:

1. The City invested \$33,501,138 in various investments at US Bank that were not reported in the Annual Report's January 1, 2011 and December 31, 2011 cash and investment balances.
2. The Annual Report did not include the City Court's financial activity.
3. Revenue type receipts in the amount of \$3,448,381 were misclassified as "Sale of Investments" on the Annual Report.
4. A Riverboat Fund investment in the amount of \$1,000,000 was reported on the Annual Report as a Municipal Development Fund investment.

The City approved adjustments to be made to their financial statements for the items noted above.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was included in prior Report B40007.

INVESTMENTS (Applies to Clerk-Treasurer)

During the year 2011, the sale and purchase of investments of \$19,101,419 were not recorded in the City's financial records. When certificates of deposits matured, the City received a principal check and an interest check. It was the City's practice to use the principal check to purchase a new investment, and to receipt only the interest check onto the City's records.

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

INTERNAL CONTROLS OVER FUNDS RECEIVED PER DEVELOPMENT AGREEMENT (Applies to Common Council)

The City receives funding annually in connection with an agreement between the City and a local riverboat operator. The City received \$35,142,745 during the year 2011. The amount of funding is based on a percentage of the riverboat operator's adjusted gross receipts for the year. The agreement contains the following provisions:

Section 8.10 of the development agreement titled "Financial Information" states in part: "(a) Developer shall provide City upon its request . . . with copies of financial information about Developer or its Affiliates . . . (b) City may arrange for an independent audit to verify the amount of Developer's Adjusted Gross Receipts during any Year of the Term."

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

Jackie Stutz, Clerk-Treasurer, stated that the City has not requested copies of financial information from the Developer or arranged an independent audit to verify the amount of the Developer's Adjusted Gross Receipts. The City does not have procedures in place to verify that the proper amount of funding was received per the development agreement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

In previous years, the City made long-term loans to various private entities from their Council Private Entity Loan Fund. The following deficiencies were noted regarding the accounting for loan repayments:

1. The City does not maintain sufficient detailed records of loans receivable. A spreadsheet was maintained for each loan, which listed the original loan amount and a list of repayments; however, the repayments recorded did not distinguish between the principal and the interest portions of the repayment; therefore, the outstanding loan principal balance could not be determined based upon the information recorded in the spreadsheets.
2. Loans to three entities had a maturity date in the year 2011, at which time the unpaid principal and interest was due. The outstanding principal and interest could not be determined due to the condition of loan receivable records described above. The outstanding principal balance for the three loans is estimated to be in excess of \$5,000,000. The City does not have a formal process in place to pursue collection of loans when loan conditions are not met.
3. Amortization schedules documenting the payment amounts due were not on file for all loans.
4. The promissory notes include a provision to assess a late charge for delinquent payments; however, the City did not assess late charges on delinquent payments.

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

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was included in prior Reports B35646, B38667, and B40007.

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

Invoices paid by the City for street paving and street repairs from the Municipal Development Fund showed additional costs being paid for concrete work on private property. Mario Todd, City Construction Inspector, stated it is the City's practice to allow the contractor who is awarded the annual street bid to perform additional work for property owners. The contractor provides an estimate to the property owner for

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

the work to be performed. If the property owner agrees to the work, the property owner enters into a contract with the City and the work is performed and paid for by the City. The contract includes payment arrangements for the property owner to reimburse the City for the cost of the work performed. Property owners who do not make payments are sent notices requesting reimbursement to the City for the cost of the work performed. Records presented for examination showed amounts due from property owners totaled \$616,946 as of December 31, 2011. The City Construction Inspector stated that the City did not want to discontinue the practice until the concrete program had been offered to all property owners.

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

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

A similar comment was included in prior Reports B35646, B38667, and B40007.

