

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

EXAMINATION REPORT

OF

CITY OF LAWRENCEBURG

DEARBORN COUNTY, INDIANA

January 1, 2007 to December 31, 2007



FILED
12/31/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jacqueline A. Stutz	01-01-07 to 12-31-10
Mayor	William Cunningham	01-01-07 to 12-31-10
President of the Board of Public Works	William Cunningham	01-01-07 to 12-31-10
President of Common Council	William Cunningham	01-01-07 to 12-31-10
Superintendent of Utilities	Charles M. Davis	01-01-07 to 12-31-08



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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 LAWRENCEBURG, DEARBORN COUNTY, INDIANA

We have examined the financial information presented herein of the City of Lawrenceburg (City), for the period of January 1, 2007 to December 31, 2007. 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, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

November 12, 2008

CITY OF LAWRENCEBURG
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, FIDUCIARY, AND PROPRIETARY FUND TYPES
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 5,302,295	\$ 5,666,653	\$ 6,759,160	\$ 4,209,788
Motor Vehicle Highway	1,650,500	286,506	590,614	1,346,392
Local Road and Street	79,141	32,121	81,722	29,540
Parks and Recreation	568,697	118,062	362,204	324,555
Nonreverting Parking Fees	21,243	700	-	21,943
Police Tow	(1,275)	-	-	(1,275)
Nonreverting Parks Operating	411,095	96,943	34,997	473,041
Law Enforcement Continuing Education	23,882	3,478	4,720	22,640
Nonreverting Police Activity	978	12	901	89
Nonreverting Economic Development	69,373	12,726	245	81,854
Remedial Flood Control	(139,899)	5,366	-	(134,533)
Nonreverting K-9 Operating	2,799	11,000	9,443	4,356
Nonreverting Drug Buy Program	14,250	30,128	13,821	30,557
Municipal Development	8,001,469	43,611,769	48,818,323	2,794,915
Municipal Development Bond Bank	4,123,976	161,159	-	4,285,135
Municipal Development Special Sewage	654,359	45,462	-	699,821
Riverboat	81,472,455	27,652,431	13,466,278	95,658,608
Nonreverting Refuse Collection	169,167	23,308	-	192,475
AEP Grant	-	200,000	199,947	53
Nonreverting Police Equipment	4,783	11,697	13,199	3,281
Nonreverting Self Insurance Disaster	65,289	-	-	65,289
Cumulative Capital Improvement	(91,846)	19,558	-	(72,288)
Nonreverting Capital Improvement Parks	(287)	-	-	(287)
Nonreverting Planning Commission	78,713	14,388	61,712	31,389
Nonreverting Industrial Park	290,782	-	-	290,782
Nonreverting Lawrenceburg Emergency Rescue Unit	108,558	42,672	-	151,230
Nonreverting Fire Fighting Equipment	596,475	399,055	39,395	956,135
Nonreverting Cumulative Equipment	(17,531)	-	-	(17,531)
Worker Training	798	-	-	798
Clerk's Record Perpetuation	23,434	6,222	5,717	23,939
Housing Rehabilitation	121,639	4,612	9,655	116,596
Lawrenceburg Emergency Rescue Unit Fees	555,993	276,104	700,020	132,077
Fiduciary Funds:				
Police Pension	1,406,934	83,558	144,746	1,345,746
Payroll	105,210	6,817,124	6,892,610	29,724
Law Enforcement User Fees	(139)	9,987	4,974	4,874
County Court Costs	-	100,331	100,331	-
City Court	18,871	750,886	527,342	242,415
Proprietary Funds:				
Electric Operating	2,860,065	10,358,031	10,597,840	2,620,256
Electric Depreciation	413,640	-	-	413,640
Electric Reserve	437,874	-	-	437,874
Electric Customer Deposits	150,350	50,389	45,426	155,313
Water Operating	243,112	1,290,563	1,094,408	439,267
Water Depreciation	247,780	-	-	247,780
Wastewater Operating	629,312	989,998	1,139,488	479,822
Totals	\$ 110,674,314	\$ 99,182,999	\$ 91,719,238	\$ 118,138,075

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

CITY OF LAWRENCEBURG
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, highways and streets, sanitation, health and social services, culture and recreation, general administrative services, public improvement, planning and zoning, electric, 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.

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 LAWRENCEBURG
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

A. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

1. Public Employees' Retirement Fund

Plan Description

The District 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.

