B42368

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

CITY OF SOUTHPORT

MARION COUNTY, INDIANA

January 1, 2011 to December 31, 2011

FILED
07/09/2013

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SCHEDULE OF OFFICIALS

Office	Official	Term
Clerk-Treasurer	Catherine Hildebrand	08-17-08 to 12-31-11
	Diana Bossingham	01-01-12 to 12-31-15
Mayor	Hon. Robin Thoman	01-01-08 to 12-31-11
	Hon. V. Jesse Testruth	01-01-12 to 12-31-15
President of the Board of Public Works	Hon. Robin Thoman	01-01-11 to 12-31-11
	Hon. V. Jesse Testruth	01-01-12 to 12-31-12
President of the Common Council	Joe Turner	01-01-11 to 12-31-11
	James Cooney	01-01-12 to 12-31-13

STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF SOUTHPORT, MARION COUNTY, INDIANA

We were engaged to examine the accompanying financial statement of the City of Southport (City), for the year ended December 31, 2011. The financial statement is the responsibility of the City's management.

The City did not properly maintain sufficient competent evidential matter to support the accuracy and validity of the accounting records; additionally, no bank reconciliations were prepared for 2011 or the prior year and the City's records did not permit the application of other examination procedures to ascertain if the financial statement is fairly stated.

Since the City did not properly maintain sufficient competent evidential matter to support the accuracy and validity of the accounting records, had not prepared bank reconciliations, and we were not able to apply other examination procedures to satisfy ourselves as to whether the financial statement is fairly stated, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statement.

Our examination was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures and, accordingly, we express no opinion on them.

The City's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the City's response and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

February 1, 2013

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF SOUTHPORT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	$ (20,081)	$ 375,667	$ 315,341	$ 40,245
Motor Vehicle Highway	83,786	100,461	107,323	76,924
Local Road And Street	19,041	38,148	19,898	37,291
Law Enforcement Continuing Ed	131	1,495	4,212	(2,586)
Rainy Day	8,288	-	-	8,288
HSIP	-	-	5,575	(5,575)
General Obligation Bond Debt	-	81,491	83,218	(1,727)
Adip	285,045	40,579	95,621	230,003
Public Safety	44,030	32,137	51,743	24,424
Parks Recreation And Events	(19,066)	37,214	61,235	(43,087)
Payroll	113	-	-	113
Totals	$ 401,287	$ 707,192	$ 744,166	$ 364,313

The notes to the financial statement are an integral part of this statement.

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. *Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

Note 3. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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.

Note 4. Risk Management

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement any replacement items purchased.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Reports for years prior to 2011 can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the City's Annual Report information for years 2011 and later can be found on the Gateway website: https://gateway.ifionline.org/.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF SOUTHPORT
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Ed	Rainy Day	HSIP
Cash and investments - beginning	$ (20,081)	$ 83,786	$ 19,041	$ 131	$ 8,288	$ -
Receipts:						
Taxes	169,660	79,091	-	-	-	-
Licenses and permits	12,370	1,800	-	560	-	-
Intergovernmental	98,523	-	32,784	-	-	-
Charges for services	40	-	-	935	-	-
Fines and forfeits	91,065	-	-	-	-	-
Other receipts	4,009	19,570	5,364	-	-	-
Total receipts	375,667	100,461	38,148	1,495	-	-
Disbursements:						
Personal services	110,357	6,396	-	-	-	-
Supplies	8,584	6,631	1,294	2,057	-	-
Other services and charges	168,638	81,660	18,356	2,155	-	5,575
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	3,497	10,426	-	-	-	-
Other disbursements	24,265	2,210	248	-	-	-
Total disbursements	315,341	107,323	19,898	4,212	-	5,575
Excess (deficiency) of receipts over disbursements	60,326	(6,862)	18,250	(2,717)	-	(5,575)
Cash and investments - ending	$ 40,245	$ 76,924	$ 37,291	$ (2,586)	$ 8,288	$ (5,575)

CITY OF SOUTHPORT
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	General Obligation Bond Debt	Adip	Public Safety	Parks Recreation And Events	Payroll	Totals
Cash and investments - beginning	$ -	$ 285,045	$ 44,030	$ (19,066)	$ 113	$ 401,287
Receipts:						
Taxes	81,491	-	-	28,279	-	358,521
Licenses and permits	-	-	-	-	-	14,730
Intergovernmental	-	40,579	32,137	783	-	204,806
Charges for services	-	-	-	7,894	-	8,869
Fines and forfeits	-	-	-	-	-	91,065
Other receipts	-	-	-	258	-	29,201
Total receipts	81,491	40,579	32,137	37,214	-	707,192
Disbursements:						
Personal services	-	-	400	7,165	-	124,318
Supplies	-	-	12,617	5,088	-	36,271
Other services and charges	-	95,621	38,726	42,437	-	453,168
Debt service - principal and interest	83,218	-	-	-	-	83,218
Capital outlay	-	-	-	6,545	-	20,468
Other disbursements	-	-	-	-	-	26,723
Total disbursements	83,218	95,621	51,743	61,235	-	744,166
Excess (deficiency) of receipts over disbursements	(1,727)	(55,042)	(19,606)	(24,021)	-	(36,974)
Cash and investments - ending	$ (1,727)	$ 230,003	$ 24,424	$ (43,087)	$ 113	$ 364,313

