

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, 2012 to December 31, 2012



FILED
11/05/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Donna Sue Pitts	01-01-12 to 12-31-15
Mayor	Clint D. Lamb	01-01-12 to 12-31-15
President of the Board of Public Works	Clint D. Lamb	01-01-12 to 12-31-15
President of the Common Council	Debra J. Ayers Jack Alexander	01-01-12 to 12-31-12 01-01-13 to 12-31-13



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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, 2012. 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 Indiana 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, 2012.

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, 2012, 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.

Bruce Hartman
State Examiner

October 9, 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 SULLIVAN
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 264,605	\$ 1,200,075	\$ 1,125,540	\$ 339,140
Motor Vehicle Highway	82,797	177,064	174,728	85,133
Local Road And Street	84,986	14,581	11,000	88,567
Park Non Reverting	16,221	69,342	69,525	16,038
Crime Control	916	-	916	-
Wvcf Grant	1,843	-	-	1,843
Local Law Enf Cont Ed	9,454	11,905	11,174	10,185
Unsafe Building	104	-	-	104
Riverboat	109,041	25,171	2,047	132,165
Parks And Recreation	5,347	22,957	25,922	2,382
Rainy Day	34,468	-	3,648	30,820
Cumulative Capital Development	59,207	6,665	-	65,872
Cumulative Capital Improvement	70,864	11,269	9,681	72,452
Police Pension	77,569	73,157	67,312	83,414
Fire Pension	118,923	71,073	71,876	118,120
Police Canine	126	-	44	82
Sullivan Co Comm Found Grant	1,049	31,400	6,746	25,703
Adopt A Spot	241	-	-	241
Cemetery Non Reverting	10,689	56,259	14,780	52,168
Fire Non Reverting	3,600	780	2,186	2,194
Street Cut Deposit	10,350	2,400	100	12,650
Street Dept Non Reverting	20,724	22,026	27,898	14,852
Fire Reports/Donation	1,404	409	30	1,783
Park Pool Donations	20	-	-	20
Police Ordinance Violation	3,104	4,388	1,037	6,455
Ambulance	28,306	145,956	155,615	18,647
Tax Draw Clearing	27,443	38,463	38,450	27,456
Gas/Fuel Clearing	2,578	66,053	61,108	7,523
Fire Wvcf Hazmat Grant	196	-	-	196
Edit	371,641	226,909	222,044	376,506
Payroll	2,991	1,272,914	1,269,412	6,493
Wastewater Utility-Operating	672,142	1,225,050	1,327,827	569,365
Sewer Sinking	27,773	485,364	485,386	27,751
Sewer Deprec & Sewer Improv	20,630	35	-	20,665
Sewer Construction	4,022	4	-	4,026
Sewer Improvement Money Mkt	122,565	120	-	122,685
Sewer Const Money Market	52,715	39	-	52,754
Sewer Sinking Money Market	308,778	301	-	309,079
Tgr	16,557	254,811	260,485	10,883
Totals	<u>\$ 2,645,989</u>	<u>\$ 5,516,940</u>	<u>\$ 5,446,517</u>	<u>\$ 2,716,412</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 Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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.

CITY OF SULLIVAN
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

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

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

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial 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.

CITY OF SULLIVAN
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

CITY OF SULLIVAN
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. *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.

CITY OF SULLIVAN
NOTES TO FINANCIAL STATEMENT
(Continued)

B. 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.

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

Funding Policy

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

CITY OF SULLIVAN
 NOTES TO FINANCIAL STATEMENT
 (Continued)

Note 7. Restatements

For the year ended December 31, 2012, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the City. The following schedule presents a summary of restated beginning balances.

