

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF ALEXANDRIA

MADISON COUNTY, INDIANA

January 1, 2013 to December 31, 2015



FILED
05/23/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janet M. Lynch	01-01-12 to 03-17-17
	Susan K. Nabb (interim)	03-18-17 to 04-02-17
	Amie Hood	04-03-17 to 12-31-19
Mayor	Hon. John D. Woods	01-01-12 to 12-31-15
	Hon. Ron Richardson	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Hon. John D. Woods	01-01-12 to 12-31-15
	Hon. Ron Richardson	01-01-16 to 12-31-19
President Pro Tempore of the Common Council	Dan Stanley	01-01-13 to 12-31-13
	Roger Cuneo	01-01-14 to 12-31-14
	Bob Stinson	01-01-15 to 12-31-15
	Jeff Bryan	01-01-16 to 12-31-17
Superintendent of Water Utility	Mark Caldwell	01-01-13 to 12-31-17
Superintendent of Wastewater Utility	Roger D. Thomas	01-01-13 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF ALEXANDRIA, MADISON COUNTY, INDIANA

This report is supplemental to our examination report of the City of Alexandria (City), for the period from January 1, 2013 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statements Examination Report of the City, which provides our opinion on the City's financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

March 30, 2017

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CLERK-TREASURER
CITY OF ALEXANDRIA

CLERK-TREASURER
CITY OF ALEXANDRIA
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The City's financial statements presented for examination included the following funds with overdrawn cash balances at December 31, 2015:

Fund	Amount Overdrawn
BRC Security Deposits	\$ 100
Dog Park Non-Revert	512
Ordinance Violations Fund	275
Animal Control Non-Revert	193
Sewage Operating	5,701

A similar comment appeared in prior Reports B40960 and B42909.

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 unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

APPROPRIATIONS

The City had the following funds with expenditures in excess of budgeted appropriations:

Fund	Year	Excess Amount Expended
General	2015	\$ 82,410
MVH	2015	35,886
Cumulative Capital Development	2015	22,870

A similar comment appeared in prior Reports B37470, B39740, B40960, and B42909.

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."

SUPPORTING DOCUMENTATION

The following disbursements did not include supporting documentation to support the payments made.

CLERK-TREASURER
CITY OF ALEXANDRIA
EXAMINATION RESULTS AND COMMENTS
(Continued)

Date	Amount	Description of Purchase
04-01-13	\$ 44.97	Internet Domain Name
04-01-13	532.00	Medicare Collection Service
04-01-13	99.00	.org Domain Name
07-06-14	51.78	Internet Domain Name
07-06-14	264.11	Truck Rental
Totals	<u>\$ 991.86</u>	

Due to the lack of supporting information, we could not verify the purpose of the disbursements.

A similar comment appeared in prior Report B42909.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments 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 1)

1925 POLICE PENSION PLAN RETIREE/DEPENDENT PAYMENTS

The benefit amounts for retirees and surviving spouses/dependents under the 1925 Police Pension Plan were not calculated properly in 2012. As a result, benefits were underpaid by a total of \$2,630 ranging from \$108 to \$865 per individual. The City had not remedied these errors as of December 31, 2015.

In 2015, the benefit amount for a surviving spouse under the 1925 Police Pension Plan was not calculated correctly for a spouse that passed away during the year. As a result, the individual was overpaid by \$353.

A similar comment appeared in prior Report B42909.

Indiana Code 36-8-6-9(b) states in part:

"The 1925 fund shall be used to provide a member of the police department who retires from active duty after twenty (20) or more years of active duty an annual pension equal to fifty percent (50%) of the salary of a first class patrolman in the police department, plus . . .

- (2) for a member who retires after December 31, 1985, one percent (1%) of the first class patrolman's salary for each six months of service;

of the retired member over twenty years. . . ."

CLERK-TREASURER
CITY OF ALEXANDRIA
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 36-8-6-9.6(b) states in part:

"A payment shall be made to the surviving spouse of a deceased member in an amount fixed by ordinance, but at least an amount equal to the following:

- (1) To the surviving spouse . . . an amount equal to thirty percent (30%) of the monthly pay of a first class patrolman per month during the surviving spouse's life if the spouse did not remarry before September 1, 1983. . . ."

1937 FIREFIGHTERS' PENSION PLAN RETIREE/DEPENDENT PAYMENTS

The benefit amounts for retirees and surviving spouses/dependents under the 1937 Firefighters' Pension Plan were not calculated properly in 2012. As a result, benefits were underpaid by a total of \$795 ranging from \$9 to \$194 per individual. The City had not remedied these errors as of December 31, 2015.