CITY OF SOUTHPORT
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2011

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	$ 148,826	$ -

CITY OF SOUTHPORT
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Description of Debt: Type	Description of Debt: Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Anniston Drive Improvement Project	$ 230,000	$ 156,000
Totals		$ 230,000	$ 156,000

CITY OF SOUTHPORT
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	$ 8,000
Infrastructure	13,700,326
Buildings	300,000
Improvements other than buildings	27,500
Machinery, equipment and vehicles	181,940
Total governmental activities	14,217,766
Total capital assets	$ 14,217,766

CITY OF SOUTHPORT
OTHER REPORTS

The report presented herein was prepared in addition to the other official reports prepared as listed below:

Clerk-Treasurer
Mayor

FINANCIAL REPORT OPINION MODIFICATIONS

The financial statement for year-end 2011 was presented for examination, but we were not able to determine its accuracy. Bank reconciliations were not presented for 2011 or prior years. Uncertainty concerning the reported transactions and fund balances did not allow for alternative procedures to obtain sufficient evidence to support the accuracy and validity of the records. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the financial statement. The City received a disclaimer of an opinion on their Independent Accountant's Report.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK ACCOUNT RECONCILIATIONS

As stated in the two prior reports, most recently Report B40042, depository reconciliations of the fund balances to the bank account balances were not done monthly and were not presented for examination. The newly elected Clerk-Treasurer provided information for the reconciliation of the December 31, 2011 bank balance to the reported record balance. She also prepared and filed the 2011 Annual Report, making corrections to the records which included several errors in posting receipts, disbursements and transfers.

Our testing identified some errors in the outstanding check listing used for the end of the year reconciliation. During the examination, we also noted additional mispostings to the records and errors with the transfer postings. Using the record information provided for examination and the adjusted bank reconciliation, we determined that there was cash necessary to balance of $4,252.82 at December 31, 2011. But due to the condition of the records and lack of reconciliations, it was not possible to determine if this amount was accurate.

Any amounts found to be cash necessary to balance in the future, but pertaining to year-end 2011 and prior, may be the personal responsibility of the former Clerk-Treasurer, Catherine Hildebrand.

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."

At all times, the manual and/or 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 responsibility for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS

As similarly stated in several prior reports, most recently B40042, the following deficiencies, relating to the recordkeeping were identified:

1. There were a considerable number of posting errors. These errors included not posting amounts received from state and local distributions to the correct fund and transfers not being completely posted. We did not attempt to locate all errors, due to the condition of records and determination that we would issue a disclaimer of an opinion. Some of the uncorrected errors have been listed in another comment. (See comment – "Errors on Posting Distributions")

2. Some payments did not have an Accounts Payable Voucher prepared for the payment, only a check register was prepared for these payments. The bill and copy of the check remittance advice were attached to serve as documentation. We could not locate all of the original Accounts Payable Voucher Registers.

3. Due to issues with the computer software, the 2011 and 2010 records to date do not carry the balances reported on the 2011 Annual Report or the 2010 Annual Report. Adjustments were identified by the prior and current Clerk-Treasurers. Some of the adjustments were posted to the records in 2011 for prior years and other adjustments were not posted to the 2011 records.

4. Records were not maintained in an organized manner, but improvement was noted in 2011 compared to previous years.

5. The deposit register was prepared but deposits were not made timely and receipts were not written or issued. Persons paying for various services or fees, such as, hand gun permits, park rental payments, diversion fees, or other such collections did not receive a receipt. (See comments – "Receipt Issuance" and "Deposits")

6. The official minutes of various Boards' proceedings have not been preserved for several years. During 2011, issues were noted concerning the completeness and accuracy of the minutes. Also, actions were taken by the Park Board/ Committee which were not allowed. (See comments – "Official Minutes" and "Park Board/ Committee Meetings and Register of Claims Approvals")

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)

Indiana Code 5-15-6-3(f) concerning destruction of public records, states, in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

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."

This department does not prescribe a Minute Record. However, this is one of the most important records that will be kept by the Clerk-Treasurer. All official action taken by the board at regular or special meetings together with ordinances passed should be entered in the Minute Record. This record should be kept current and we recommend that all minutes be signed by the proper official and attested to by the Clerk-Treasurer. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

BOARD MINUTES

As stated in prior Report B40042, an official minute book was not maintained. During 2011, not all minutes of meetings of the governing bodies were available for examination. In some instances, it was not clear if meeting minutes had been written or not. Current officials provided agendas with handwritten notes for some of the missing minutes. Additionally, the minutes provided did not always agree with the notes on the agendas. In some instances actions were taken by Boards, as recorded in subsequent minutes or publications.

