

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

EXAMINATION REPORT

OF

CITY OF SCOTTSBURG

SCOTT COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED
10/29/2007

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OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|-------------------|----------------------|
| Clerk-Treasurer | Kelly Neuhauser | 01-01-04 to 12-31-07 |
| Mayor | William H. Graham | 01-01-04 to 12-31-07 |
| President of the Board of Public Works | William H. Graham | 01-01-04 to 12-31-07 |
| President of the Common Council | William H. Graham | 01-01-04 to 12-31-07 |
| Superintendent of Water Utility | Lance Hounshell | 01-01-06 to 12-31-07 |
| President of Wastewater Utility | Millard Moore | 01-01-06 to 12-31-07 |
| President of Electric Utility | James Binkley | 01-01-06 to 12-31-07 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDIANAPOLIS, INDIANA 46204-2769

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF SCOTTSBURG, SCOTT COUNTY, INDIANA

We have examined the financial information presented herein of the City of Scottsburg (City), for the period of January 1, 2006 to December 31, 2006. 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, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

September 12, 2007

CITY OF SCOTTSBURG
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, 2006

| | Cash and Investments 01-01-06 | Receipts | Disbursements | Cash and Investments 12-31-06 |
|--|-------------------------------------|----------------------|----------------------|-------------------------------------|
| Governmental Funds: | | | | |
| General | \$ (140,939) | \$ 3,002,089 | \$ 2,540,129 | \$ 321,021 |
| Redevelopment Commission District Capital | 1,983,329 | 1,313,844 | 244,723 | 3,052,450 |
| Certified Technology Park | 579,847 | 442,408 | 800,000 | 222,255 |
| Motor Vehicle Highway | 236,058 | 376,364 | 381,949 | 230,473 |
| Local Road and Street | 287,261 | 35,277 | 50,000 | 272,538 |
| Police Donations | 11,447 | 1,000 | 2,295 | 10,152 |
| Law Enforcement Continuing Education | 29,378 | 5,859 | 4,426 | 30,811 |
| Park and Recreation | (34,163) | 361,254 | 249,407 | 77,684 |
| Economic Industrial Development | 361,814 | 80,152 | - | 441,966 |
| Revolving Loan EDA | 250,908 | 80,991 | 162,750 | 169,149 |
| Federal Asset Forfeiture | 176,695 | 3,421 | 40,093 | 140,023 |
| Operation Pullover | 19 | 1,800 | 2,533 | (714) |
| Scottsburg Heritage Station | 13,806 | 9,050 | 7,398 | 15,458 |
| Historic Preservation | 2,541 | - | 157 | 2,384 |
| Affordable Housing | 1,569 | - | - | 1,569 |
| Citizens Against Substance Abuse | 3,504 | 1,700 | 2,823 | 2,381 |
| Park Donations | 8,000 | - | - | 8,000 |
| Rails to Trails Grant | (29,609) | - | - | (29,609) |
| Organized Crime Drug Enforcement Task Force | (5,466) | 12,849 | 13,811 | (6,428) |
| Local Asset Forfeiture | 556 | 7,124 | - | 7,680 |
| Tobacco Grant | 12 | - | - | 12 |
| Rural Development Revolving | 102,812 | 10,139 | 109,145 | 3,806 |
| Indiana Housing Development | (20,000) | - | - | (20,000) |
| Historic Review Board | (1,273) | 10 | - | (1,263) |
| Technology Center Grant | - | 819,655 | - | 819,655 |
| Brownfield Grant | (63,415) | 735 | 60,011 | (122,691) |
| Water Park | 452 | - | - | 452 |
| Cumulative Capital Improvement | 23,784 | 21,578 | 982 | 44,380 |
| Cumulative Building and Firefighting Equipment | 168,020 | 96,027 | 5,158 | 258,889 |
| Cumulative Park | - | 577 | - | 577 |
| Cumulative Capital Development | 339,873 | 144,045 | 314,486 | 169,432 |
| Recreational Trails | 18,177 | - | 1,145 | 17,032 |
| Rainy Day Fund | 180,885 | 1 | - | 180,886 |
| OVO Resource Center | (8,489) | 168,837 | 160,348 | - |
| Proprietary Funds: | | | | |
| Water Utility - Operating | (13,741) | 1,896,668 | 1,757,855 | 125,072 |
| Water Utility - Bond and Interest | 126,698 | 284,052 | 298,840 | 111,910 |
| Water Utility - Debt Service Reserve | 362,852 | 65,690 | 23,680 | 404,862 |
| Water Utility - Customer Deposit | 29,758 | 8,552 | 5,402 | 32,908 |
| Water Utility - Depreciation | 19,324 | 1,135 | 27 | 20,432 |
| Water Utility - Tower Painting | 133,760 | 14,096 | - | 147,856 |
| Water Utility - Temple and Temple Retainage | 81,256 | - | 81,256 | - |
| Wastewater Utility - Operating | 59,558 | 1,364,720 | 1,472,691 | (48,413) |
| Wastewater Utility - Bond and Interest | 165,014 | 179,658 | 179,948 | 164,724 |
| Wastewater Utility - Debt Service Reserve | 60,420 | - | 600 | 59,820 |
| Wastewater Utility - Vuckson Retainage | 10,004 | - | 10,004 | - |
| Wastewater Utility - West I-65 Construction | 7,082 | - | - | 7,082 |
| Electric Utility - Operating | 889,324 | 13,172,879 | 12,233,265 | 1,828,938 |
| Electric Utility - Customer Deposit | 88,748 | 106,968 | 79,970 | 115,746 |
| Electric Utility - Depreciation | 70,520 | 715 | - | 71,235 |
| Electric Utility - Cash Reserve | 168,000 | 84,000 | - | 252,000 |
| Electric Utility - Hurricane Katrina | (20,381) | 31,123 | 10,742 | - |
| Electric Utility - Mutual Aid Florida | (2,853) | 69,530 | 66,677 | - |
| Electric Utility - Broadband | (908,403) | 1,095,991 | 1,750,860 | (1,563,272) |
| Fiduciary Funds: | | | | |
| Payroll | 12,817 | 4,092,054 | 4,072,056 | 32,815 |
| Latco Retainage | 2,829 | 12,478 | - | 15,307 |
| OVO Resources Retainage | 45,736 | - | 45,736 | - |
| Police Pension Trust Fund | 571,875 | 189,620 | 168,850 | 592,645 |
| Totals | <u>\$ 6,437,590</u> | <u>\$ 29,666,715</u> | <u>\$ 27,412,228</u> | <u>\$ 8,692,077</u> |