2. 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 LAWRENCEBURG
NOTES TO FINANCIAL INFORMATION
(Continued)

B. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) 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 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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 Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF.

Note 7. Subsequent Events

The Redevelopment Commission entered into a "Real Estate Purchase and Development Agreement" (Agreement) with Middle Earth Development, Inc. (Developer), on May 1, 2008. The Agreement provides for the city to guarantee a \$2,300,000 loan obtained by the Developer from a financial institution to finance the construction of thirteen (13) townhouses. On May 29, 2008, the City purchased a certificate of deposit in the City's name to meet the obligations of the Agreement.

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS

LOANS TO PRIVATE ENTITIES (Applies to City Council)

The City made long-term loans to various private entities directly from their Municipal Development Fund without establishing a Revolving Loan Fund. The City had a total of \$10,361,560 loans outstanding to private entities as of December 31, 2007. The primary source of revenue to the Municipal Development Fund is monies contributed by a riverboat operator in connection with an agreement between the City and the riverboat operator.

Indiana Code 5-1-14-14(b) states in part: "A . . . municipality may establish a revolving fund from grants . . . The . . . municipality may loan the money in the revolving fund to any borrower if the . . . municipal fiscal body finds that the loan will be used by the borrower for one (1) or more of the following economic development purposes:

- (1) Promoting significant opportunities for the gainful employment of the . . . municipality's residents.
- (2) Attracting a major new business enterprise to the . . . municipality.
- (3) Retaining or expanding a significant business enterprise in the . . . municipality."

LOANS TO SCHOOL CORPORATIONS (Applies to City Council)

The City made short-term loans to various school corporations from their Municipal Development Fund. The City had a total of \$1,500,000 loans outstanding to school corporations as of December 31, 2007. The City also forgave a loan made to the Lawrenceburg School Corporation in the amount of \$1,200,000.

The City did not cite the statutory authority that would authorize the City to loan funds and to forgive loans made to school corporations.

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

CONVEYANCE OF REAL PROPERTY (Applies to Redevelopment Commission)

The Redevelopment Commission entered into a development agreement with Middle Earth Developers, Inc. (Developer), on May 1, 2008. The agreement provided for the Developer to construct townhouses on property conveyed to the Developer at the cost of one dollar.

Tom Steidel, City Manager, provided the following information that lead to the conveyance of real property by the Redevelopment Commission:

1. The City Council planned to construct townhouses for resale on property located on Walnut Street. The City Council solicited bids and awarded a contract for the construction of foundations for the townhouses on April 2, 2007. The City paid \$455,184 for the construction of foundations.

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

2. A notice to solicit bids was published for the construction of townhouses. The City Council determined that based on the bid prices submitted it was not feasible to construct a competitive product for resale and no bid was awarded. On November 14, 2007, the City Council discussed pursuing the sale of the property to a developer to complete the project.
3. The City Manager requested proposals from three developers. The City Manager stated that the developers were informed that the property would be conveyed at the price of one dollar and the property included the foundations at no additional cost to the developer.
4. Proposals were submitted by two developers.
5. The City Council authorized transferring the administration of the Townhouse Construction Project to the Redevelopment Commission on February 4, 2008.
6. The Redevelopment Commission approved the sale of the property to the Developer at the cost of one dollar on February 22, 2008.

The Redevelopment Commission did not obtain appraisals for the real property conveyed to the Developer and no notice was published regarding the conveyance of the real property.

Indiana Code 36-7-14-22 states in part:

"(b) Before offering for sale or lease to the public any of the real property acquired, the redevelopment commission shall cause two (2) separate appraisals of the sale value . . . to be made by independent appraisers. . . . In making appraisals, the appraisers shall take into consideration the size, location, and physical condition of the parcels, the advantages accruing to the parcels under the redevelopment plan, and all other factors having a bearing on the value of the parcels. The appraisals are solely for the information of the commission, and are not open for public inspection."

"(c) The redevelopment commission shall then prepare an offering sheet showing the parcels to be offered and the offering prices, which may not be less than the average of the two (2) appraisals. Copies of the offering sheets shall be furnished to prospective buyers on request. Maps and plats showing the size and location of all parcels to be offered shall also be kept available for inspection at the office of the department."

