

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF MARION

GRANT COUNTY, INDIANA

January 1, 2018 to December 31, 2018



FILED
09/11/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Julie L. Flores	01-01-18 to 12-31-19
Mayor	Jess Alumbaugh	01-01-16 to 12-31-19
City Clerk	Kathleen Kiley	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Linda S. Wilk Joselyn Whitticker	01-01-18 to 12-31-18 01-01-19 to 12-31-19
President of the Common Council	Brad Luzzader Alan Miller	01-01-18 to 12-31-18 01-01-19 to 12-31-19
Utilities Director	John C. Binkerd	01-01-18 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE CITY OF MARION, GRANT COUNTY, INDIANA

This report is supplemental to our audit report of the City of Marion (City), for the period from January 1, 2018 to December 31, 2018. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement Audit Report of the City, which provides our opinion on the City's financial statement. 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 Audit 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

August 27, 2019

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CITY CONTROLLER
CITY OF MARION

CITY CONTROLLER
CITY OF MARION
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT - SUPPLEMENTAL SCHEDULES

A similar comment also appeared in prior Report B51485, entitled *ANNUAL FINANCIAL REPORT - SUPPLEMENTAL SCHEDULES*.

The Schedule of Leases and Debt, included in the Annual Financial Report for 2018, did not include Economic Development Bonds (TIF financing) because the City was unable to provide accurate schedules reflecting the outstanding balance due at December 31, 2018, on the 14 debt issues.

For example, the City is making payments on the 2013 Taxable Economic Development Revenue Bonds, Series 2013 (The Book Vineyard LLC Project). Payments to a local bank are funded from tax increment financing (TIF) distributions. However, the amount being paid does not correspond to any amortization schedule, it represents the entire TIF amount collected since the previous payment. City officials were unable to specifically identify the outstanding principal balance.

The Schedule of Capital Assets, included in the Annual Financial Report for 2018, was inaccurate and required adjustments. Adjustments were proposed, accepted by the City, and made to the Schedule of Capital Assets.

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](#)."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

OVERDRAWN CASH BALANCES

A similar comment also appeared in the prior Report B51485, entitled *OVERDRAWN CASH BALANCES*.

CITY CONTROLLER
CITY OF MARION
AUDIT RESULTS AND COMMENTS
(Continued)

The financial statement presented for audit included the following funds with overdrawn cash balances at December 31, 2018.

Fund	Amount Overdrawn
Insurance Reserve	\$ 2,273,494

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

A similar comment appeared in prior Report B51485, entitled *APPROPRIATIONS*.

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
Park Non-Reverting	2018	\$ 481,745
Local Law Continuing Ed	2018	37,015
CEDIT Fund	2018	65,222
1937 Fire Pension Fund	2018	377,406
Park Bond Fund	2018	2,439

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."



CITY of MARION

**OFFICIAL RESPONSE
CITY OF MARION
September 6, 2019**

ANNUAL FINANCIAL REPORT-SUPPLEMENTAL SCHEDULES

The Schedule of Leases & Debt has never included TIF debt as this is not City debt. The debt is paid from TIF revenue received from properties located in the TIF districts. The TIF debt is reported in Gateway reporting system under Debt Management Report and TIF Management Report.

The Gateway system requires the upload of amortization schedules when bonds are issued. Bond documents set out the procedure for payment of bonds. The majority of the bond documents require forwarding all TIF dollars collected to a Trustee. This is why the payments made are not reflective of what amortization schedule states.

OVERDRAWN CASH

Insurance Fund: This fund has been overdrawn since 2008. For 2019 the City increased the amount budgeted for each employee eligible to be on the plan in hopes this will assist in getting the Fund back to positive balance. The City is self-funded, so large claim years negatively impact the fund.

APPROPRIATIONS: Audit year 2017 was completed in November 2018, which was too late to make any corrections for 2019 Budget. I do not believe these should have been repeat findings. This is the "Official Response" given on 2017 audit.

Park Non-Reverting and Local CEF have never been appropriated in the past. However, the City will begin appropriating going forward (2020).

Fire Pension Fund: City submits paperwork to State indicating the amount needed to pay pensioners. The City never receives the amount needed from the State based on a calculation they use that takes into consideration the age of the group and the likelihood there will be death(s) among the group during the year.

Appropriation Audit year 2018: EDIT fund made payment on Café Valley bond to keep it from defaulting. When TIF revenue received from County Auditor, payment amount was remitted back to EDIT fund, so we increased appropriation, much like we do when we received reimbursement from insurance company when paying for damages to property. IC-6-1.1-18-7. We did not know this was not permissible.

Respectfully submitted,


Controller

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CITY CONTROLLER
CITY OF MARION
EXIT CONFERENCE

The contents of this report were discussed on August 27, 2019, with Julie L. Flores, City Controller; Jess Alumbaugh, Mayor; Michael D. Flynn, Chief of Staff; Alan Miller, President of the Common Council; and Deborah Cain, Council member.

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COMMON COUNCIL
CITY OF MARION

COMMON COUNCIL
CITY OF MARION
AUDIT RESULT AND COMMENT

APPROPRIATIONS

A similar comment appeared in prior Report B51485, entitled *APPROPRIATIONS*.

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Amount Overdrawn</u>
Insurance Reserve	<u><u>\$ 2,273,494</u></u>

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."

COMMON COUNCIL
CITY OF MARION
EXIT CONFERENCE

The contents of this report were discussed on August 27, 2019, with Alan Miller, President of the Common Council; and Deborah Cain, Council member.