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

Records presented for examination showed that property owners owed the City \$616,946 as of December 31, 2011, for the cost of concrete work performed on private property. (See Examination Result and Comment titled "Concrete Work Performed on Private Property") We noted the following deficiencies regarding the accounting for amounts due from property owners:

1. The rates that the contractor quotes to the homeowner for driveways, sidewalks, porches, patios and walls does not correlate to the rate billed to the City for concrete work performed on private property.
2. The contractor does not bill the City separately by property owner.
3. According to the agreement entered into between the City and property owner, the City is not seeking full reimbursement for the cost of work performed; however, based on the records presented for examination, we could not determine the amount that the City subsidized for the work performed on private property.

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)

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

***MUNICIPAL DEVELOPMENT FUND AND RIVERBOAT FUND
BUDGETS (Applies to Common Council and Clerk-Treasurer)***

The following deficiencies were noted in our review of appropriations:

1. On January 5, 2011, the Common Council approved, in total, the MDF budget in the amount of \$24,118,001. This approval was documented in the board minutes; however, no approval of individual line items or expense categories was presented for examination.

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

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

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

2. Riverboat Fund expenditures in the year 2011 were \$35,996,702. The total Riverboat Fund budget approved by Common Council totaled \$25,834,600. As a result, expenditures exceeded total appropriations by \$10,162,102.

Indiana Code 36-4-8-2 states in part: ". . . Unless a statute provides otherwise, the fiscal officer may draw a warrant against a fund of the city only if: (1) an appropriation has been made for that purpose and the appropriation is not exhausted; . . ."

3. The appropriations ledger included encumbrances of \$14,878,829. However, no purchase orders or contracts were presented to support the amount encumbered. Jackie Stutz, Clerk-Treasurer, stated that grant funds appropriated for the year 2010 that were unused were carried over to the 2011 appropriations ledger.

Unexpended and unobligated appropriations shall lapse at the close of the year. Every effort should be made by the Clerk-Treasurer and other city or town officials to have bills and claims presented before the end of the year, so that such items shall be charged to the appropriation and disbursement account of the year in which the service or commodity was supplied. A claim of a prior year may be paid in the following year if the prior year's appropriation is properly encumbered and there are sufficient funds available. In order for funds to be encumbered, there must be an outstanding purchase order or contract that supports each encumbered item. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

EXPENDITURES IN EXCESS OF APPROPRIATIONS (Applies to Clerk-Treasurer)

Expenditures were made from the General Fund in excess of budgeted appropriations for the following departments:

Fund	Department	Amount
General	City Attorney	\$ 8,338
General	Clerk-Treasurer	5,833
General	Mayor	489
Total		\$ 14,660

The Clerk-Treasurer recorded in the appropriations ledger transfers of appropriations totaling \$14,660 that reduced the General Fund - Refuse Department's budgeted appropriation and increased the budgeted appropriations of the three departments above. No documentation was presented for examination to indicate that the transfers were properly authorized and advertised.

When proposing transfers from one department or office to another, in addition to an ordinance of the town council or common council authorizing such transfer, advertising to the taxpayers is required. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

OVERDRAWN CASH BALANCES (Applies to Clerk-Treasurer)

The following is a schedule of funds with a deficit cash balance as of December 31, 2011:

Fund	Deficit Cash Balance	Investments Balance	Balance Cash and Investment
Remedial Flood Control	\$ (204,533)	\$ 70,000	\$ (134,533)
NR Fall Fest	(32,373)	-	(32,373)
Medical Insurance Account	(29,557)	-	(29,557)
Cumulative Capital Improvement	(25,564)	-	(25,564)
NR Cumulative Equipment	(17,531)	-	(17,531)
Payroll	(2,204)	-	(2,204)
NR Capital Improvements Parks	(287)	-	(287)
User Fee-Law Enforcement	(109)	-	(109)

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

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 36-1-8-4 (a) states:

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

- (1) It must be necessary to borrow money to enhance the fund that is in need of money for cash flow purposes.
- (2) There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred.
- (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.
- (4) The amount transferred must be returned to the other fund at the end of the prescribed period.
- (5) Only revenues derived from the levying and collection of property taxes or special taxes or from operation of the political subdivision may be included in the amount transferred."