Fund Name	Balance as of December 31, 2011	Prior Period Adjustment	Balance as of January 1, 2012
Police Canine	\$ -	\$ 126	\$ 126

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 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, 2012

	General	Motor Vehicle Highway	Local Road And Street	Park Non Reverting	Crime Control	Wvcf Grant	Local Law Enf Cont Ed
Cash and investments - beginning	\$ 264,605	\$ 82,797	\$ 84,986	\$ 16,221	\$ 916	\$ 1,843	\$ 9,454
Receipts:							
Taxes	869,082	55,139	-	-	-	-	-
Licenses and permits	26,504	-	-	-	-	-	2,200
Intergovernmental	215,394	116,795	14,581	-	-	-	-
Charges for services	79,780	-	-	-	-	-	6,606
Fines and forfeits	1,448	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	7,867	5,130	-	69,342	-	-	3,099
Total receipts	<u>1,200,075</u>	<u>177,064</u>	<u>14,581</u>	<u>69,342</u>	<u>-</u>	<u>-</u>	<u>11,905</u>
Disbursements:							
Personal services	823,976	100,526	-	-	-	-	-
Supplies	49,757	20,917	-	-	-	-	-
Other services and charges	178,387	10,778	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	42,507	11,000	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	73,420	-	-	69,525	916	-	11,174
Total disbursements	<u>1,125,540</u>	<u>174,728</u>	<u>11,000</u>	<u>69,525</u>	<u>916</u>	<u>-</u>	<u>11,174</u>
Excess (deficiency) of receipts over disbursements	<u>74,535</u>	<u>2,336</u>	<u>3,581</u>	<u>(183)</u>	<u>(916)</u>	<u>-</u>	<u>731</u>
Cash and investments - ending	<u>\$ 339,140</u>	<u>\$ 85,133</u>	<u>\$ 88,567</u>	<u>\$ 16,038</u>	<u>\$ -</u>	<u>\$ 1,843</u>	<u>\$ 10,185</u>

CITY OF SULLIVAN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Unsafe Building	Riverboat	Parks And Recreation	Rainy Day	Cumulative Capital Development	Cumulative Capital Improvement	Police Pension
Cash and investments - beginning	\$ 104	\$ 109,041	\$ 5,347	\$ 34,468	\$ 59,207	\$ 70,864	\$ 77,569
Receipts:							
Taxes	-	-	19,551	-	5,492	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	25,171	3,406	-	1,173	11,269	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	73,157
Total receipts	-	25,171	22,957	-	6,665	11,269	73,157
Disbursements:							
Personal services	-	-	18,920	-	-	-	58,683
Supplies	-	-	1,694	-	-	-	-
Other services and charges	-	2,047	5,308	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	9,681	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	3,648	-	-	8,629
Total disbursements	-	2,047	25,922	3,648	-	9,681	67,312
Excess (deficiency) of receipts over disbursements	-	23,124	(2,965)	(3,648)	6,665	1,588	5,845
Cash and investments - ending	\$ 104	\$ 132,165	\$ 2,382	\$ 30,820	\$ 65,872	\$ 72,452	\$ 83,414

CITY OF SULLIVAN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Fire Pension	Police Canine	Sullivan Co Comm Found Grant	Adopt A Spot	Cemetery Non Reverting	Fire Non Reverting	Street Cut Deposit
Cash and investments - beginning	\$ 118,923	\$ 126	\$ 1,049	\$ 241	\$ 10,689	\$ 3,600	\$ 10,350
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	2,400
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	56,259	780	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	71,073	-	31,400	-	-	-	-
Total receipts	71,073	-	31,400	-	56,259	780	2,400
Disbursements:							
Personal services	33,844	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	38,032	44	6,746	-	14,780	2,186	100
Total disbursements	71,876	44	6,746	-	14,780	2,186	100
Excess (deficiency) of receipts over disbursements	(803)	(44)	24,654	-	41,479	(1,406)	2,300
Cash and investments - ending	\$ 118,120	\$ 82	\$ 25,703	\$ 241	\$ 52,168	\$ 2,194	\$ 12,650