"(d) A notice shall be published in accordance with IC 5-3-1. The notice must state that at a designated time the commission will open and consider written offers for the purchase or lease of the real property being offered. In giving the notice it is not necessary to describe each parcel separately, or to specify the exact terms of disposition, but the notice:

- (1) must state the general location of the parcels;
- (2) call attention generally to any limitations on the use to be made of the real property offered; . . ."

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

FINANCIAL ASSISTANCE - LOAN GUARANTEE (Applies to Redevelopment Commission)

The Redevelopment Commission entered into a "Real Estate Purchase and Development Agreement" (agreement) with Middle Earth Development, Inc. (Developer), on May 1, 2008. The agreement provides for the City to guarantee a \$2,300,000 loan obtained by the Developer from a financial institution to finance the construction of thirteen (13) townhouses (see Examination Result and Comment titled "Conveyance of Real Property").

Section 2.01(c) of the agreement states in part the following:

"Developer has furnished to the City itemized certified statements of the estimated total development costs, which are initially estimated to be \$2,350,736. . . . In the event that the costs of the construction for the entire Project increase to an amount above \$2,350,736 due to changes requested by the City and the Developer's construction loan has to be increased by a like amount, then the amount guaranteed by the City under the Loan Agreement shall increase on a dollar-for-dollar basis. It is in the intention of the parties by this provision to provide for Developer's private lending institution to have the ability to demand that the City add to the amount of its cash account, which is the subject of the pledge securing the Developer's construction loan."

The anticipated selling price of the townhouses range from \$175,000 to \$239,000 based on information attached to the May 27, 2008 Redevelopment Commission minutes.

Indiana Code 36-7-14-12.2(a) provides for a redevelopment commission to provide financial assistance as follows:

" . . . (25) Provide financial assistance (including grants and loans) to enable individuals and families to purchase or lease residential units within the district. However, financial assistance may be provided only to individuals and families whose income is at or below the unit's median income for individuals and families, respectively."

" (26) Provide financial assistance (including grants and loans) to neighborhood development corporations to permit them to:

(A) provide financial assistance for the purposes described in subdivision (25); or

(B) construct, rehabilitate, or repair commercial property within the district."

The Redevelopment Commission did not cite the statutory authority that authorizes a redevelopment commission to provide a private developer financial assistance in the form of a loan guarantee.

A governmental unit may not incur indebtedness unless specifically allowed by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SCHOLARSHIP PROGRAM (Applies to City Council)

Prior to the year 2007, the City Council passed Resolution No. 14-2002 that authorized the establishment of a "City of Lawrenceburg Education Grant Program" to be administered by the Dearborn County Community Foundation (Foundation). This program provides scholarships to graduates of Lawrenceburg High School and is funded by the City with payments to the Foundation from the City's

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

Municipal Development Fund (MDF Fund). The source of funding for the MDF Fund is a contractual fee paid to the City by a riverboat operator. Prior to the year 2007, the City Council passed Home Rule Ordinance No. 8-2006 authorizing the use of City funds for this purpose. During the year 2007, the City paid \$400,000 to the Foundation to distribute the scholarships; however, no contractual agreement between the City and the Foundation was presented for examination.

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

A similar comment was reported in prior Report B31498.

DONATIONS TO SCHOOL ENDOWMENT CORPORATIONS (Applies to City Council)

There are three school corporations in Dearborn County and three school endowment corporations established to provide educational resources to the respective school corporations. During the year 2007, the City paid a total of \$1,140,521 from gaming tax revenues to the three school endowment corporations. Prior to the year 2007, the City entered into separate revenue sharing agreements with each of the school corporations that provided for a portion of the gaming tax revenue received by the City from riverboat gaming operations to be paid to the respective school endowment corporations. However, there were no agreements between the three school endowment corporations and the City.

Indiana Code 20-47-1-3 states: "A political subdivision may donate proceeds from riverboat gaming to a public school endowment corporation under the following conditions:

- (1) The public school endowment corporation retains all rights to the donation, including investment powers.
- (2) The public school endowment corporation agrees to return the donation to the political subdivision if the corporation:
 - (A) loses the corporation's status as a public charitable organization;
 - (B) is liquidated; or
 - (C) violates any condition of the endowment set by the fiscal body of the political subdivision."

A similar comment was reported in prior Report B31498.