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was reported in Reports B33750, B31498, B35646, B38668, and B40007.

PUBLIC WORKS PROJECTS (Applies to Common Council)

The following deficiencies were noted in our review of public works projects:

1. The annual street bid for the year 2011 (awarded in the year 2010) was awarded to Dave O'Mara Contractor, Inc. The contractor extended the prices from the annual street bid to the following projects that were not included on the project list in the bid specifications:

Project	Payments	Note
Park Improvements	\$ 325,486	(A)
Senior Housing Parking Lot	131,067	
South Tanner's Creek	1,173,871	

Note to Schedule:

(A) Total includes improvements at various city parks, the majority of which was work performed at Ludlow Hill Park. Information was not presented for examination to determine the dollar amount of the individual park projects.

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

2. The City contracted with TT Maintenance and Contracting, Inc., for "Sanitary Sewer Reconstruction Across US 50." The total amount paid to the contractor was \$362,089. Work performed was prior to July 1, 2011. There was no evidence presented for examination that sealed bids were requested or received.

Indiana Code 36-1-12-4(a), effective prior to July 1, 2011, stated in part: "This section applies whenever the cost of a public work project will be . . . at least fifty thousand dollars (\$50,000) . . ."

Indiana Code 36-1-12-4(b), effective prior to July 1, 2011, stated in part:

"The board must comply with the following procedure:

- (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . .
- (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3).
- (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed. . . ."

PUBLIC PURCHASES LAW (Applies to Common Council)

During the year 2011, the City purchased the following vehicles:

<u>Equipment</u>	<u>Cost</u>
2-Ford F150 Trucks	\$ 54,820
Ford Super Duty F450	67,346

Only one quote for each of the purchases was presented for examination.

Indiana Code 5-22-7-5(a) states: "The purchasing agency shall give notice of the invitation for bids in a manner required by Indiana Code 5-3-1."

In lieu of giving notice of the invitation for bids, a city may solicit written quotes by following Indiana Code 5-22-8-3.

Indiana Code 5-22-8-3 states in part the following:

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

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

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

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

PURCHASE OF PROPERTY (Applies to Redevelopment Commission)

On March 14, 2011, the Redevelopment Commission approved the purchase of property at 322 W. Center Street. Only one appraisal of the property was presented for examination.

Indiana Code 36-7-14-19(b) states in part:

"The redevelopment commission shall first approve and adopt a list of real property and interests in real property to be acquired and the price to be offered to the owner of each parcel of interest. The prices to be offered may not exceed the average of two (2) independent appraisals . . ."

DEARBORN COUNTY ECONOMIC DEVELOPMENT INITIATIVE AGREEMENT (Applies to Common Council)

The City has established a ten County Grant Program to provide economic development grants to various entities from gaming revenues. The City paid \$1,625,537.16 to Dearborn County Economic Development Initiative, Inc. (DCEDI) in connection with a grant application sponsored by DCEDI for the relocation of a private business to the City of Lawrenceburg. No agreement between the City and DCEDI was presented for examination to describe what services were to be performed or for what purposes the monies were to be used.

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

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PAYMENTS TO NONGOVERNMENTAL ENTITIES (Applies to Common Council)

The City made payments to various other nongovernmental entities totaling at least \$1,121,915. No agreements were presented for examination to determine whether the payments were for services or to aid organizations operating programs or facilities, as authorized by Indiana Code 36-10-2-4 and Indiana Code 36-10-2-5.

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

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

ERRORS ON CLAIMS (Applies to Clerk-Treasurer)

Of the claims selected for testing, 16 percent did not have evidence to support receipt of goods or services.

Indiana Code 5-11-10-1.6(c) states: " The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . . (2) the invoice or bill is approved by the officer or person receiving the goods and services."