The benefit amount for a retiree under the 1937 Firefighters' Pension Plan that converted to the 1977 Converted Plan was not calculated properly for 2015. As a result, the individual was underpaid by \$182.

A similar comment appeared in prior Report B42909.

Indiana Code 36-8-7-12.1(b) states in part:

"A member who has been in service twenty (20) years . . . may be retired from all service . . . payment to the retired member of fifty percent (50%) of the salary of a fully paid first class firefighter at the time of the payment of the pension, plus . . .

- (2) for a member who retires after December 31, 1985, one percent (1%) of that salary for each six months of service; over twenty years. . . ."

Indiana Code 36-8-7-12.2(d)(1)(B) states in part: "for the surviving spouse of a member who dies . . . an amount per month . . . equal to the greater of thirty percent (30%) of the monthly pay of a first class firefighter . . ."

ANNUAL FINANCIAL REPORT

The Annual Financial Report (AFR) for 2014 contained one error. The Emery Lee Security Deposits fund's disbursements of \$5,650 were omitted.

The AFR for 2015 contained the following errors:

1. The Storm Water Management fund's receipts only included the December receipts instead of the entire year's receipts and, therefore, were understated by \$94,016.
2. The Park Non-Reverting Operating fund's disbursements of \$999 were omitted.
3. The receivable amount for the governmental activities on the Schedule of Payables and Receivables was understated by \$57,217.

CLERK-TREASURER
CITY OF ALEXANDRIA
EXAMINATION RESULTS AND COMMENTS
(Continued)

4. The Schedule of Leases and Debt did not include the following items:
 - a. 2015 Sutphen Pumper Truck lease
 - b. 2006A Revenue Bonds - WWTP Improvements
 - c. 2015 Infrastructure Loan - Willows Sewer Project
5. The Schedule of Leases and Debt incorrectly reported the 2008A Revenue Bonds - Upgrade Sewer System information. The principal amount was understated by \$3,838,000 and the Principal and Interest Due Within One Year was overstated by \$28,055.

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

"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 in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

PENALTIES, INTEREST, AND OTHER CHARGES

The City paid penalties, interest, and other charges totaling \$1,360 during the examination period because the City did not remit payments on a timely basis.

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 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 unit. Any penalties, interest or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

OPERATING FUNDS USED FOR CITY EXPENSES

The operating funds of the Water and Wastewater Utilities were used to pay for expenses related to the City. The Mayor's Secretary, Mayor's Extra Help, Deputy Clerk-Treasurer, Economic Developer, and Street Assistant Superintendent salaries were allocated between the City, Water Utility, and Wastewater Utility. Their time/attendance documentation did not show an allocation between each nor did the Salary Ordinances specify such an allocation.

Indiana Code 8-1.5-3-11(d) states in part: ". . . transfers may not be made from any utility funds to the general fund except from the cash reserve fund."

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. Furthermore, utility funds should not be used to pay for personal items. The cost of shared employees and equipment between a city or town and its utilities or between utilities should be prorated in a rational manner.

CLERK-TREASURER
CITY OF ALEXANDRIA
EXAMINATION RESULTS AND COMMENTS
(Continued)

Establishment of a Cash Reserve Fund permits transfer of surplus utility funds to the city or town general fund. After appropriation, such transferred funds may then be used for any legal general fund purpose. (The Cities and Towns Bulletin and Uniform Compliance Guidelines, June 2016 - Part 1)

PUBLIC RECORDS RETENTION

The following records were not presented for examination:

1. Minutes for the Council meetings held on January 21, 2014 and June 15, 2015.
2. Minutes for the Board of Public Works and Safety meeting held on June 15, 2015.
3. Approved minutes for the Council meetings held on December 2, 2013, December 5, 2013, September 2, 2014, September 15, 2014, August 3, 2015, and September 21, 2015. Unapproved copies of these minutes were provided by a Council member.
4. Ordinances:
 - a. 1603 - Salary Ordinance for 2014
 - b. 1607 - Establishing Rates and Charges for Disposition of Recyclable Items
 - c. 1640 - Amending Schedule of Minimum Water Rates and Charges
5. Advice Letters from the Indiana Public Retirement System regarding the 1977 Pension Plan Retirees' Cost of Living raises effective July 1, 2013, and July 1, 2015.

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the Indiana Code 2016 written consent of the administration."

CLERK-TREASURER
CITY OF ALEXANDRIA
EXIT CONFERENCE

The contents of this report were discussed on March 30, 2017, with Janet M. Lynch, former Clerk-Treasurer.

The contents of this report were discussed on March 30, 2017, with Hon. Ron Richardson, Mayor; Jeff Bryan, President Pro Tempore of the Common Council; Susan K. Nabb, former Interim Clerk-Treasurer; and Micha Buffington, City Attorney.