CITY OF SULLIVAN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Street Dept Non Reverting	Fire Reports/Donation	Park Pool Donations	Police Ordinance Violation	Ambulance	Tax Draw Clearing	Gas/Fuel Clearing
Cash and investments - beginning	\$ 20,724	\$ 1,404	\$ 20	\$ 3,104	\$ 28,306	\$ 27,443	\$ 2,578
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	145,941	-	-
Fines and forfeits	-	-	-	4,388	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	<u>22,026</u>	<u>409</u>	<u>-</u>	<u>-</u>	<u>15</u>	<u>38,463</u>	<u>66,053</u>
Total receipts	<u>22,026</u>	<u>409</u>	<u>-</u>	<u>4,388</u>	<u>145,956</u>	<u>38,463</u>	<u>66,053</u>
Disbursements:							
Personal services	-	-	-	-	113,591	-	-
Supplies	-	-	-	-	14,270	-	-
Other services and charges	-	-	-	-	12,955	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	14,799	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	<u>27,898</u>	<u>30</u>	<u>-</u>	<u>1,037</u>	<u>-</u>	<u>38,450</u>	<u>61,108</u>
Total disbursements	<u>27,898</u>	<u>30</u>	<u>-</u>	<u>1,037</u>	<u>155,615</u>	<u>38,450</u>	<u>61,108</u>
Excess (deficiency) of receipts over disbursements	<u>(5,872)</u>	<u>379</u>	<u>-</u>	<u>3,351</u>	<u>(9,659)</u>	<u>13</u>	<u>4,945</u>
Cash and investments - ending	<u>\$ 14,852</u>	<u>\$ 1,783</u>	<u>\$ 20</u>	<u>\$ 6,455</u>	<u>\$ 18,647</u>	<u>\$ 27,456</u>	<u>\$ 7,523</u>

CITY OF SULLIVAN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Fire Wvcf Hazmat Grant	Edit	Payroll	Wastewater Utility-Operating	Sewer Sinking	Sewer Deprec & Sewer Improv
Cash and investments - beginning	\$ 196	\$ 371,641	\$ 2,991	\$ 672,142	\$ 27,773	\$ 20,630
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	226,909	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	1,155,405	-	-
Other receipts	-	-	1,272,914	69,645	485,364	35
Total receipts	-	226,909	1,272,914	1,225,050	485,364	35
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	138	-	-	-	-
Other services and charges	-	111,173	-	-	-	-
Debt service - principal and interest	-	87,000	-	-	-	-
Capital outlay	-	16,480	-	15,904	-	-
Utility operating expenses	-	-	-	826,594	-	-
Other disbursements	-	7,253	1,269,412	485,329	485,386	-
Total disbursements	-	222,044	1,269,412	1,327,827	485,386	-
Excess (deficiency) of receipts over disbursements	-	4,865	3,502	(102,777)	(22)	35
Cash and investments - ending	<u>\$ 196</u>	<u>\$ 376,506</u>	<u>\$ 6,493</u>	<u>\$ 569,365</u>	<u>\$ 27,751</u>	<u>\$ 20,665</u>

CITY OF SULLIVAN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Sewer Construction	Sewer Improvement Money Mkt	Sewer Const Money Market	Sewer Sinking Money Market	Tgr	Totals
Cash and investments - beginning	\$ 4,022	\$ 122,565	\$ 52,715	\$ 308,778	\$ 16,557	\$ 2,645,989
Receipts:						
Taxes	-	-	-	-	-	949,264
Licenses and permits	-	-	-	-	-	31,104
Intergovernmental	-	-	-	-	-	614,698
Charges for services	-	-	-	-	-	289,366
Fines and forfeits	-	-	-	-	-	5,836
Utility fees	-	-	-	-	251,990	1,407,395
Other receipts	4	120	39	301	2,821	2,219,277
Total receipts	4	120	39	301	254,811	5,516,940
Disbursements:						
Personal services	-	-	-	-	-	1,149,540
Supplies	-	-	-	-	-	86,776
Other services and charges	-	-	-	-	-	320,648
Debt service - principal and interest	-	-	-	-	-	87,000
Capital outlay	-	-	-	-	14,904	125,275
Utility operating expenses	-	-	-	-	184,280	1,010,874
Other disbursements	-	-	-	-	61,301	2,666,404
Total disbursements	-	-	-	-	260,485	5,446,517
Excess (deficiency) of receipts over disbursements	4	120	39	301	(5,674)	70,423
Cash and investments - ending	<u>\$ 4,026</u>	<u>\$ 122,685</u>	<u>\$ 52,754</u>	<u>\$ 309,079</u>	<u>\$ 10,883</u>	<u>\$ 2,716,412</u>