RECEIPT AND DEPOSIT OF POOL COLLECTIONS (Applies to Clerk-Treasurer)

The following deficiencies were noted regarding the receipt and deposit of pool collections:

1. Monies remitted to the Clerk-Treasurer's office were not deposited by the next business day in 40 percent of the instances that we reviewed. Daily collections ranged from \$32 to \$745.

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

"A city . . . 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."

2. It is the City's practice to issue receipts for pool collections at the time the bank deposit is prepared, and not at the time the monies are received.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DELINQUENT UTILITY ACCOUNTS (Applies to Utility Service Board)

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

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

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

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

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

A similar comment was reported in prior Reports B33750, B31498, B35646, B38667, and B40007.

DELINQUENT WASTEWATER ACCOUNTS (Applies to Superintendent of Utilities)

Wastewater fees and penalties in the amount of \$9,818 delinquent at least 90 days as of December 3, 2012, had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

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.
 - (C) The amount of the delinquent fees, together with the penalty.
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . .

(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May."

A similar comment was reported in Reports B33750, B31498, B35646, B38667, and B40007.

COMPENSATION PAID IN ADVANCE (Applies to Clerk-Treasurer)

During the year 2011, we noted the following two employees were paid compensation prior to the end of the payroll period:

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

1. Theresa Bruening, Deputy Clerk-Treasurer, in 8 instances was paid compensation two to three days prior to the end of the payroll period.
2. Suzanne Orndorff, Deputy Clerk-Treasurer, in 22 instances was paid compensation two to three days prior to the end of the payroll period.

Theresa Bruening's job responsibilities include processing payroll for the City. City workers are paid weekly. Theresa Bruening stated it is the City's practice to process payroll on the Tuesday or Wednesday following the end of the payroll period. However, in the instances noted above, the employees received two payroll checks in one week, and no payroll check in a subsequent week, resulting in compensation being paid in advance.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UNUSED VACATION LEAVE PAID TO EMPLOYEES (Applies to Clerk-Treasurer)

During our review of payroll we noted the following:

1. It is the City's policy to allow employees to cash in $\frac{1}{2}$ of their annual accrual of vacation time. For the year 2011, we noted three employees who cashed in more than $\frac{1}{2}$ of their annual accrual of vacation time.
2. Theresa Bruening, Deputy Clerk-Treasurer, was paid on December 14, 2011, for 40 hours of vacation time. A review of payroll records showed Theresa Bruening should not have received the vacation time until her anniversary date of May 18, 2012.

Jackie Stutz, Clerk-Treasurer, stated that employees accrue $\frac{1}{12}$ of their annual accrual for each month worked in the vacation year, which they subsequently receive on their anniversary date. Jackie Stutz stated it has been the City's practice to review on a case-by-case basis requests from employees to use vacation leave prior to the employee's anniversary date. Ms. Stutz approved for Theresa Bruening to cash out the vacation time prior to her anniversary date.

The City's collective bargaining agreement states in part:

Article IX-Vacations:

" . . . a vacation . . . must be taken during the twelve (12) month period following the anniversary date of the employer's latest employment . . . the City will also allow employees to cash in, hour for hour, one half (1/2) of their annual accrual."

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)

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

PAYROLL SCHEDULE AND VOUCHER NOT USED (Applies to Clerk-Treasurer)

The Clerk-Treasurer's office does not require City departments to submit a Payroll Schedule and Voucher (Form 99). Form 99 has been prescribed to provide for department heads to certify to time worked and leave taken by employees under their supervision.

Indiana Code 5-11-9-3 states: "Certification of said vouchers and accounts shall be made by . . . head of the department . . ."