The following lists the Board meetings when no minutes were presented:

Board of Public Works	Board of Public Safety	Park and Recreation Advisory Board	Park Board
* July 13, 2011	* April 9, 2011	** February 2011	** June 2011
* August 10, 2011	* May 14, 2011		
August 13, 2011	* November 12, 2011		
* November 9, 2011			
* December 14, 2011			

* - Agenda with notes provided
** - Date unknown

Indiana Code 5-14-1.5-4 states in part:

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

(1) The date, time, and place of the meeting.

(2) The members of the governing body recorded as either present or absent.

(3) The general substance of all matters proposed, discussed, or decided.

(4) A record of all votes take, by individual members if there is a roll call.

(5) An additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

This department does not prescribe a Minute Record. However, this is one of the most important records that will be kept by the Clerk-Treasurer. All official action taken by the board at regular or special meetings together with ordinances passed should be entered in the Minute Record. This record should be kept current and we recommend that all minutes be signed by the proper official and attested to by the Clerk-Treasurer. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

APPROVAL OF CLAIMS

As stated in prior Report B40042, approvals of expenditures were made by several different boards. The Common Council, Board of Public Safety, Board of Public Works, and Park Board each acted as the body with jurisdiction of the allowance of claims. A single body was not designated by ordinance to approve the allowance of claims. At the conclusion of 2011, no claims were presented to the Common Council for their approval, but most were approved by the Board of Public Works. In examining the expenditures, the Mayor frequently provided instruction to the Clerk-Treasurer directing her to present the claim to a certain Board for their approval.

Additionally, the approval of claims should be reflected on the original signed Registers of Claims (Registers). Testing determined that not all original signed Registers were presented for examination, but the number of signed Registers provided was a significant improvement in 2011 over the prior year.

From present city administration statutes, IC 36-4-8, Home Rule, IC 36-1-3, and inferences contained in the old, repealed statutes, (IC 18-1-20-1), we formulated the following audit position. The State Board of Accounts will not challenge the authority for either the Board of Public Works and Safety or the Common Council to approve and allow city claims. (Presently in a few cities, both groups are reviewing claims.) This refers to those claims not required, by statute, to be reviewed and allowed by some other city department or city agency.

In those few instances where there is a dispute regarding who has this authority, we feel the Common Council has authority, by ordinance, to delegate this authority to a city body such as the Board of Public Works and Safety or themselves or, with continued dispute, pursuant to IC 36-4-4-5, the question can be presented to a court of competent jurisdiction. (Cities and Towns Bulletin and Uniform Compliance Guidelines, June 2003)

Indiana Code 5-11-10-2(a) states:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

PARK BOARD/ COMMITTEE MEETINGS AND REGISTER OF CLAIMS APPROVALS

The Common Council approved Ordinance 15-04-010 on June 20, 2011, which authorized the formation of a Park Board. Until that time the Park and Recreation and Events Advisory Committee (Committee) met regularly, but did not have the authority to approve disbursements. We found that the Committee met on April 26, 2011, and May 24, 2011, and approved Registers of Claims totaling $550.00 and $4,050.00, respectively. The May 24, 2011 Register was signed by two of the Committee members.

The Park Board met and approved the Registers of Claims (Registers) on September 22, 2011, but only two Board members were present which was in conflict with the statutory requirements for conducting a meeting and conducting action legally. This Register was also signed by the Mayor and his assistant, but neither were Board members. By statute the Mayor appoints the Board members. At this meeting the Park Board approved six checks totaling $9,055.00 for Fall Festival expenditures. The Fall Festival had not occurred at the date of the approval. The checks consisted of payments for contractual services to be provided at the October 8, 2011 Fall Festival. These checks were dated October 6 and all were cashed after the date of the event.

As noted in the General Park and Recreation Law, Indiana Code 36-10-3-8 states:

"(a) All meetings of the board are open to the public. The board shall fix the time and place of its regular meetings, but it shall meet at least quarterly.

(b) Special meetings of the board may be called by the president or by any two (2) members by written request to the secretary. The secretary shall send to each member, at least two (2) days before a special meeting, a written notice fixing the time, place, and purpose of the meeting. Written notice of a special meeting is not required if the time of the special meeting is fixed at a regular meeting or if all members are present at the special meeting.

(c) At its first regular meeting each year the board shall elect a president and a vice president. The vice president may act as president during the absence or disability of the president. The board may select a secretary either from within or outside its membership.

(d) A majority of the members constitutes a quorum. Action of the board is not official unless it is authorized by at least three (3) members present and acting."

