

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

EXAMINATION REPORT

OF

CITY OF SULLIVAN

SULLIVAN COUNTY, INDIANA

January 1, 2005 to December 31, 2005



FILED
12/29/2006

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report	3
Financial Information:	
Schedule of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information.....	5-6
Examination Results and Comments:	
Capital Asset Records	7
Appropriations.....	7
Salary Overpayments	7
Advance Payments	7
Penalties, Interest and Other Charges	8
Excessive and Personal Cellular Telephone Expenses	8
Bank Account Reconciliations	8
Prescribed Forms	9
Overdrawn Cash Balances	9
Exit Conference	10
Summary	11
Affidavit.....	13

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Teresa Grimes Donna Sue Pitts	01-01-04 to 08-01-05 08-02-05 to 12-31-07
Mayor	Timothy Boles	01-01-05 to 12-31-06
President of the Board of Public Works and Safety	Timothy Boles	01-01-05 to 12-31-06
President of the Common Council	Rodger Smith	01-01-05 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the City of Sullivan (City), for the period of January 1, 2005 to December 31, 2005. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

October 31, 2006

CITY OF SULLIVAN
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2005

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 30,031	\$ 1,213,134	\$ 1,268,632	\$ (25,467)
Tax Draw Clearing Account	-	31,015	31,065	(50)
Adopt a Spot Project	241	-	-	241
Riverboat Revenue Sharing	58,309	29,113	39,308	48,114
Fire FEMA Grant	-	23,400	23,400	-
Fire Nonreverting	85	29,109	23,762	5,432
Motor Vehicle Highway	(15,893)	177,026	97,800	63,333
Local Road and Street	148,767	24,270	33,345	139,692
Street Cut Deposits	-	5,225	650	4,575
Park and Recreation	28,876	91,192	100,463	19,605
Cemetery Operating	4,805	139,221	127,792	16,234
Fire Reports/Donations	88	1,076	-	1,164
Park Nonreverting	16,257	9,881	7,385	18,753
Park/Pool Donation	(7,368)	70,296	62,928	-
Park Summer Day Camp	814	10,436	11,250	-
Unsafe Building	3,000	9,000	-	12,000
Park State Grants	-	12,000	12,000	-
Local Law Enforcement Continuing Education	860	4,782	3,573	2,069
Police Ordinance Violations	819	75	40	854
Ambulance	37,832	175,613	176,940	36,505
Crime Control	908	3	-	911
Sullivan County Community Foundation Grant	-	962	-	962
Cumulative Capital Development	101,947	25,765	1,970	125,742
Cumulative Capital Improvement	87,509	14,304	977	100,836
Proprietary Funds:				
Wastewater Utility Operating	565,657	1,157,719	687,723	1,035,653
Wastewater Utility Depreciation	2,850	-	-	2,850
Wastewater Utility Sinking	300,000	382,011	377,940	304,071
Wastewater Utility Improvement	137,695	1,855	13,506	126,044
Wastewater Construction	66,724	490,792	506,767	50,749
Trash Utility Operating	32,794	205,918	178,710	60,002
Fiduciary Funds:				
Payroll Fund	17,628	1,319,154	1,325,647	11,135
Cemetery Trust	10,053	209	-	10,262
Police Pension	95,831	85,709	90,938	90,602
Fire Pension	136,332	89,267	118,228	107,371
Totals	\$ 1,863,451	\$ 5,829,532	\$ 5,322,739	\$ 2,370,244

The accompanying notes are an integral part of the schedules.

CITY OF SULLIVAN
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides 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, trash, and urban redevelopment and housing.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. 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% 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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes 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.

CITY OF SULLIVAN
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

Note 7. Long-Term Debt

The City has entered into bonds for wastewater improvements. The outstanding principal at December 31, 2005, was \$81,000.

CITY OF SULLIVAN
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS (City and Wastewater Utility)

The City and Wastewater Utility's capital asset additions and disposals are not being recorded.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. 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)

APPROPRIATIONS (City)

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Local Road and Street	2005	\$ 9,242.41
Cemetery Operating	2005	59,291.87
Fire Pension	2005	17,924.71

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

SALARY OVERPAYMENTS (City)

Teresa Grimes, former Clerk-Treasurer, received \$627.26 in payments for 2005 in excess of the salary ordinance.

Teresa Grimes, former Clerk-Treasurer, was requested to reimburse \$627.26 to the City of Sullivan. (See Summary, page 11)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ADVANCE PAYMENTS (City)

Dates of transactions indicate that some payroll payments were made to individuals prior to the receipt of services.

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)

CITY OF SULLIVAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

PENALTIES, INTEREST AND OTHER CHARGES (City)

Penalties and interest totaling \$333.12 were paid to the Internal Revenue Service on February 14, 2005, and September 15, 2005, for the fourth quarter in 2004 and the second quarter in 2005.

Teresa Grimes, former Clerk-Treasurer, was requested to reimburse \$333.12 to the City of Sullivan. (See summary, page 11)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

EXCESSIVE AND PERSONAL CELLULAR TELEPHONE EXPENSES

Excessive and personal cellular telephone expenses totaling \$967 for the years 2004 and 2005 were paid by the City of Sullivan for Teresa Grimes, former Clerk-Treasurer's cellular telephone. The telephone expenses included usage charges not included in the plan, as well as text messages and download fees.

Teresa Grimes, former Clerk-Treasurer, was requested to reimburse the \$967 to the City of Sullivan. (See Summary, page 11)

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)

BANK ACCOUNT RECONCILIATIONS (City and Wastewater Utility)

Depository reconciliations of the fund balances to the bank account balances presented for audit were incorrect because of posting errors, resulting in audit adjustments of \$124,722.33.

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)

PRESCRIBED FORMS (City and Wastewater Utility)

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

Employee Service Record Form 99A

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)

OVERDRAWN CASH BALANCES (City)

The cash balance of the General Fund was overdrawn in 2005.

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)

CITY OF SULLIVAN
EXIT CONFERENCE

The contents of this report were discussed on October 31, 2006, with Timothy Boles, Mayor; Donna Sue Pitts, Clerk-Treasurer; and Rodger Smith, President of the Common Council. The officials concurred with our findings.

The contents of this report were discussed on October 31, 2006, with Teresa Grimes, former Clerk-Treasurer.

CITY OF SULLIVAN
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Due From Teresa Grimes, former Clerk-Treasurer:			
Salary Overpayments, page 7	\$ 627.26	\$ -	\$ 627.26
Penalties, Interest and Other Charges, page 8	333.12	-	333.12
Excessive and Personal Cellular Telephone Expenses, page 8	<u>967.00</u>	<u>-</u>	<u>967.00</u>
Totals	<u>\$ 1,927.38</u>	<u>\$ -</u>	<u>\$ 1,927.38</u>

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AFFIDAVIT

STATE OF INDIANA)
)
VIGO COUNTY)

I, Peggy Arnold, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the City of Sullivan, Sullivan County, Indiana, for the period from January 1, 2005 to December 31, 2005, is true and correct to the best of my knowledge and belief.

Peggy E. Arnold
Field Examiner

Subscribed and sworn to before me this 14th day of December, 2006

Peterson L. Thomsen
Clerk of the Circuit Court