The accompanying notes are an integral part of the financial information.

CITY OF SCOTTSBURG
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety (police and fire), highways and streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, electric, wireless broadband internet service, water, wastewater and economic development.

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 SCOTTSBURG
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

a. 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 District 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.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which 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 and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

CITY OF SCOTTSBURG
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 7. Subsequent Events

The Water and Electric (including the wireless broadband services) Utilities did not pay Utility Receipts Tax to the Indiana Department of Revenue for the years 2005, 2006 and the first two quarters of 2007. The City has contracted with an outside vendor to file the Utility Receipts Tax forms who estimates the tax due for 2005, 2006 and the first two quarters of 2007 to be approximately \$400,000 plus penalties and interest.

CITY OF SCOTTSBURG
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

| Description of Asset | Ending Balance | Due Within One Year |
|--|---------------------|---------------------------|
| Governmental Activities: | | |
| Capital leases: | | |
| Infrastructure | \$ 1,253,622 | \$ 147,172 |
| Business-type Activities: | | |
| Water Utility: | | |
| Capital leases: | | |
| Equipment | \$ 9,895 | \$ 9,895 |
| Revenue bonds: | | |
| 1998 Water improvement bond series A | 1,732,000 | 27,000 |
| 1998 Water improvement bond series B | 520,000 | 8,000 |
| Loans payable | <u>1,783,517</u> | <u>90,000</u> |
| Total Water Utility | <u>4,045,412</u> | <u>134,895</u> |
| Wastewater Utility: | | |
| Revenue bonds: | | |
| 2003 Sewage works refunding bonds | <u>605,000</u> | <u>80,000</u> |
| Total Wastewater Utility | <u>605,000</u> | <u>80,000</u> |
| Electric Utility: | | |
| Loans payable | <u>500,000</u> | <u>500,000</u> |
| Total Electric Utility | <u>500,000</u> | <u>500,000</u> |
| Total business-type activities long-term debt: | <u>\$ 5,150,412</u> | <u>\$ 714,895</u> |

CITY OF SCOTTSBURG
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN FUND BALANCES (Applies to Clerk-Treasurer, Electric Utility and Wastewater Utility)

At December 31, 2006, the City had the following overdrawn fund balances:

| Fund | Amount |
|---|-----------|
| Operation Pullover | \$ 714 |
| Organized Crime Drug Enforcement Task Force | 6,428 |
| Indiana Housing Development | 20,000 |
| Historic Review Board | 1,263 |
| Rails to Trails Grant | 29,609 |
| Brownfield Grant | 122,691 |
| Wastewater Utility - Operating | 48,413 |
| Electric Utility - Broadband | 1,563,272 |

A similar comment was included in Report B28559.