Indiana Code 5-11-10-2(a) states:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

PRIVATE PROPERTY - SOUTHPORTMATTERS WEBSITE REDESIGN

During 2011 payments totaling $5,837.00 were made by the City of Southport to a vendor to redesign the www.SouthportMatters.org website. The website domain name has never been owned by the City of Southport. The domain name was purchased on January 29, 2006, as reported on GoDaddy.com, LLC. The current City officials cannot make changes to this website since the City is not the registered owner. The contract changes to the website were not complete until December 2011, which was near the conclusion of the prior administration's term. Due to the late completion date, the costs associated for the redesign of the SouthportMatters website may never have benefited the City. According to current officials, the primary website for the City in 2011 was www.CityofSouthport.org.

As stated in the vendor's contract, the scope of the work had an estimated completion date of December 2011. The website's editor as of November 16, 2012, was Robin Thoman, former Mayor of the City of Southport. E-mails and contact information listed on the website continue to be directed to Mr. Thoman. All payments for this contract were made by the City of Southport for improvements to personal property (website) which was and is being directed by former Mayor Robin Thoman, Editor of the SouthportMatters.org website.

As noted above, we do not know the ownership since it was not public record. The vendor contract was signed by former Mayor Robin Thoman on August 23, 2011, and included an estimated completion time just prior to the conclusion of his term as Mayor. Vendor invoices were emailed directly to Mr. Thoman. He then sent them to the Clerk-Treasurer and included statements authorizing the payments to the vendor. He stated that he had reviewed the billing and found them to be fair and accurate.

The City did not benefit substantially, if at all, from these payments for the redevelopment of the SouthportMatters.org website because it was not operational until late December. The exact date of the relaunch of the website is not known, but the vendor's invoice on December 2, 2011, indicated it was not finished and training had not been completed. City access and benefits from the redesigned website ended when Mr. Thoman completed his term of office. Neither the former Mayor nor former Clerk-Treasurer ran for re-election in May, so their terms of office expired at December 31, 2011.

The vendor's contract describes some of the website objectives as: "The objective is to make this website the primary source for more in-depth viewpoint and internal/external opinions about what is happening in the city of Southport." and "The mayor's opinion site will allow him or her to voice his own concepts, color commentary and back-story. . . ." The current Mayor does not have access to this website and does not serve as the editor.

Generally, public funds may not be used to make improvements to property not owned by the governmental unit, unless permitted by statute, federal or state requirements, or safety concerns. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONTRACT PAYMENTS FOR PUBLIC RELATIONS AND NEWSLETTER SERVICES

Fund uses, as established by statute, were not followed when expenses were paid to one vendor for public relations and newsletter services from the Local Road and Street, Motor Vehicle Highway, and Public Safety Funds. Payments to this vendor totaled $66,272.52 for 2011. The Motor Vehicle Highway Fund expense was $26,464.00; the Local Road and Street Fund expense was $2,500.00; and the Public Safety Fund expense was $5,302.25. The balance of the payments was paid by the General and Park, Recreation and Events Funds. The expenses paid from these two funds were allowed by statute for the public relations and newsletter services.

Additionally, the payments for these services were a point of concern with the Common Council, Board of Public Works, and Board of Public Safety with objections to these payments noted at their meetings, as described in the meeting agenda notes and minutes, and the Register of Claims. Some expenditures were denied by one Board and then the expense was presented to another Board for approval. We identified that after these objections, the Board of Public Works authorized all payments to the vendor. The Board of Public Works minutes stated that a motion was passed to approve all past claims (2009-2011) to this specific vendor providing public relation services. Earlier in the meeting it stated; "Mayor Thoman introduced newly appointed board members, Rob Bettcher and Mike McClintock." Therefore, all payments were authorized by the three member governmental board.

For Annual Report purposes, the current Clerk-Treasurer reposted these expenses removing them from Local Road and Street, Motor Vehicle Highway, and Public Safety Funds, and moving the expenditures to the General Fund, which may pay for public relations and newsletter expenses.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PUBLIC WORKS PROJECTS - SHIRT TAIL BEND

No documentation was found to support any approval from the Board of Public Works (Board) for a contract for the Shirt Tail Bend (Main Street) Parking and Drainage Project (Project). The October 12, 2011 Board minutes reported that the Project engineer stated bids were received and a contract would be awarded soon. However, no action was taken by the Board at this meeting to award the bid. On October 13, 2011, former Mayor Thoman signed a Notice to Award and Notice to Proceed. The Agreement Between Owner and

Contractor for Construction Contract (Contract) was also signed by former Mayor Robin Thoman and former Clerk-Treasurer Cathy Hildebrand. The contract was in the amount of $102,661.30. It did not contain a date, nor was there a date beside the signatures. We found no written authority for the former Mayor to enter into this contract.

In examining the 2011 Board minutes and agendas provided, we found only the October 12, 2011 minutes containing any discussion related to the Project and nothing related to the subsequent awarding this public works contract.

With information provided by the Project engineer, we identified that several of the various statutory bidding requirements for public works projects were followed. The requirements followed were: preparing specifications; advertising for bids on September 16, 2011; and conducting the bid opening meeting where sealed bids were received on October 7, 2011. Records provided did not state at whose determination or direction the Project was initially approved or moved to the contracting phase.