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)

CAPITAL ASSET RECORDS (Applies to Common Council and Clerk-Treasurer)

The capital asset records for the City were not updated for additions during the year 2011 and no information was presented for examination to indicate that an inventory of capital assets was taken during the year 2011.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the applicable Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERPAYMENT TO CONTRACTOR (Applies to Superintendent of Utilities and Clerk-Treasurer)

Payments were paid to TT Maintenance in connection with the Eastside Sewer Project. A payment to TT Maintenance exceeded the amount owed by the City in the amount of \$20,247.30. The invoice amount submitted by TT Maintenance was correct; however, the accounts payable voucher amount was \$20,247.30 greater than the invoice amount. The error was not detected by the Utility office prior to submitting the accounts payable voucher to the Clerk-Treasurer's office for payment and the error was not detected by Clerk-Treasurer's office which is responsible for auditing accounts payable vouchers.

The documentation relative to the overpayment was lacking the certification by the department head (Charles M. Davis, Superintendent of Utilities) as to the receipt of services (see Examination Result and Comment titled "Error on Claims").

We brought the overpayment to the attention of City officials.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TT Maintenance refunded \$20,247.30 to the City on April 17, 2013, on Receipt Number 27231.

CITY OF LAWRENCEBURG
EXIT CONFERENCE

The contents of this report were discussed on April 8, 2013, with Dennis Carr, Mayor; Jacqueline A. Stutz, Clerk-Treasurer; Charles M. Davis, Superintendent of Utilities; Vickie Robinson, Utility Accountant; William Cunningham, former Mayor; and Leslie Votaw, City Attorney.

The contents of this report were discussed on April 9, 2013, with William M. Lawrence, President of the Common Council, and Jane Pope, Council member. The Official Responses has been made a part of this report and may be found on pages 37 through 43.

OFFICIAL RESPONSE

April 19, 2013

Ron Robertson
Indiana State Board of Accounts
302 West Washington Street, Room E 418
Indianapolis, Indiana 46204-2765

*Re: Exit Conference Official Response to City of Lawrenceburg Examination
Results and Comments for the Period of 01-01-11 to 12-31-11*

Dear Mr. Robertson:

We want to thank you for the Exit Conference with Field Examiner Sarah Wert Tuesday, April 9, 2013. We appreciate your, Mrs. Wert's, and the Indiana State Board of Accounts' (the "ISBA") time and effort on behalf of the good people of our community. We are grateful for the work you all do.

Put simply, we are dismayed with the Examination Results and Comments (the "Report"). The Report, in one respect, speaks for itself. There's a bigger picture though we implore you to consider. The problems identified in the Report for the most part aren't anything new. These are things you've commented on repeatedly in prior Reports. Yet, these things never get fixed. Further, new problems develop. All are symptomatic of how the City does business – without any regard for the law. This is malfeasance, misfeasance, and/or nonfeasance. This is a problem in our community – a crippling problem.

In light of this, and for the reasons explained below, we respectfully request that you:

- (1) make the determinations necessary pursuant to Ind. Code §5-11-5-1(d) and pursuant to Ind. Code §5-11-6-1(j) to report the determinations to Bruce Hartman, CPA, State Examiner;
- (2) report the determinations to State Examiner Hartman as provided in those statutes;
- (3) request that State Examiner Hartman provide a copy of the report to the Attorney General as provided in Ind. Code §5-11-5-1(e) and Ind. Code §5-11-6-1(k), respectively; and
- (4) request that the Attorney General institute and prosecute civil proceedings pursuant to those statutes.

Further, for the reasons explained below, we respectfully request that you and/or State Examiner Hartman find that the ISBA's recent examination "discloses: (1) malfeasance, misfeasance, or nonfeasance in office or of any officer or employee; (2) that any public money has been: (A) unlawfully expended, either by having been expended for a purpose not authorized by law in an amount exceeding that authorized by law, or by having been paid to a person not lawfully entitled to receive it; or (B) obtained by fraud or in any unlawful manner; or (3) that any money has been wrongfully withheld from the public treasury" as provided in Ind. Code §5-11-6-3 and that State Examiner Hartman submit a duly verified copy of the report to the Attorney General to

OFFICIAL RESPONSE

institute and prosecute civil proceedings and to the Inspector General as also provided therein. We believe such findings are clearly within the findings of the Report.