The fund 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)

UTILITY RECEIPTS TAX (Applies to Clerk-Treasurer, Electric and Water Utilities)

The Water and Electric (including wireless broadband services) Utilities did not pay Utility Receipts Tax to the Indiana Department of Revenue for the years 2005, 2006 and the first two quarters of 2007. The City has contracted with an outside vendor to file the Utility Receipts Tax forms who estimates the tax due for 2005, 2006 and the first two quarters of 2007 to be approximately \$400,000 plus penalties and interest.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

UNCLAIMED UTILITY DEPOSITS (Applies to Electric and Water Utilities)

Numerous customer deposits have been identified for customers who are no longer receiving services or have no delinquent amounts due the utilities. These deposits remain unclaimed in each of the Utility's customer deposit funds. A written policy concerning unclaimed meter deposits was not presented for examination.

These unclaimed meter deposits may be transferred to the utility's operating fund in accordance with the utility's written policy covering such deposits. (Cities and Towns Bulletin and Uniform Compliance Guidelines, June 2004)

CITY OF SCOTTSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS (Applies to Clerk-Treasurer, Electric, Water and Wastewater Utilities)

The City did not maintain sufficient detailed records of capital assets. Additions, deletions or disposals of capital assets were not recorded for the year 2006.

The City's Utilities did not maintain sufficient detailed records of capital assets for Utility Plant in Service accounts. Upon purchase, the costs of the capital assets are added to an aggregate Utility Plant in Service account, and to subsidiary accounts for land, buildings, etc., in the General Ledger. However, records classifying and summarizing the Utilities capital assets are incomplete. Deletions or disposals of capital assets were not recorded for the year 2006.

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 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)

ERRORS ON CLAIMS (Applies to Clerk-Treasurer and Board of Public Works)

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

1. All claims did not have board approval.
2. Claims or invoices did not include evidence in support of the receipt of goods or services.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

CITY OF SCOTTSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

PRORATION OF CITY EXPENDITURES (Applies to Board of Public Works)

Expenses relative to other City funds and departments were paid from the Electric Utility. The following are examples of these expenses:

1. The Electric Utility owns the office building that provides office space for the provision of general government (General Fund), water, and wastewater services. The Electric Utility does not bill the City and the City's other Utilities for the costs related to the operation of the office building, such as the electric bill.
2. Broadband service for the Mayor.
3. Postage for mailing utility bills and late notices.

The City does prorate the cost of shared employees between the City's three Utilities. However, no time records are kept to support this calculation.

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS – SANITATION EXTRA PICK-UP FEES (Applies to Clerk-Treasurer)

The City bills customers for the pick-up and disposal of extra sanitation items. Review of the records indicated the following deficiencies:

- (1) Bills were not consistently sent out at the same time each month.
- (2) Work orders did not provide sufficient detail regarding the type of item picked up or the quantity to determine that the proper amount is charged per the rate schedule.
- (3) Invoices and work orders were not prenumbered. The prenumbering of work orders provides a control that all work will be invoiced and the prenumbering of invoices provides a control that all invoices are accounted for.
- (4) Delinquencies were not timely reviewed for rebilling and collection. In some instances, there were multiple delinquent invoices for the same customer. Records also indicated delinquent invoices extending back to 1992. As of December 31, 2006, delinquent sanitation extra pick-up charges totaled \$3,580.85 which was 44% of the total sanitation extra pick-up collections for 2006.
- (5) The employee responsible for collecting funds also has the following responsibilities:
 - a. Prepares work orders that are the basis for billing and making adjustments to customer accounts.
 - b. Post payments to customer accounts.

CITY OF SCOTTSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

CUSTOMER DEPOSITS (Applies to Electric and Water Utilities)

There were several instances of customer's deposits not being applied as payment on account balances when service had been discontinued for non-payment.

City ordinances require service deposits to guarantee payment of bills.

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)

DEPOSITS (Applies to Clerk-Treasurer)

The following instances were noted where deposits were not made timely:

- (1) Two Broadband Service receipts dated October 11, 2006, totaling \$138.78, were not deposited until March 21, 2007.
- (2) We were unable to locate deposits for two Utility receipts dated August 7, 2006, and one Broadband Service receipt dated August 17, 2006, totaling \$129.45.

We brought the second discrepancy to the attention of the Clerk-Treasurer. City Officials stated they found an envelope with \$138.78 in cash in a desk drawer. The envelope did not identify the source of the cash. This amount was deposited on June 20, 2007.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

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)

INTERNAL CONTROLS - UTILITY CUSTOMER COLLECTIONS (Applies to Utilities)

We found the following deficiencies regarding internal controls applicable to the collection of Utility customer payments:

- (1) Employees responsible for collecting funds also have authorization to make adjustments to customer accounts.