Indiana Code 36-1-12-4(b)(8) states: "Except as provided in subsection (c) or (after June 30, 2011) section 22 of this chapter, the board shall: (A) award the contract for public work or improvements to the lowest responsible and responsive bidder; or (B) reject all bids submitted."

Indiana Code 36-1-12-6(a) states: "Except as provided in subsections (b) and (c), the board shall award the contract and shall provide the successful bidder with written notice to proceed within sixty (60) days after the date on which bids are opened."

ORDINANCE VIOLATIONS BUREAU – TRAFFIC DIVERSION PROGRAM

As stated in prior Report B40042, the City of Southport Police Department was issuing citations/ tickets in 2010 and 2011 to motorists who violated the speed limits or committed selected limited offenses. Some of the motorists were determined to be eligible for a Safe Driver Traffic Diversion Program (Program) administered by the City of Southport which allowed the motorist's speeding citation to be withheld from the Marion County Court (Court) system. The eligible motorist received written instructions at the time of the traffic stop which stated they were allowed to enter the Program, a deferral program, if they agreed to sign the form and return it within the next 20 days with a payment of $150.00 in the form of a check or money order. These payments were sent to a separate post office box which was emptied by the Ordinance Violations Clerk. If the motorist chose not to participate, the Ordinance Violations Clerk would forward the ticket to the Court. In 2011, the City collected more than $82,000 through the ordinance violations bureau by collecting fines for approximately 545 moving violation tickets. The 2010 records provided for examination indicated that at least 96 payments were made to the City related to this program. This type of program is not allowable.

The City discontinued the Program in 2012, but some money continued to be received for citations issued in 2011 or the prior year.

As stated in Indiana Code 36-1-6-3:

"(a) Certain ordinances may be enforced by a municipal corporation without proceeding in court through:

(1) An admission of violation before the violations clerk under IC 33-306; or

(2) administrative enforcement under section 9 of this chapter.

(b) Except as provided in subsection (a), a proceeding to enforce an ordinance must be brought in accordance with IC 34-28-5, section 4 of this chapter, or both.

(c) An ordinance defining a moving traffic violation may not be enforced under IC 33-36 and must be enforced in accordance with IC 34-28-5."

TRAFFIC DIVERSION PROGRAM - INTERNAL CONTROLS

As similarly stated in prior Report B40042, controls over the receipting, recording, and accounting for the financial activities were insufficient for the tracking of the tickets issued and the money collected for the Southport Traffic Diversion Program. No changes were made to the system in place during 2010, when we found several weaknesses in the system established during our examination and testing. The tickets were given to the Ordinance Violations Clerk (Clerk) for her to manage the execution of the program (i.e., follow through with tracking and collection or forwarding the unpaid ticket to the Court). The Clerk would empty the post office box once or twice a week. A spreadsheet was developed by the Clerk to track the tickets and payments received. The Clerk gave the money collected to the Clerk-Treasurer for her to deposit. The Clerk also prepared a summary amount along with copies of the tickets and payments given to the Clerk-Treasurer. The Clerk filed the tickets numerically after they were paid. She kept them together by date prior to payment. She also sent unpaid tickets to the Court.

The primary weakness was the lack of segregation of duties between collection of payments and recording the payment regarding the resolution of the outstanding ticket. Another weakness was failure to track all of the tickets provided to the Clerk and their final outcome. The collections for the diversion fees were deposited approximately once a month, when daily deposits were required.

As stated in the previous comment, the collection of these fees was discontinued in 2012.

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)

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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."

STATE AND COUNTY PAYROLL WITHHOLDINGS

The 2011 remittances of state and county tax withholdings to the Indiana Department of Revenue (IDOR) were not made timely for five months. The April and May withholdings were remitted late, as indicated by the IDOR receipts which reflected they were received in July. The payments for September, October, and November were received by the IDOR in January 2012. The City was required to remit the withholdings monthly to be in compliance with state regulations.

In 2012, the City received notices from the IDOR stating that additional withholding payments and assessments of penalty and interest were due. The City made payments to the IDOR for the notices. It became apparent that the IDOR notices did not reflect all of the City's payments (some of the late payments indicated in the first paragraph and others were not all reflected on the notices). In order to comply with the IDOR, the City unknowingly paid some withholdings twice and is due a refund for the over payment of the withholdings.

The City also paid the assessed penalties and interest amounts as charged by the notices. The amounts assessed were overstated, because the City's original payments were not recorded by the IDOR. These penalty and interest amounts were calculated based on the second payment dates which occurred in 2012. As noted above, several payments in 2011 were made late and a recalculation will be necessary to determine the proper amount of penalties and interest. Because the City paid the notices, they will be due a refund for the overpayment of penalty and interest, once the proper amount of penalty and interest is recalculated with all the payment information. The City should seek reimbursement for the overpayments.

