

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF VALPARAISO

PORTER COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
09/30/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sharon Emerson Swihart	01-01-12 to 12-31-15
Mayor	Jon Costas	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Jon Costas	01-01-12 to 12-31-15
President of the Common Council	Jan Dick	01-01-13 to 12-31-14
City Administrator	Bill Oeding	01-01-13 to 12-31-14
Superintendent of Utilities	Steve Poulos	01-01-13 to 12-31-14
Controller of Utilities	Richard Freeman Alina Hahn	01-01-13 to 07-26-13 07-27-13 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF VALPARAISO, PORTER COUNTY, INDIANA

This report is supplemental to our audit report of the City of Valparaiso (City), for the period from January 1, 2013 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the City, which provides our opinions on the City's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

August 25, 2014

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CLERK-TREASURER
CITY OF VALPARAISO

CLERK-TREASURER
CITY OF VALPARAISO
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

The 2013 electronic Annual Financial Report did not include the capital assets of the Park Department. The omission of these assets resulted in the schedule being understated by \$17,442,539.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

OVERDRAWN CASH BALANCE

The City's financial statement included the Park Bond and Interest fund with an overdrawn cash balance of \$5,365 at December 31, 2013.

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)

CLERK-TREASURER
CITY OF VALPARAISO
EXIT CONFERENCE

The contents of this report were discussed on August 25, 2014, with Sharon Emerson Swihart, Clerk-Treasurer; Jon Costas, Mayor; Jan Dick, President of the Common Council; and Bill Oeding, City Administrator.

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FIRE PENSION
CITY OF VALPARAISO

FIRE PENSION
CITY OF VALPARAISO
AUDIT RESULTS AND COMMENTS

1937 FIRE PENSIONS AND SURVIVING SPOUSE BENEFITS

Benefits paid to 1937 Fire Pensioners and surviving spouses were not paid according to state statute in 2013. The 1937 Fire Pensioners should be paid 50 percent of the salary of a first-class firefighter, for 20 years of service (longevity is considered in the salary basis). Pensioners should also receive an additional 1 percent for each 6 months in excess of 20 years of service.

The 1937 Fire Pension Surviving Spouses should be paid the greater of 30 percent of the first-class salary of the monthly pay of the first-class firefighter or 55 percent of the monthly benefit the deceased member was receiving on the date of the member's death.

The City's calculation was not based on the salary of a first-class firefighter of \$46,740, but the higher salary of a master firefighter of \$47,860; as a result fire pensioners and surviving spouses were slightly overpaid according to Indiana Code 36-8-7-12.1. In addition, two pensioners were paid benefits based on a higher percentage than entitled per their years of service according to Indiana Code 36-8-7-12.1.

Indiana Code 36-8-7-12.1(b) states:

"A member who has been in service twenty (20) years, upon making a written application to the fire chief, may be retired from all service with the department without a medical examination or disability. Except as provided in subsection (f), the local board shall authorize the payment to the retired member of fifty percent (50%) of the salary of a fully paid first class firefighter of the unit at the time of the payment of the pension, plus: (1) for a member who retires before January 1, 1986, two percent (2%) of that salary for each year of service; or (2) for a member who retires after December 31, 1985, one percent (1%) of that salary for each six (6) months of service; over twenty (20) years. However, the pension in one (1) year may not exceed an amount greater than seventy-four percent (74%) of the salary of a fully paid first class firefighter."

Indiana Code 36-8-7-12.2 states in part:

"(b) If a member of the fire department or a retired member of the 1937 fund dies and leaves: (1) a surviving spouse; (2) a child or children less than eighteen (18) years of age; (3) a child or children at least eighteen (18) years of age who are mentally or physically incapacitated; or (4) a child or children less than twenty-three (23) years of age who are: (A) enrolled in and regularly attending a secondary school; or (B) full-time students at an accredited college or university; the local board shall authorize the payment to the surviving spouse and to the child or children the amount from the fund as prescribed by this section. If the surviving spouse of a deceased member remarried before September 1, 1983, and pension benefits ceased on the date of remarriage, the benefits for the surviving spouse shall be reinstated on July 1, 1997, and continue during the life of the surviving spouse. If the pension of the surviving spouse of a deceased member has ceased by virtue of the spouse's remarriage, and if the person to whom the spouse has remarried was a retired member of the fire department who was also entitled to a pension, then upon the death of the member to whom the spouse had remarried, the spouse is entitled to receive a pension as the surviving spouse of a deceased member as though the spouse had not been remarried.