DEARBORN COUNTY SCHOOL GRANT PROGRAM (Applies to City Council)

There are three school corporations in Dearborn County and three school endowment corporations established to provide education resources to the respective school corporations. During the year 2007, the City Council passed Resolution 4-2007 to set aside funds each year in its Municipal Development Fund (MDF Fund) to be used by the Dearborn County school endowment corporations for educational enhancements. The source of funding for the MDF Fund is a contractual fee paid to the City by a riverboat operator. The money was to be distributed based upon applications prepared by the school endowment corporations.

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

The City paid \$876,582 from the MDF Fund for this purpose in 2007. The payments were made directly to the three school corporations and were not made to the school endowment corporations.

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)

DEPOSITORY RECONCILEMENTS (Applies to Electric, Water and Wastewater Utilities)

The Utility Office Manager has been assigned the responsibility of performing month end reconcilements between record balances of cash and investments to depository balances for the City's various utility funds. These reconcilements were not performed during the year 2008. The City contracted with an accounting firm to perform the bank reconcilements. The accounting firm was able to reconcile the utility fund balances to the bank as of December 31, 2007; however, reconcilements have not been performed from January 1, 2008 through August 31, 2008.

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."

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)

FUNDS NOT RECORDED ON FINANCIAL RECORDS (Applies to Clerk-Treasurer)

The Local Emergency Rescue Unit (LERU) became a department of the City in the year 2005. Receipts collected by the LERU during the year 2007 for emergency runs were deposited into a separate City bank account; however, these funds are not recorded in the City's financial records. The following is a schedule of receipts, disbursements, and balances for the LERU Fund:

Cash and Investments, January 1, 2007	\$ 555,993
Receipts	276,104
Disbursements	20
Transfer to City's General Fund	<u>700,000</u>
Cash and Investments, December 31, 2007	<u>\$ 132,077</u>

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

A similar comment was reported in prior Report B31498.

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

OVERDRAWN CASH BALANCES (Applies to Clerk-Treasurer)

The following schedule shows funds with a deficit cash balance as of December 31, 2007:

<u>Fund</u>	<u>Deficit Cash Balance</u>	<u>Investment Balance</u>	<u>Reported Balance Cash and Investments</u>
Municipal Development	\$ (12,785,835)	\$ 15,580,750	\$ 2,794,915
Remedial Flood Control	(204,533)	70,000	(134,533)
Cumulative Capital Improvement	(72,288)	-	(72,288)
Nonreverting Cumulative Equipment	(17,531)	-	(17,531)
Police Tow	(1,275)	-	(1,275)
Nonreverting Capital Improvement Parks	(287)	-	(287)

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

Indiana Code 36-1-8-4 (a) states: "The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met:

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

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

A similar comment was reported in prior Report B31498.

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

UNDOCUMENTED CREDIT CARD CHARGES (Applies to Clerk-Treasurer and the Utility Service Board)

We selected four months of payments made in the year 2007 on the Utilities' credit card and found the following:

1. Approximately 33% of the credit card charges were not supported by adequate supporting documentation such as invoices and receipts for three months reviewed.
2. Utility officials were unable to locate the Accounts Payable Voucher supporting the payment made for the fourth month we reviewed. A copy of the monthly credit card statement was obtained from the credit card company; however, no supporting documentation such as invoices or receipts was presented for our examination.

The following is a schedule of employees who purchased items on the credit card; however, no invoices or receipts were presented for examination to support the amount charged on the credit card statement.

Employee	Position	Undocumented Charges
Charles (Mel) Davis	Utilities Superintendent	\$ 9,019
Ginger Cotton	Utilities Office Manager	47
James Cunningham	Meter Department Foreman	936
Andrew Lyons	Water Utility Foreman	493
Tony O'Neal	Electric Utility Foreman	40
Robert Weber	Water Utility Laborer	1,199
		\$ 11,734

Our analysis of the \$11,734 of payments without supporting documentation showed that \$10,331 were travel related expenses such as airline tickets, hotel rooms, rental cars, and meals for employees in travel status. The remaining undocumented credit card charges in the amount of \$1,403 were made at local vendors.

Payments 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:

"(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; . . ."

CITY OF LAWRENCEBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, cancelled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payment without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was reported in Report B29113 covering the period January 1, 2005 to December 31, 2005.

We recommended that payments on credit card accounts be limited to amounts for which supporting documentation is available. We also recommend that the Utility Service Board adopt a policy that would hold employees personally responsible for any purchases they make without providing supporting documentation and to be personally responsible for any associated finance charges.