A request for repayment may be made from prior Clerk-Treasurer, Cathy Hildebrand, for the amount of penalty and interest due from the late payment and filings of state and county withholdings from 2011. No request for repayment is being made at this time since the accurate amount of penalties and interest paid could not be determined.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

FEDERAL TAX FORMS - FORM 1099-MISC AND FORM 1096

Both of the last two Reports B40042 (2010) and B38004 (2009) indicated issues surrounding proper reporting of these vendor payments to the Internal Revenue Service (IRS). No Forms 1099-MISC and Federal Form 1096, Annual Summary and Transmission of U.S. Information Returns were prepared for 2011. The current Clerk-Treasurer stated she could not complete the required forms for 2011 because tax identification numbers of various subcontractors were not located or part of the computer system records. Similarly in prior Report B40042, the original forms filed from 2010 were not presented for review, but an alternate handwritten plain paper copies were provided which did not report the tax identification numbers of the subcontractors paid in 2010.

Information was not provided to determine how many of the Form 1099-MISC should have been issued for 2011 or the total amount of these payments. In 2010, the City indicated that 46 vendors were paid $450,392.44 based on the Annual Summary and Transaction Form 1096. In 2009, the City provided information for examination that 23 vendors were paid $317,293.82; the examination also reported two other vendors were not included and had payments of $48,578.66 which were not reported. In 2011, we noted the City's use of many of the same vendors from prior periods, but we did not determine the number vendors or amount of total payments.

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)

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 Indiana Public School Corporations, Chapter 9)

RECEIPT ISSUANCE

As similarly stated in the prior reports, most recently B40042, concerns were identified with the City's receipt issuance. Receipts were not always written, and for the receipts written, they were not issued but assigned for recording purposes in the accounting system. Additionally, other employees received money for the City and did not issue receipts. Payments for gun permits, park fees, permit fees, and ordinance violations were collected by various persons and receipts were not issued for these collections. In these cases, the employee collected the money and gave it to the Clerk-Treasurer for her to receipt and deposit. The person paying was not issued a receipt at the collection point or by the Clerk-Treasurer, which is a control weakness.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSITS

In numerous instances, receipts were held for a period of time, most notably were the receipts of fines for traffic violations which were deposited monthly. Additionally, some checks received for miscellaneous items were held an extended period. For example, a check dated May 18, 2011, was received from the Marion County Treasurer for Primary Election site rental but was not deposited until November 9, 2011. Because receipts were not written to payers, it was not possible to determine the exact date money was received.

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."

BUDGET NOT APPROVED

Normally, a budget is passed in the preceding year. This process starts with a budget ordinance being passed by the Council; then, it is advertised; and finally, it is approved by the Department of Local Government Finance (DLGF). No budget ordinances were passed for 2010 or 2011. For 2012, a budget ordinance was passed in 2011 but it was not advertised properly, so the DLGF did not approve the 2012 budget. When a budget is not passed, the DLGF will authorize amounts for the governmental unit or it will revert to the last approved budget amounts. The 2010 appropriation amounts reverted back to the last approved budget, which was from 2009. The DLGF authorized appropriation amounts for 2011 budget based on revenues available and 2010 appropriations. Similar issues have been stated in prior Reports, most recently B40042.

Indiana Code 36-4-7-7 states:

"(a) The fiscal officer shall present the report of budget estimates to the city legislative body under IC 6-1.1-17. After reviewing the report, the legislative body shall prepare an ordinance fixing the rate of taxation for the ensuing budget year and an ordinance making appropriations for the estimated department budgets and other city purposes during the ensuing budget year. The legislative body, in the appropriation ordinance, may reduce any estimated item from the figure submitted in the report of the fiscal officer, but it may increase an item only if the executive recommends an increase. The legislative body shall promptly act on the appropriation ordinance.

(b) In preparing the ordinances described in subsection (a) the legislative body shall make an allowance for the cost of fire protection to annexed territory described in IC 36-4-3-7(d), for the year fire protection is first offered to that territory."

Indiana Code 36-4-7-11 states: "If the city legislative body does not pass the ordinance required by section 7 of this chapter before November 2 of each year, the most recent annual appropriations and annual tax levy are continued for the ensuing budget year."

APPROPRIATIONS

As stated in prior Report B40042, the 2011 disbursements exceeded the appropriations as set by the Indiana Department of Local Government Finance (DLGF). Because the City did not complete the process for obtaining their budget for 2011, the DLGF authorized appropriation amounts for 2011 disbursements based on the 2010 notice, but adjusted the amounts as necessary for the debt service requirements. (See comment – "Budget Not Approved") The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

Fund	Excess Amount Expended
Park, Recreation, and Events	$ 20,958
Public Safety	51,743

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."