CITY OF SCOTTSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (2) The employees responsible for collecting funds are also authorized to prepare work orders that are the basis for making adjustments to customer accounts.
- (3) Adjustments to customer accounts were based on work orders. During the year 2006, there was no identifiable system that cross referenced adjustments made to customer accounts to the work orders. City Officials stated that adjustments to customer accounts are currently being cross referenced to work orders.
- (4) There was no formal system in place during the year 2006 that documents adjustments are being approved or reviewed by an employee or official independent of the employee making the adjustments. City Officials stated that the electric and water supervisors are approving work orders and the Board of Public Works is currently approving wastewater adjustments.

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)

INTERNAL CONTROLS - BROADBAND SERVICES DEPARTMENT (Applies to Electric Utility)

We found the following deficiencies regarding the internal controls over the billing and collection of broadband service fees:

- (1) The regular monthly internet access billing system utilizes an accounts receivable control; however, the control was not reconciled monthly with the subsidiary record.
- (2) A separate billing system is used for miscellaneous charges (sale of products, technical support services, and installation fees). The Broadband Services Department maintains an accounts receivable control record. However, this record is not reconciled with the outstanding invoices retained by the Clerk-Treasurer's Office.
- (3) The billing system for miscellaneous charges prepares invoices. However, the invoices are not prenumbered. Prenumbering or some type of control over numbering of invoices is required to ensure that all items sold or services provided will be billed.
- (4) We found instances where customers were delinquent, but continued to receive service. There was no policy during the year 2006 to discontinue service to customers who are delinquent on their accounts. A policy was adopted in 2007.
- (5) There is no formal policy for the collection of delinquent accounts.

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)

CITY OF SCOTTSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

MAYOR'S AND CLERK-TREASURER'S COMPENSATION (Applies to City Council)

The Mayor and Clerk-Treasurer received compensation from the City's General Fund, Electric Utility, Water Utility and Wastewater Utility, in various amounts and percentages. The salary ordinance did not identify the source of funds for the compensation. According to Officials, the amount of compensation paid from the City's General Fund was based on what was in the approved budget ordinance, while the source of funds for the remainder of compensation paid was from the Utilities, based on percentages used in prior years.

Indiana Code 36-4-7-4 states:

"(a) Subject to the approval of the city legislative body, the city executive may provide that city officers and employees receive additional compensation for services that:

- (1) are performed for the city;
- (2) are not governmental in nature; and
- (3) are connected with the operation of a municipally owned utility or function.

(b) Subject to the approval of the executive and legislative body, the administrative agency operating the utility or function shall fix the amount of the additional compensation, which shall be paid from the revenues of the utility or function."

In accordance with the provisions of Indiana Code 36-4-7-4, the award of compensation shall plainly specify both the amount and the recipient, shall establish that the services performed are other than governmental, shall be awarded by the administrative authority in charge of the Utility, and shall be approved by both the Common Council and the Mayor.

It is our audit position that if the official records of the utility or function do not show the award of this additional compensation and the official records of the civil city do not show approval of the mayor and common council by ordinance or resolution as the statutes regulating the utility might provide, then there is no authority to make any payment. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

CREDIT CARDS (Applies to Clerk-Treasurer)

There were several instances where credit card statements were paid with only a credit card slip as supporting documentation. Several instances were also noted where credit card statements were paid without supporting documentation for items such as room service and restaurant charges added to hotel bills.

Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-11-10-1.6 states in part: " . . . (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; . . ."

CITY OF SCOTTSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

ORDINANCES AND RESOLUTIONS – RATES AND CHARGES (Applies to Electric and Water Utilities)

Ordinances are adopted by the governing board for the establishment of rates charged to customers for Utility services. The following deficiencies were noted in the billing of those customers:

- (1) Late payment charges were not always assessed to customers who did not make payment by the due date as defined in the Electric Utility Ordinance 2005-7.
- (2) Instances were noted where Electric Utility customers were not charged the current approved rate for outdoor lighting services. These customers were billed at a previously approved rate.
- (3) Water Utility customers with automatic sprinkler services were billed annually instead of monthly as stipulated by Ordinance 2003-36.

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 SCOTTSBURG
EXIT CONFERENCE

The contents of this report were discussed on September 12, 2007, with William H. Graham, Mayor; Kelly Neuhauser, Clerk-Treasurer; and Sheila Riddell, Deputy Clerk-Treasurer. The officials concurred with our findings.