Lastly, for the reasons explained below, we respectfully request that you and/or State Examiner Hartman request that the Attorney General direct, supervise, and assist in the prosecution of the offenses disclosed by the Report as provided in Ind. Code §5-11-6-4(a) and that the Attorney General take the lead in those prosecutions as we believe effective local relief has not and cannot be obtained after due effort. As an example of the inability to obtain local relief, we attach hereto a copy of a March 14, 2013 letter from former City Council member Doug Taylor to the Honorable F. Aaron Negangard, along with all attachments, a copy of the Honorable F. Aaron Negangard's reply to the media, and a copy of a March 22, 2013 letter from Chief Gene Hunefeld of the Lawrenceburg Police Department. Please examine these materials thoroughly. The letter from Taylor documents crimes committed by certain City officials and the letter from Chief Hunefeld and the response from the Honorable F. Aaron Negangard document that local authorities won't take any action against the implicated City officials.

The City's malfeasance, misfeasance and/or nonfeasance are apparent in the Report and the prior reports referenced therein.

The Report reveals the City's indifference to the law. The Report reveals the people's money was used to pay for personal items or for expenses which do not relate to the functions and purposes of the City. *Report, p. 2-3.* The Report reveals the City let public works projects without following bidding laws that exist to protect the public. *Report, p. 6.* The Report reveals the City purchased personal property was purchased without following bidding laws that exist to protect the public. *Report, p. 6-7.* The Report reveals the City purchased real estate without following the laws that exist to protect the public. *Report, p. 7.* The Report reveals the City on several occasions gave a total of more than \$2,750,000.00 (Two Million and Seven Hundred and Fifty Thousand Dollars) of the people's money away where there was no statute specifically authorizing it to do so. *Report, p. 7, 7-8, and 11.*

The Report also reveals City officials and/or employees committed many crimes as outlined below:

(1) The Report reveals that on at least thirty occasions employees of the Clerk-Treasurer's office took money they had no authority to take. *Report, p. 9-10.* "A person who knowingly or intentionally exerts unauthorized control over property of another person commits criminal conversion, a Class A misdemeanor." *Ind. Code §35-43-4-3.* "A person who knowingly or intentionally exerts unauthorized control over property of another person, with intent to deprive the other person of any part of its value or use, commits theft, a Class D felony." *Ind. Code §35-43-4-2.* Additionally, "[a] public servant who knowingly or intentionally: (1) commits an offense in the performance of the public servant's official duties; . . . commits official misconduct, a Class D felony." Thus, it appears from your report that at least thirty counts of Class A misdemeanor criminal conversion or Class D felony theft were committed and another thirty Class D felony counts of official misconduct were committed as well.

OFFICIAL RESPONSE

(2) Similarly, on at least four occasion employees of the City took unused vacation leave pay they were not entitled to.¹ *Report, p. 10.* Thus, it appears from your report that at least four counts of Class A misdemeanor criminal conversion or Class D felony theft were committed in this instance and another thirty Class D felony counts of official misconduct were committed as well.

(3) According to your Report, more than \$10,000,000.00 (Ten Million Dollars) was spent from the Riverboat Fund than was appropriated. *Report, p. 4.* We don't know how many transaction are involved. Nevertheless, "[a] city official who recklessly: (1) issues a bond, certificate, or warrant for the payment of money in excess of an appropriation; . . . commits a Class B misdemeanor and is liable on his official bond to any person injured by his actions." Additionally, "[a] public servant who knowingly or intentionally: (1) commits an offense in the performance of the public servant's official duties; . . . commits official misconduct, a Class D felony." Thus, it appears from the Report that for each transaction beyond the amount appropriated for the Riverboat Fund a Class B misdemeanor payment in excess of appropriation was committed and for each such offense a Class D felony official misconduct was committed as well.