(c) If a deceased member of the fire department leaves no surviving spouse or children but leaves a dependent parent, and upon satisfactory proof that the parent was wholly dependent upon the deceased member, the local board shall authorize the monthly payment to the parent from the 1937 fund that is prescribed by this section.

FIRE PENSION
CITY OF VALPARAISO
AUDIT RESULTS AND COMMENTS
(Continued)

(d) If a member dies while in active service or after retirement: (1) the surviving spouse is entitled to receive an amount fixed by ordinance but not less than: (A) for the surviving spouse of a member who dies before January 1, 1989, thirty percent (30%) of the salary of a fully paid first class firefighter in the unit at the time of the payment of the pension; and (B) for the surviving spouse of a member who dies after December 31, 1988, except as otherwise provided in this clause, an amount per month, during the spouse's life, equal to the greater of thirty percent (30%) of the monthly pay of a first class firefighter or fifty-five percent (55%) of the monthly benefit the deceased member was receiving or was entitled to receive on the date of the member's death (these amounts shall be proportionately increased or decreased if the salary of a first class firefighter is increased or decreased); however, if the deceased member was not entitled to a benefit because the member had not completed twenty (20) years of service, for purposes of computing the second amount under this item, the member's benefit is considered to be fifty percent (50%) of the monthly salary of a first class firefighter in the unit at the time of payment of the pension; (2) the member's children who are: (A) less than eighteen (18) years of age; or (B) less than twenty-three (23) years of age if the children are enrolled in and regularly attending a secondary school or are full-time students at an accredited college or university; are each entitled to receive an amount fixed by ordinance but not less than twenty percent (20%) of the salary of a fully paid first class firefighter in the unit at the time of the payment of the pension; and (3) each parent of a deceased member who was eligible for a pension is entitled to receive jointly an amount equal to thirty percent (30%) of the salary of a fully paid first class firefighter in the unit at the time of the payment of the pension. If the local board finds upon the submission of satisfactory proof that a child eighteen (18) years of age or older is mentally or physically incapacitated, is not a ward of the state, and is not receiving a benefit under subdivision (2)(B), the child is entitled to receive the same amount as is paid to the surviving spouse of a deceased firefighter, as long as the mental or physical incapacity continues. A sum paid for the benefit of a child or children shall be paid to the remaining parent, if alive, as long as the child or children reside with and are supported by the parent. If the parent dies, the sum shall be paid to the lawful guardian of the child or children.

(e) The monthly pension payable to a survivor may not be reduced below the amount of the first full monthly pension received by that person."

OFFICIAL BOND

The Fire Pension Secretary did not obtain an individual surety bond as required by law.

Indiana Code 36-8-7-7(b) for the 1937 Firefighters' Pension Fund states in part: "The secretary shall, in the manner prescribed by IC 5-4-1, execute a bond conditioned upon the faithful discharge of the secretary's duties."

Indiana Code 5-4-1-18(c) states in part:

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

FIRE PENSION
CITY OF VALPARAISO
AUDIT RESULTS AND COMMENTS
(Continued)

- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. County auditors shall file bonds in amounts of not less than thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county. The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000)."

FIRE PENSION
CITY OF VALPARAISO
EXIT CONFERENCE

The contents of this report were discussed on August 25, 2014, with Sharon Emerson Swihart, Clerk-Treasurer; Jon Costas, Mayor; Jan Dick, President of the Common Council; Bill Oeding, City Administrator; David Nondorf, Fire Chief; and Leslie Abraham, Fire Pension Secretary.

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POLICE PENSION
CITY OF VALPARAISO

POLICE PENSION
CITY OF VALPARAISO
AUDIT RESULT AND COMMENT

POLICE PENSION BOARD

The Police Pension Board did not meet as required by state statute nor were the actions of the Board conducted at public meetings that were memorialized in minutes.

Indiana Code 36-8-6-2(c) states:

"The trustees under subsections (b)(2) and (b)(3) shall be elected at a meeting of the members of the police department as the central police station on the second Monday in February of each year. The trustees are elected for terms of three (3) years, succeeding those trustees whose terms of office expire on that date. The trustees hold their offices until their successors are elected and qualified."

Indiana Coded 5-14-1.5-4(b) states:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5."

POLICE PENSION
CITY OF VALPARAISO
EXIT CONFERENCE

The contents of this report were discussed on August 25, 2014, with Sharon Emerson Swihart, Clerk-Treasurer; Jon Costas, Mayor; Jan Dick, President of the Common Council; Bill Oeding, City Administrator; and Jeff Balon, Police Pension Secretary.