CITY OF SULLIVAN
SCHEDULE OF LEASES AND DEBT
December 31, 2012

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	Section Street	\$ 985,000	\$ 68,193
Notes and loans payable	Police Car	42,573	23,058
Notes and loans payable	Ambulance	109,288	44,396
Notes and loans payable	Fire Truck	82,362	43,580
Notes and loans payable	Pool Liner	22,978	16,660
Notes and loans payable	Dura Patch Dump Truck	14,173	14,802
Notes and loans payable	Grasshopper Zero Turn Mower	<u>7,532</u>	<u>3,460</u>
Total governmental activities		<u>1,263,906</u>	<u>214,149</u>
Wastewater:			
Notes and loans payable	State Revolving Wastewater	5,988,348	485,954
Notes and loans payable	Trash Truck	<u>52,171</u>	<u>14,904</u>
Total Wastewater		<u>6,040,519</u>	<u>500,858</u>
Totals		<u>\$ 7,304,425</u>	<u>\$ 715,007</u>

CITY OF SULLIVAN
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2012

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	6,529,933
Buildings	1,360,812
Improvements other than buildings	365,522
Machinery, equipment, and vehicles	2,129,256
Total governmental activities	10,557,680
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	\$ 15,870,696

CITY OF SULLIVAN
EXAMINATION RESULTS AND COMMENTS

NEPOTISM (Applies to City)

The elected officials of the City of Sullivan did not file an annual certification of compliance with the nepotism law with the Mayor.

Indiana Code 3-5-9-4 states:

"(a) An individual who is serving as a volunteer firefighter for a volunteer fire department or a fire department that provides fire protection services to a unit:

- (1) under a contract, excluding a mutual aid agreement; or
- (2) as the unit's fire department;

may not assume or hold an elected office of a unit that receives fire protection services from the department in which the volunteer firefighter serves.

(b) An individual who:

- (1) is an employee of a unit, serving as a full-time, paid firefighter; or
- (2) serves as a volunteer firefighter;

in a department that provides fire protection services to more than one (1) unit, excluding fire protection services provided under mutual aid agreements, may not assume or hold an elected office of any unit that receives fire protection services from the department."

Indiana Code 3-5-9-5 states in part: ". . . an individual is considered to have resigned as a government employee when the individual assumes an elected office of the unit that employs the individual."

Indiana Code 36-1-20.2-10 states: "Individuals who are relatives may not be employed by a unit in a position that results in one (1) relative being in the direct line of supervision of the other relative."

Indiana Code 36-1-20.2-15 states in part:

"If the township trustee's office is located in the township trustee's personal residence, . . . the township trustee may hire only one (1) employee who is a relative. The employee:

- (1) may be hired to work only in the township trustee's office; . . .
- (3) may not receive total salary, benefits, and compensation that exceed five thousand dollars (\$5,000) per year."

Indiana Code 36-1-20.2-16 states: "Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer has not violated this chapter. An officer shall submit the certification to the executive of the unit not later than December 31 of each year."

ERRORS ON CLAIMS (Applies to City)

A test of claims identified the following deficiencies:

CITY OF SULLIVAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

Some claims did not have adequate supporting documentation.

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."

INTERNAL CONTROLS (Applies to Park Department and Police Department)

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient as follows:

1. Cash register tapes at the City pool were not readable and maintained for 2012.
2. Buy money at the Police Department was not reconciled with receipts.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK ACCOUNT RECONCILIATIONS (Applies to City)

As stated in prior Reports B38066, B39865, and B41471, depository reconciliations of fund balances to the bank account balance for the City's "Civil City" account were incorrect as of December 31, 2012. The fund balances exceeded the reconciled bank balance by \$1,112.

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."

CITY OF SULLIVAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

PUBLIC RECORDS RETENTION (Applies to Park Department)

As stated in prior Report B41471, park receipts presented for examination show that cash register tapes are not always readable, leaving no records for reconciling the day's activity.

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."

CITY OF SULLIVAN
EXIT CONFERENCE

The contents of this report were discussed on October 9, 2013, with Donna Sue Pitts, Clerk-Treasurer; Clint D. Lamb, Mayor; and Jack Alexander, President of the Common Council. The officials concurred with our findings.