

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

EXAMINATION REPORT
OF

LAWRENCEBURG LOCAL IMPROVEMENT BOND BANK
A COMPONENT UNIT OF
CITY OF LAWRENCEBURG
DEARBORN COUNTY, INDIANA

January 1, 2007 to December 31, 2009



FILED
01/03/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5-6
Examination Results and Comments:	
Annual Reports Not Filed	7
Prescribed Forms	7
Loan Documentation – Envision Care.....	7-8
Loan Documentation – Pieratt Properties	8-9
Sale of Property Proceeds.....	9
Exit Conference.....	10

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Tom Stiedel (Vacant)	01-01-07 to 12-31-09 01-01-10 to 11-15-10
Treasurer	Tom Stiedel Jacqueline A. Stutz	01-01-07 to 12-31-09 01-01-10 to 12-31-10
Chairman of the Board	Vickie March	01-01-07 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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 LAWRENCEBURG LOCAL IMPROVEMENT
BOND BANK, DEARBORN COUNTY, INDIANA

We have examined the financial information presented herein of the Lawrenceburg Local Improvement Bond Bank (Local Improvement Bond Bank), for the period of January 1, 2007 to December 31, 2009. The Local Improvement Bond Bank'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 Local Improvement Bond Bank for the years ended December 31, 2007, 2008, and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

November 15, 2010

LAWRENCEBURG LOCAL IMPROVEMENT BOND BANK
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2007, 2008, And 2009

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 1,502,604	\$ 1,131,923	\$ 123,420	\$ 2,511,107
Hillside Health Project	714,106	-	714,106	-
Pieratt Properties Project	8,917	-	8,917	-
Fiduciary Fund:				
Fortune Management Escrow	<u>1,018,335</u>	<u>10,085</u>	<u>23,971</u>	<u>1,004,449</u>
Totals	<u>\$ 3,243,962</u>	<u>\$ 1,142,008</u>	<u>\$ 870,414</u>	<u>\$ 3,515,556</u>
	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Fund:				
General	\$ 2,511,107	\$ 843,975	\$ 128,933	\$ 3,226,149
Fiduciary Fund:				
Fortune Management Escrow	<u>1,004,449</u>	<u>125,446</u>	<u>47,085</u>	<u>1,082,810</u>
Totals	<u>\$ 3,515,556</u>	<u>\$ 969,421</u>	<u>\$ 176,018</u>	<u>\$ 4,308,959</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Fund:				
General	\$ 3,226,149	\$ 2,058,422	\$ 4,028,799	\$ 1,255,772
Fiduciary Fund:				
Fortune Management Escrow	<u>1,082,810</u>	<u>919</u>	<u>1,083,729</u>	<u>-</u>
Totals	<u>\$ 4,308,959</u>	<u>\$ 2,059,341</u>	<u>\$ 5,112,528</u>	<u>\$ 1,255,772</u>

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

LAWRENCEBURG LOCAL IMPROVEMENT BOND BANK
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Local Improvement Bond Bank was established under the laws of the State of Indiana for the purpose of making loans to political subdivisions located in Dearborn County. The Local Improvement Bond Bank operates under an appointed governing board.

The Mayor of the City of Lawrenceburg appoints the Governing Board of the Local Improvement Bond Bank and a financial benefit/burden relationship exists between the City and the Local Improvement Bond Bank. For these reasons, the Local Improvement bond Bank is considered a component unit of the City of Lawrenceburg.

Note 2. Fund Accounting

The Local Improvement Bond Bank 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

State statute (IC 5-1.4-3-6) authorizes the Local Improvement Bond Bank to adopt an annual budget on either a calendar or fiscal year basis.

Note 4. 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 Local Improvement Bond Bank 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.

LAWRENCEBURG LOCAL IMPROVEMENT BOND BANK
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 5. Outstanding Loans

The Local Improvement Bond Bank has made loans to five government entities totaling \$6,399,999. As of December 31, 2009, the outstanding loan balances due to the Local Improvement Bond Bank from the various government entities was \$4,550,328.

The Local Improvement Bond Bank has made loans to three private sector entities totaling \$4,562,242. The outstanding loan balance due to the Local Improvement Bond Bank at December 31, 2009, could not be determined due insufficient documentation.

Note 6. Funds Due From City

The City of Lawrenceburg owes the Local Improvement Bond Bank \$343,699 as a result of proceeds from the sale of property owned by the Local Improvement Bond Bank being erroneously deposited into the City's depository account.

LAWRENCEBURG LOCAL IMPROVEMENT BOND BANK
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORTS NOT FILED

The 2008 and 2009 Special District Annual Report (SDAR), that report the financial activity and cash and investment balances, were not filed with the Indiana State Board of Accounts.

IC 5-11-1-4 states in part:

"The state examiner shall require from every . . . local governmental unit . . . financial reports covering the full period of each fiscal year. These reports shall be . . . filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner . . ."