(4) Similarly, more was spent from the departments of the City Attorney, Clerk-Treasurer, and Mayor than was appropriated. *Report, p. 4-5.* We don't know how many transactions are involved. Nevertheless, it appears from the Report that for each transaction beyond the amount appropriated for each department a Class B misdemeanor payment in excess of appropriation was committed in this instance and for each such offense a Class D felony official misconduct was committed as well.

(5) Similarly, more was spent from several funds than was appropriated. *Report, p. 5.* We don't know how many transactions are involved. Nevertheless, it appears from the Report that for each transaction beyond the amount appropriated for each fund a Class B misdemeanor payment in excess of appropriation was committed in this instance and for each such offense a Class D felony official misconduct was committed as well.

In total, this is likely well over 92 (Ninety-Two) crimes at least half of which are felonies.² Remember too, this is based upon an audit of only limited transactions. A more thorough examination of the City's books and records may (and it appears very likely would) yield many more instances of disregarding the law and of committing crimes.

Although it may be argued by those City officials and/or employees culpable for disregarding the law and committing crimes that they just made an honest mistake or are simply ignorant ("I just didn't know") or are incompetent, it is difficult to find much credibility in such claims under the circumstances.

Although all of us sometimes make honest mistakes, we typically fix them once they've been pointed out to us – we learn. For example, although we might have crossed the street without

¹ We assume from your Report that these payments were not in accordance with Ind. Code §36-4-8-9 either.

² It could be hundreds or even thousands of crimes, again at least half of which are felonies, depending upon how many transactions are involved with spending more than was appropriated.

OFFICIAL RESPONSE

looking both ways as a child we know now, because our parents warned us, not to. Here the Report is replete with instances where the law is disregarded or a crime was committed and “[a] similar comment was included in prior report[s].” *Report at p. 1, 2, 3, 5, and 9.* Many of the things City officials were warned about in prior reports, some as many as five times in the past, are crimes. *Report at p. 5, supra at numbered paragraph 5.* In spite of these warnings, the conduct continues. Under these circumstances, it is difficult to believe it was just an honest mistake. Further, because it occurs year after year and because we’re dealing with City officials that are people with the ability to think, understand, learn, and reason, it is also difficult to believe it is simple ignorance or incompetence.

In addition, our experience tells us the problem is much more than an honest mistake or simple ignorance or incompetence; our experience informs us it is arrogance and indifference.

Certain City officials are arrogant because they can be. The Lawrenceburg Police Department refuses to investigate any crimes certain City officials might have committed. The Dearborn County Prosecutor was provided by Taylor with documents demonstrating crimes were committed by City officials but the Prosecutor refused to do anything. This has reassured City officials that they can continue to conduct business as usual, i.e., with no regard for the law. They needn’t worry about the law. They needn’t worry if they are committing a crime. They are protected by the LPD and the Dearborn County Prosecutor. Certain City officials may do as they please. We understand where the arrogance comes from and we each have personally felt the arrogance.

Certain City officials are indifferent because, frankly, they can be. Not only has the Chief of Police and Dearborn County Prosecutor assured them there indifference is justified but the ISBA has done so too, albeit unwittingly and innocently enough. The ISBA has taught the City that it needn’t be concerned with audits or reports of audits. We’ve heard it said by City officials and the City Attorney that the ISBA doesn’t do anything. Experience has taught them this is indeed the case. Even worse, the ISBA’s failure to do anything is relied upon by some as proof that the City isn’t doing anything wrong. Many times we’ve heard it said that the ISBA isn’t doing anything so we must not be doing anything wrong. We understand where the indifference comes from and we each have personally felt that indifference.