OVERDRAWN FUND BALANCES

As similarly reported in prior Report B40042, records presented for examination indicated some funds had overdrawn balances. Some transactions posted in 2011 were changed or modified in the City's preparation of the 2011 Annual Report. The Annual Report reflected overdrawn fund balances at December 31, 2011 as follows:

Fund	Overdrawn Fund Balance Amount
Law Enforcement Continuing Ed	$ 2,586
HSIP	5,575
General Obligation Bond Debt	1,727
Park, Recreation, and Events	43,087

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)

SALES TAX

The City was required to collect and remit sales tax collected from rental of the shelter house, but the City did not file timely sales tax returns. They received notices from the Indiana Department of Revenue for the months of October, November, and December 2011, which included Proposed Assessments and Demand Notice for Payment. Sales taxes returns were filed for August and September with zero sales tax collected, but the revenue history indicated there were receipts for shelter house rental in August. No sales tax returns were filed for the other months of 2011. The revenue history reflected receipts in all months in 2011 except, January, May, and September.

Collections by a city or town from the retail sale of tangible property, utility service, or commodities in the performance of private or proprietary activities are subject to sales tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

All questions concerning the law or procedure for paying and collecting sales tax should be directed to the Indiana Department of Revenue, Sales Tax Division. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

As similarly stated in prior Report B40042, a list of employees was not certified to the County Treasurer during 2011.

Indiana Code 6-1.1-22-14(a) states in part:

> "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

SALARY ORDINANCE

As stated in prior Report B40042, a new salary ordinance has not been properly adopted since 2007, when the compensation rates of pay were established for 2008. The rates of pay for the Police Chief, Assistant Police Chief, and Park Director Assistant were not consistent with the last approved salary ordinance in effect from 2008.

The Police Chief's salary and Assistant Police Chief's salary were changed from annual amounts to a monthly stipend for position and hourly payment for shift hours. There was no written Council approval for this change. The payments for the Police Chief's salary changed occurred when the Police Department was restructured in 2010. The Assistant Police Chief's change in pay occurred in 2011, since no one held that position in 2010. Similarly in 2010, the rate of pay for the Park Director Assistant was changed from $10.50 an hour to a rate of $12.00 an hour. Again, no written approval was located for either of these changes in 2010 or 2011.

Indiana Code 36-8-3-3(d) states:

> "The annual compensation of all members of the police and fire departments and other appointees shall be fixed by ordinance of the legislative body not later than September 30 of each year for the ensuing budget year. The ordinance may grade the members of the departments and regulate their pay by rank as well as by length of service. If the legislative body fails to adopt an ordinance fixing the compensation of members of the police or fire department, the safety board may fix their compensation, subject to change by ordinance."

Indiana Code 36-4-7-3 states:

> "(a) This section does not apply to compensation paid by a city to members of its police and fire departments.
>
> (b) Subject to the approval of the city legislative body, the city executive shall fix the compensation of each appointive officer, deputy, and other employees of the city. The legislative body may reduce but may not increase any compensation fixed by the executive. Compensation must be fixed under this section not later than September 30 of each year for the ensuing budget year.
>
> (c) Compensation fixed under this section may be increased or decreased by the executive during the budget year for which it is fixed.

(d) Notwithstanding subsection (b), the city clerk may, with the approval of the legislative body, fix the salaries of deputies and employees appointed under IC 36-4-11-4."

CREDIT CARDS - GASOLINE

The City did not maintain a log for the use of the gasoline credit cards. The primary use of gasoline credit cards was for police vehicles directly related to City business. No controls or policy existed for use of the gasoline credit cards for personal vehicles. A former official also used one of the gasoline credit cards, but did not drive a City owned vehicle.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

(1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.

(2) Issuance and use should be handled by an official or employee designated by the board.

(3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.

(4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.

(5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.

(6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.

(7) 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.

(8) If properly authorized, an annual fee may be paid.

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

ERRORS IN POSTING DISTRIBUTIONS

The Annual Report for 2011 was filed timely but contained errors in reporting receipts for local and state distributions. The following lists the errors found which were incorrect on the records and the Annual Report:

1. State distributions were not always receipted to the correct fund. Some of the Motor Vehicle Highway state distributions were posted in error to the Local Road and Street and General Funds. A total of $2,148.79 should be transferred from the Local Road and Street Fund to the Motor Vehicle Highway Fund. The General Fund should repay a total of $3,273.67 to the Motor Vehicle Highway Fund to correct these errors.

2. A portion of the county distributions of County Option Income Tax (COIT) was misposted as Public Safety Local Option Income Tax (LOIT) distributions. The Public Safety Fund should reimburse the General Fund $1,841.88 for the error of incorrectly receipting the county distributions.

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)

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

OFFICIAL BONDS

As reported in the prior two reports, most recently Report B40042, the Clerk-Treasurer's official bonds for 2010 and 2011 were not filed in the Office of the County Recorder.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder . . ."

CITY OF SOUTHPORT
EXIT CONFERENCES

The contents of this report were discussed on February 1, 2013, with Diana Bossingham, Clerk-Treasurer; Hon. V. Jesse Testruth, Mayor; and James Cooney, President of the Common Council. The contents of the report were also discussed on February 4, 2013, with Catherine Hildebrand, former Clerk-Treasurer. The Official Response has been made a part of this report and may be found on pages 34 and 35.