CAPITAL ASSET RECORDS - GOVERNMENTAL ACTIVITIES (Applies to Clerk-Treasurer)

The City does not maintain sufficient detailed records of its capital assets for its governmental activities.

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)

A similar comment was reported in prior Report B31498.

CAPITAL ASSET RECORDS - PROPRIETARY FUNDS
(Applies to Electric, Water and Wastewater Utilities)

The Utility does not maintain sufficient detailed records of capital assets for its 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 providing historical costs for some of the Utility's capital assets are not available, and records classifying and summarizing the Utility's capital assets are incomplete. Deletions or disposals of capital assets are not recorded.

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)

A similar comment was reported in the prior Report B31498.

CLOTHING ALLOWANCES (Applies to Clerk-Treasurer, City Council, and Utility Service Board)

Article III (7) of the collective bargaining agreement between the City of Lawrenceburg, Indiana and the International Association of Machinists and Aerospace Workers, effective through December 31, 2008, states in part:

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"The Employer agrees to pay each employee the cost of five complete sets of uniforms per employee per year, to be paid in March of each year. The City agrees to obtain current prices each year. . . . Employees will be required to show proof of purchase and wear the uniforms."

Clothing allowances are being paid as follows:

<u>Employee</u>	<u>Amount</u>
Police Clerical	\$ 700
Firemen	500
Rescue Unit Employees	500
Utility Employees	500
All Other City Employees	500

We found the following in regards to the payment of clothing allowance:

1. The collective bargaining agreement does not authorize the payment of clothing allowance without a proof a purchase. However, not all employees receiving the clothing allowance provided the required proof of purchase.

Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

2. Clothing allowance was paid in excess of the proof of purchase submitted by police clerks, firemen, rescue unit employees and other city employees was not reported on Internal Revenue Service Form W-2.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

We recommended that the City either comply with the collective bargaining agreement or modify the agreement to reflect the City's practice of paying clothing allowances.

A similar comment was reported in prior Report B31498.

COMPENSATION NOT REPORTED (Applies to Department of Parks and Recreation)

The Park and Recreation Department's facility rental agreements for Agner Hall require police coverage during events that will have alcohol beverages on the premises. The rental agreement sets the cost of the police coverage at twenty dollars per hour. The police department then assigns an off-duty police officer or a reserve officer to cover the event. The agreement requires the renter to pay the assigned officer directly for his services.

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The City appears to be the employer of the assigned police officer because they are setting the compensation and they are assigning the police officer to monitor activity at a City facility. We recommend that the City contact the IRS and request a written determination on whether they have any responsibility to report these wages and to remit any applicable payroll taxes.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

A similar comment was reported in prior Report B31498.

DELINQUENT WASTEWATER ACCOUNTS (Applies to Wastewater Utility)

Delinquent Wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) A description of the premises, as shown by the records of the county auditor; and
 - (C) The amount of the delinquent fees, together with the penalty.
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent."

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

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

A similar comment was reported in prior Report B31498.

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(Continued)

DELINQUENT UTILITY ACCOUNTS (Applies to Utility Service Board)

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

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

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

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

A similar comment was reported in prior Report B31498.

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS (Applies to Utility Service Board)

It is the Utilities' practice to write-off accounts that have been shut-off and remain unpaid after 90 days. No written policy was presented for examination authorizing the write-off of these accounts.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was reported in prior Report B31498.

ACCOUNTS RECEIVABLE RECONCILEMENT (Applies to Electric and Wastewater Utilities)

The detailed aged accounts receivable report did not reconcile with the accounts receivable balance in the general ledger. The balances per the detailed reports exceeded the general ledger balances for the Electric and Wastewater Utilities by \$5,930 and \$430, respectively, as of December 31, 2007.

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At all time, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COLLECTIONS NOT REMITTED TIMELY (Applies to Building Department)

Building Department collections were held in excess of one week prior to being remitted to the Clerk-Treasurer's office for 73% of the remittances we reviewed. Deposits reviewed that were not remitted timely ranged from \$275 to \$775.

All collections made by any department or person connected with a city or town shall be turned in to the Clerk-Treasurer or Controller at least weekly. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 6)

A similar comment was reported in prior Report B31498.

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EXIT CONFERENCE

The contents of this report were discussed on November 12, 2008, with Jacqueline A. Stutz, Clerk-Treasurer; and William Cunningham, Mayor.