A recent example drives home the point of the City’s indifference and our feeling it. On Monday, April 8, 2013, the City had an exit conference with the ISBA regarding this Report. In the Report, the ISBA warns that “[g]enerally, public funds may not be used to make improvements to property not owned by the governmental unit, unless permitted by statute, federal or state requirements, or safety concerns.” *Report at p. 3.* Nevertheless, just one week later, on Monday, April 15, 2013, the City Council voted to give \$358,102.00, more than a third of a million dollars of the people’s money, to CSX Corporation, a rail transportation company, to improve one of their private track crossings.³ We voted no. We believed it did exactly what you warned us not to do in the Report.

³ Interestingly, CSX Corporation, for the first quarter of 2013, had revenue of nearly \$3 Billion and net earnings of \$459 Million. For 2012, CSX Corporation had revenue of nearly \$12 Billion and net earnings of \$1.859 Billion.

OFFICIAL RESPONSE

This is inconsistent with an honest mistake, simple ignorance, or incompetence; rather, it is arrogance and indifference and, moreover, it is tantamount to malfeasance, misfeasance or nonfeasance. Likewise, so too are the rest of the problems identified in the Report the result of malfeasance, misfeasance or nonfeasance.

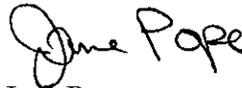
For these reasons, on behalf of our constituents and all the other great people in our City we're asking for your help. Please use your power, authority, and influence to address the problems identified in your Report in the manner we have requested above. The people of our community deserve that and we can't help but think that is at least a significant part of the purpose of the ISBA.

Thank you for your consideration. Please let us know if there is anything else we may do to be of assistance.

Very truly yours,



Mike Lawrence
Lawrenceburg City Council



Jane Pope
Lawrenceburg City Council



Make Time
for Southeast Indiana's
Gateway City!

**City of Lawrenceburg
Clerk-Treasurer's Office
Jackie Stutz, Clerk-Treasurer
212 Walnut Street
PO Box 4166
Lawrenceburg, Indiana 47025-4166**

April 11, 2013

To: State Board of Accounts

In answer to the Exit Conference held on Monday, April 8, 2012 with Sara Wert and Rick Ahlrich of your Department.

On the question of investments and how investments are done. In the 9 years I have been in office I have made investments the same way. This is the first time it has come up in a report.

I plan to change the method by which I invest so this shouldn't happen again, but will still show up in 2012 being done wrong.

On the questions of Internal Control over Loans to Private Entities. Council approved all the Loans and the files became mine to keep for the City. I don't feel it is my job to be responsible for the loans other than to accept and keep track of payments. I admit that the loan files do not all have an amortization schedule to determine the principal and interest amounts, but I have tried to get a schedule when I can.

Municipal Development and Riverboat Funds, I admit that I forgot to do an Ordinance in 2011 when the budgets were established.

When Council approved the budgets on January 5, 2011 there were line items approved by Council. These line items did not make the minutes and

if they should have, I didn't realize it needed to be done. In my tenure as Clerk-Treasurer the City has never held back a reserve of the current year's receipts from the boat.

Until 2012 I was never told that claims needed to be signed by the person receiving the goods and services. We have just now started the policy to do this. We will also be changing the way Pool Collections are handled in my office. I will be assigning one person to take care of this.

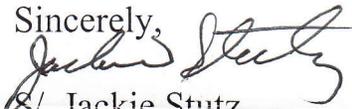
On the Compensation paid in advance to my two Deputies. As Clerk-Treasurer I am allowed to make policy for my office. I gave Theresa Bruening and Suzanne Orndorff permission to get paid as reported. My girls are both single mothers and sometimes you have to get your bills paid when needed. Neither girl made more money than budgeted for the year. They were simply paid twice a month instead of weekly. We have done this type of thing for several years and your auditors never said a word to me.

Capital Assets is another job that the City is required to do, but is not my job to make sure it gets done.

My office is also working to make the changes discussed in our Exit Report from 2011.

I wanted to let you know that I will do my best to get the necessary changes made.

Sincerely,



8/ Jackie Stutz

Jackie Stutz, Clerk-Treasurer
City of Lawrenceburg