Attempts were made to discuss the contents of this report with Hon. Robin Thoman, former Mayor; however, our attempts were not successful in establishing a meeting date to discuss the contents.

This is my response to the 2011 Audit for the City of Southport.

When I was appointed to this position in August of 2008, I had no idea what I was getting into. The person elected to the office knowingly ran, and was supported by former Mayor, Nanette Tunget and the members of the Common Council prior to, and after the 2008 election, without being a citizen of the city. Dr. RobinThoman was elected as Mayor of Southport in 2008 and immediately called into question the residency status of the elected Clerk-Treasurer, who not only lived outside of Southport city limits, but in a different county (Johnson). That CT resigned in July of 2008.

After interviewing numerous residents to find a replacement, I accepted the position that was sold to me as 'a few payables, receivables, and payroll', all of which I am qualified to perform. Once I researched more about what this position entailed, I realized it was much more than that, but had already accepted and was approved for the job. I had 3 'training' sessions, consisting of doing the monthly claims twice, and payroll once with the previous, disgruntled at this point, Clerk-Treasurer. There was no mention of the other responsibilities this job. I was left to train myself and thankfully found the ILMCT, who guided me through all that the CT's office was responsible for performing. Needless to say, I was overwhelmed at what I'd gotten into. I'm not one to quit and give up so easily, in hindsight I should have walked away from the office that year.

The Common Council was so outraged at Mayor Thoman, who had stopped their Christian prayers in his third month on office due to a complaint file by the ACLU. The Council made my job more difficult at every turn because I was chosen by the Mayor, therefore they assumed I 'worked' for him. The Council refused to let me pay claims, knowing full well I would be the person held liable and asked to repay any late fees incurred by their negligence. They didn't care. When I pleaded for an increase in salary so I could afford to quit working my full time job and devote more time to my office, they refused. Mayor Thoman submitted a salary ordinance for 2009, including a $300 a year increase in the CT salary from $14,700.00 annually to $15,000.00. The Council refused the increase in the salary. There is no way for a single, unmarried mother to support herself on this salary so I always had to keep a full time position as well.

Being a business person, I worked business hours Monday through Friday, usually 8-5 or 9-6. This made it difficult to attend to all the cities needs in a timely manner. I had to schedule appointments on my lunch hour or evening hours and weekends. This made daily tasks very difficult and I informed the Council of the hardship they caused the CT office. There were intimidating threats made by a certain Councilor repeatedly and numerous times I was called a thief by these same people. It was a very hostile environment, but I do not give up so easily. I wanted to learn and do the job to the best of my ability. I attended conferences and took courses pertaining to the CT office as often as I could. I earned my IAMC in 3 years, but could not win the Council's approval. I continued to struggle doing all the work I needed to comply with Statute, but the limited time I had to put into the office left something to be desired. It continued this way my entire term in office.

In 2011, the Federal tax payment for wages was no longer accepted by the local bank. I tried to make online payments but could not get it to go through. I spoke with Avery Morgan, from the IRS several times to get help and send in the quarterly reports and the Fed. Payments. I continued to mail in the State's payment for wages. In October of 2011, I went to the Department of Revenue to discuss why Southport's wage payments were off. In the process, the person there discovered that the payments were all there, but some were applied to a different time period than where they posted.

As far as the Federal late fees and anything else I am being asked to repay**, I refuse to pay** on the basis of legal advice given to me at the time from the previous city attorney, citing IC 36-4-10-5, that I would be liable to repay any late fees, finance charges, and penalties, out of pocket. On a below poverty-level salary of $14,700.00, $8,734.03 is more than half of what I was paid. I did have a bond in place for my entire term (2008-2011) through Gregory & Appel. **I paid, personally, out of pocket in 2011 a sum ~ $234.00, for which I never got a receipt. I am requesting that repaid to me and Southport can have my bond pay that as well.** I was unaware the bond would cover such costs and should have been informed at the time I paid. It's very deceitful not to provide full disclosure.

I believe Indiana needs to have minimum requirements for this office, specifically. I am unaware of any business or corporation that has no requirements for a Chief Financial Officer, which is what a Clerk-Treasurer is. Furthermore, it should be mandatory for this position to be full time and to provide a salary on which a person can live. . Luckily for the current CT, who took office in 2012, the Council gave an 83% increase in salary and is allowing her to hire a deputy**. It must be nice to get a raise with only a few months in office.** The fact that I endured the slandering from the Common Council should also be looked into formally. No Council or Mayor should be able to threaten, liable, or make false accusations in public without merit.

In closing, I'd like to say the current CT of Southport knows what she is doing; I believe the city is in better hands with her in place. I cannot say the same of the current Mayor, nor the returning Council members. My family has lived in the city for five generations and we don't plan on moving, but I will take legal action if any of the current administration speaks ill of me or my family about this. I will not be intimated again. They cannot speak to my family members concerning this matter, I will not allow it.

Catherine Hildebrand

2/14/2013