

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT
OF
CITY OF UNION CITY
RANDOLPH COUNTY, INDIANA
January 1, 2005 to December 31, 2005



FILED
09/19/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Anita Amspaugh	01-01-04 to 12-31-07
President of the Common Council	Mike Seidl	01-01-05 to 12-31-06



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF UNION CITY, RANDOLPH COUNTY, INDIANA

We have examined the schedule of receipts, disbursements, and cash and investment balances of the City of Union City (City), for the period of January 1, 2005 to December 31, 2005. The City's management is responsible for the schedule. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents fairly, in all material respects, the cash transactions of the City for the year ended December 31, 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

August 15, 2006

CITY OF UNION CITY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2005

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 913,852	\$ 1,639,085	\$ 1,573,891	\$ 979,046
Clerk's Record Perpetuation	2,174	1,698	1,124	2,748
Riverboat	22,024	46,558	9,732	58,850
Motor Vehicle Highway	(28,830)	638,136	477,660	131,646
Local Road and Street	2,347	14,349	4,289	12,407
Park and Recreation	60,216	119,865	165,236	14,845
Cemetery	2,661	74,734	68,461	8,934
Criminal Justice Equipment	3,562	-	558	3,004
Law Enforcement Continuing Education	1,379	1,108	2,166	321
Drug Forfeiture	491	-	-	491
Ambulance Nonreverting	(9,307)	198,907	189,477	123
Cemetery Nonreverting	110,305	5,500	7,743	108,062
Pool Concessions Nonreverting	2,188	5,258	300	7,146
Industrial Development	4,049	-	-	4,049
Criminal Justice Institute	1,178	375	485	1,068
EMS Training/Equipment Grant	21,675	3,000	21,674	3,001
FEMA Grant - Fire Department	-	80,849	70,686	10,163
Utilities	54,399	235,272	212,898	76,773
Rainy Day	129,382	-	-	129,382
Park Donation	17,899	511	-	18,410
Revolving Loan	82,512	19,856	1,893	100,475
Little Mississenewa River	-	303,091	150,406	152,685
Economic Development Income Tax	748,944	36,223	45,250	739,917
CEDIT-Program Income Service	198,345	1,014	-	199,359
Cumulative Capital Improvement	50,050	11,197	19,518	41,729
Cumulative Capital Development	52,650	18,732	15,868	55,514
Proprietary Funds:				
Water Utility - Operating	58,576	487,123	484,445	61,254
Water Utility - Bond and Interest	59,898	72,634	132,532	-
Water Utility - Debt Service Reserve	77,784	-	-	77,784
Water Utility - Water Tower	-	15,000	-	15,000
Water Utility - Customer Deposit	47,594	17,561	13,618	51,537
Wastewater Utility - Operating	138,731	680,720	666,077	153,374
Wastewater Utility - Bond and Interest	114,033	229,329	343,362	-
Wastewater Utility - Debt Reserve	230,341	-	-	230,341
Wastewater Utility - Feasibility Study	22,000	-	22,000	-
Fiduciary Funds:				
Firefighters' Pension	34,751	27,715	43,955	18,511
Police Officers' Pension	57,992	26,662	35,112	49,542
City Court User Fee	12,237	11,745	8,881	15,101
Payroll	21,037	1,560,336	1,560,399	20,974
GVW Building Taxes	38,308	14,838	53,146	-
Forfeitures	7,268	6	7,274	-
City Court	84,501	115,692	179,762	20,431
Totals	\$ 3,449,196	\$ 6,714,679	\$ 6,589,878	\$ 3,573,997

The accompanying notes are an integral part of the schedules.

CITY OF UNION CITY
NOTES TO SCHEDULE

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF UNION CITY
NOTES TO SCHEDULE
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Note 7. Long-Term Debt

The Town has entered into various debts such as revenue bonds for water and wastewater utility projects and capital leases for two ambulances, a street sweeper, a fire truck and heart monitors. The outstanding principal at December 31, 2005, was \$2,490,000 and \$228,606, respectively.

Note 8. Rate Structure – Enterprise Funds

Water Utility

On June 23, 1997, the City Council adopted Ordinance No. 97-8 to withdraw from the jurisdiction of the Indiana Regulatory Commission. The current rate structure was approved by the City Council on November 8, 2004.

CITY OF UNION CITY
NOTES TO SCHEDULE
(Continued)

Wastewater Utility

The current rate structure was approved by the City Council on November 8, 2004.

Trash Utility

The current rate structure was approved by the City Council on December 8, 2003.

Note 9. Subsequent Event

In 2004, the City began a Wastewater System Improvement construction project because of Indiana Department of Environmental Management violations noted in the collection system and at the wastewater treatment plant. The City is in the process of applying for a \$10,704,000 loan from the State Revolving Fund (SRF) for a 20 year term. The City is also in the process of applying for a Community Focus Fund grant in the amount of \$500,000. If this grant is received, the amount borrowed from the SRF will be decreased. Currently, the City is in the final design stage of the collection system. The total estimated cost of the project is \$10,704,300.

CITY OF UNION CITY
EXAMINATION RESULTS AND COMMENTS

PENALTIES, INTEREST AND OTHER CHARGES

Interest totaling \$12.87 was paid to the Indiana Department of Revenue for the period ending February 28, 2005.

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 Cities and Towns, Chapter 7)

PRIVATE PROPERTY

Payments totaling \$24,946 were made for major renovations for the office space leased by the City. The lease agreement states in part, "Lessee further agrees that any type of permanent fixtures that they place in the downstairs shall remain with the real estate at the time they vacate."

An advance payment of \$11,000 was made to the vendor for the renovations.

The building was purchased by the City on June 27, 2006.

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)

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

REVOLVING LOAN FUNDS

During a review of the revolving loans, it was noted that terms per the promissory note and the Revolving Loan Fund Plan were not adhered to. Per the promissory note, the interest assessed would increase from 4% to 12% if delinquencies exist. According to the Loan Administrator, the Revolving Loan Board decided in a public meeting not to increase the interest rate on a delinquent loan; however, the Board minutes had not been retained for examination. Also, per the Revolving Loan Fund Plan, a penalty of 5% of the payment due will be required for any payment 15 or more days past due. The loan recipient had not made payments since November 2003; however, penalties were not assessed until 2005.

Beginning balances per the loans receivable records did not agree with ending balances from the prior year. Records were lost due to a computer malfunction. Backups of records were not performed.

CITY OF UNION CITY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit 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 7)

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

DEPOSITS

The following items were noted during a review of the Park Department:

1. Fifty percent of deposits tested were deposited later than the next business day.

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."

2. For the year 2005, and during a cash count performed, it was noted that up to nine individuals have access to the cash register drawer.

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)

CITY COURT - TRUST REGISTERS

City Court financial records presented for audit did not include a trust register for bonds or restitution. We also noted a cash bond held for over 10 years had not been remitted to the Attorney General.

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

Officials and Employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guideline Manual for Cities and Towns, Chapter 7)

Per Indiana Code 32-34-1-20(c)(5), for property held by a court or a court clerk, five years after the property or proceeds become distributable. The property or proceeds must be treated as unclaimed property under IC 32-34-3.

CITY OF UNION CITY
EXIT CONFERENCE

The contents of this report were discussed on August 15, 2006, with Anita Amspaugh, Clerk-Treasurer; Roger R. Hoover, Mayor; Susan Pyle, Council Member; and William B. Westfall, President of the Park Board.