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 Special Districts, Chapter 10)

PRESCRIBED FORMS

The following prescribed or approved forms were not in use to account for monies in the General Fund:

1. Ledger of Receipts, Disbursements and Balance (General Form 358)
2. General Receipt (General Form 352)
3. General Check (General Form 356)
4. Accounts Payable Voucher (City Form 201)

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 Special Districts, Chapter 10)

A similar comment was reported in the prior Report B31499.

LOAN DOCUMENTATION – ENVISION CARE

The Bond Bank purchased Taxable Economic Development Bonds, Series 2004 (Envision Care Project) issued by the City of Lawrenceburg through an agreement titled "Qualified Entity Purchase Agreement" (purchase agreement). The agreement was between the City of Lawrenceburg, the Bond Bank, and United Community Bank (Escrow Agent). Bond proceeds were used by the City of Lawrenceburg to loan monies to Envision Home Care Alternatives, Inc., (Envision Care) to finance an economic development project. The purchase agreement was secured by the assignment of a loan agreement between the City of Lawrenceburg and Envision Care (Borrower).

We identified the following deficiencies regarding loan documentation:

1. The debt service amortization schedule for the repayment of the loan amount was not properly prepared. The schedule presented for the prior audit showed the original loan principle balance as \$44,344. The actual original loan principal balance was \$65,655. The amortization schedule presented showed a monthly payment of \$203.94 which

LAWRENCEBURG LOCAL IMPROVEMENT BOND BANK
EXAMINATION RESULTS AND COMMENTS
(Continued)

Envision Care was paying until October 2007 when they started making payments of \$301.95 per month. No amended amortization schedule was presented to verify the correct monthly payment.

2. Since no amended amortization schedule was presented for examination, the outstanding loan balance owed by Envision Care as of December 31, 2009, could not be determined.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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 Special Districts, Chapter 10)

A similar comment was report in the prior Report B31499.

LOAN DOCUMENTATION - PIERATT PROPERTIES

The Bond Bank purchased a Taxable Economic Development Bond, Series 2004 (Pieratt Properties Project) issued by the City of Lawrenceburg through an agreement titled "Qualified Entity Purchase Agreement." The agreement was between the City of Lawrenceburg, the Bond Bank, and United Community Bank (Escrow Agent). The proceeds of bonds were used by the City of Lawrenceburg to loan monies to Pieratt Properties, LLC (Pieratt Properties) to finance an economic development project. The purchase agreement was secured by the assignment of a loan agreement between the City of Lawrenceburg and Pieratt Properties.

We identified the following deficiencies regarding loan documentation and the disbursement of loan monies:

1. The debt service amortization schedule for the repayment of the loan shows interest accruing at the rate of 1% per annum for the first 5 years, 5% per annum for the next 5 years and 10% for the next 10 year period.

Resolution 2004-2 dated May 4, 2004, passed by the Board of Directors and the Development Agreement between the City of Lawrenceburg and Pieratt Properties dated November 17, 2004, both require interest to accrue at the rate of 1% per annum for the first 5 years, 3% per annum for the next 5 years and at the "Prime Rate" plus 3% for the next 10 year period.

2. Pieratt Properties was making monthly loan payments in accordance with the amortization schedule provided by the Bond Bank; however, Pieratt Properties only made 8 of the 12 monthly payments for the year 2007; 8 of the 12 monthly payments for the year 2008; and only 2½ payments for the year 2009. In addition to not making all the monthly loan payments, some of the loan payments made were not made by the required due date. As a result of not making all the payments and/or making the payment past the due date, the outstanding loan balance on the provided amortization schedule was not correct. Since no amended amortization schedule was presented for examination, the outstanding loan balance owed by Pieratt Properties as of December 31, 2009, could not be determined.

LAWRENCEBURG LOCAL IMPROVEMENT BOND BANK
EXAMINATION RESULTS AND COMMENTS
(Continued)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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 Special Districts, Chapter 10)

A similar comment was report in the prior Report B31499.

SALE OF PROPERTY PROCEEDS

According to provisions in a lawsuit settlement with Fortune Management, Inc., the Bond Bank received the deeds to 20 parcels of property owned by Fortune Management, Inc. Subsequently, after obtaining ownership of the properties, the Bond Bank sold 9 parcels with the proceeds from the sales totaling \$343,699.35. These proceeds were deposited to the City of Lawrenceburg's Municipal Development Fund. All the properties were originally purchased from Fortune Management, Inc.'s escrow account which was maintained by the Bond Bank.

We recommended the Bond Bank request a refund from the City of Lawrenceburg in the amount of \$343,699.35.

Proceeds generated by the sale or rental of property should be receipted into the fund which originally purchased the property unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Special District, Chapter 10)

LAWRENCEBURG LOCAL IMPROVEMENT BOND BANK
EXIT CONFERENCE

The contents of this report were discussed on November 15, 2010, with Jacqueline A. Stutz, Treasurer; Vickie March, Chairman of the Board; and William Cunningham, Mayor of the City of Lawrenceburg.