

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

EXAMINATION REPORT
OF
CITY OF AURORA
DEARBORN COUNTY, INDIANA
January 1, 2005 to December 31, 2005



FILED
12/29/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Randy C. Eaglin	01-01-04 to 12-31-07
Mayor	Donnie Hastings, Jr.	01-01-04 to 12-31-07
President of the Board of Public Works	Donnie Hastings, Jr.	01-01-04 to 12-31-07
President of the Common Council	Donnie Hastings, Jr.	01-01-04 to 12-31-07
President of the Utility Service Board	Charles E. Thayer	01-01-05 to 12-31-06
Superintendent of Utilities	Randolph J. Turner	01-01-05 to 12-31-06
Utility Office Manager	Avis L. Rivera	01-01-05 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF AURORA, DEARBORN COUNTY, INDIANA

We have examined the schedule of receipts, disbursements, and cash and investment balances of the City of Aurora (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

November 6, 2006

CITY OF AURORA
SCHEDULE 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	\$ 480,085	\$ 2,009,019	\$ 2,399,547	\$ 89,557
Motor Vehicle Highway	88,786	128,224	211,677	5,333
Local Road and Streets	11,996	28,242	35,528	4,710
Department of Parks	6,292	148,324	154,616	-
Donations	4,527	32,105	14,776	21,856
Local Law Enforcement Continuing Education	5,155	2,909	135	7,929
Unsafe Building	(6,339)	93,851	42,316	45,196
City Court	1,918	42,995	44,913	-
Rainy Day	12,435	-	10,000	2,435
Riverboat	3,464,019	5,096,372	4,883,042	3,677,349
Cumulative Capital Improvement	75,193	12,257	-	87,450
Cumulative Capital Development	9,396	59,733	40,500	28,629
Housing Improvement	47,209	1,398	89	48,518
Cumulative Fire and Police	34,131	-	10,500	23,631
Cumulative Park and Rec.	17,432	12,404	-	29,836
Local Grants	6,754	126,571	89,759	43,566
Law Enforcement Assistance	18,377	-	-	18,377
Operation Pull over	5,309	2,010	1,877	5,442
HD-970-020	11,571	-	-	11,571
Conwell Project	4,447	435,600	54,527	385,520
ALT Trail	100,596	-	47,856	52,740
Main Street Scape	5,680	5,680	5,680	5,680
Northside Project	296,800	20,000	26,500	290,300
City Hall Project	33,197	3,879,173	3,579,833	332,537
Utility Loan Fund	-	860,772	860,772	-
Fire Station	7,408	-	7,408	-
Micro Loan	37,915	9,559	25,000	22,474
Utility Construction. 350 Loan	-	500,000	-	500,000
Record Preservation	29,511	6,307	18,661	17,157
Proprietary Funds:				
Gas Operating	14,288	4,462,744	4,559,342	(82,310)
Gas Bond and Interest	29,601	111,454	-	141,055
Gas Debt Service Reserve	147,936	-	26,116	121,820
Gas Customer Deposit	109,623	38,358	46,831	101,150
Gas Customer Deposit Clearing	-	5,647,237	5,622,738	24,499
Gas Clearing Account	-	295,100	294,187	913
Wastewater Operating	12,100	856,234	861,256	7,078
Wastewater Bond and Interest	63,619	8,540	63,619	8,540
Wastewater Debt Service Reserve	-	109,577	-	109,577
Wastewater Customer Deposit	26,315	10,126	12,500	23,941
Water Construction	12,983	-	12,983	-
Water Operating	16,661	789,871	773,719	32,813
Water Bond and Interest	-	128,975	-	128,975
Water Debt Service Reserve	985	-	-	985
Water Customer Deposit	22,449	6,173	9,119	19,503
Fiduciary Funds:				
Police Pension	43,514	143,776	131,903	55,387
County Court Fees	83,483	19,619	103,102	-
Payroll	5,985	1,699,535	1,689,102	16,418
Police Seizure	880	973	800	1,053
Sales Tax	729	656	667	718
City Court	7,270	191,549	183,802	15,017
Law Enforcement Continuing Education	44,950	4,173	10,432	38,691
City Hall Escrow	34,652	236,879	-	271,531
Telecommunications Escrow	4,875	-	-	4,875
Utility Sr350 Tank Retainage	-	2,110	-	2,110
Totals	\$ 5,492,698	\$ 28,277,164	\$ 26,967,730	\$ 6,802,132

The accompanying notes are an integral part of the schedules.

CITY OF AURORA
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 (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, sanitation, general administrative services, gas, water, wastewater, and urban redevelopment.

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 City 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 AURORA
NOTES TO SCHEDULE
(Continued)

Note 6. Pension Plans

a. 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.

b. 1925 Police Officers' Pension Plan

Plan Description

The primary government contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

The use of the pay-as-you-go actuarial cost method by the primary government results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

CITY OF AURORA
NOTES TO SCHEDULE
(Continued)

c. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The primary government contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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 Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the primary government is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the primary government are established by the Board of Trustees of PERF.

Note 7. Long-Term Debt

The City has entered into various debts such as bonds for wastewater upgrades, a water system upgrade, gas line upgrades, gas main upgrades, a loan for a City hall remodel, and a capital lease for a firehouse. The outstanding principal at December 31, 2005, was \$1,039,000, \$1,015,000, \$160,000, \$230,000, \$1,899,999, and \$1,705,000, respectively.

CITY OF AURORA
EXAMINATION RESULTS AND COMMENTS

PARK FACILITY RENTAL (Applies to Park Board and Clerk-Treasurer)

As stated in prior Report B26263, the park facilities rental agreement requires the renter to contact the Aurora Police Department and arrange for security services to be provided by a police officer or a reserve officer during the renter's event, if alcoholic beverages will be consumed on the premises. The agreement stated the cost of the police coverage would be twenty dollars per hour. According to the Chief of Police, an off-duty police officer or a reserve officer would then be assigned security duties for the event. It has been the City's practice to have the renter pay the police officer or reserve officer who was assigned to the event directly for his services. The following items were noted in the review of the rental agreements:

1. There was no evidence presented for examination to show that the twenty dollar fee for the police coverage was approved by the Park Board.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

2. The fees collected for the police coverage were not being remitted to the Clerk-Treasurer.

All financial transactions pertaining to the governmental unit should be recorded in the records of the government unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

3. Since the renter was paying the police officer or reserve officer directly, the time worked was not being processed and reported through the City's payroll system and the compensation of the police officer was not included in the salary ordinance.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TIMELY RECORDKEEPING (Applies to Clerk-Treasurer)

A Water Utility Bond Payment was paid on December 28, 2005, from the City Riverboat fund; however, the payment was not posted to City's records until March 2006.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK ACCOUNT RECONCILIATIONS (Applies to Utilities)

Depository reconciliations of the Utility Clearing fund balances to the bank account balances were not presented for audit. This condition was reported in the prior Report B26263.

CITY OF AURORA
EXAMINATION RESULTS AND COMMENTS
(Continued)

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."

OVERDRAWN FUND BALANCES (Applies to the Clerk Treasurer)

The Gas Operating Fund was overdrawn \$82,310 as of December 31, 2005.

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)

CAPITAL ASSET RECORDS (Applies to the Clerk Treasurer)

Additions and disposals of capital assets have not been posted to the City's Capital Asset Records for the year 2005.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORT (Applies to the Clerk Treasurer)

The annual report presented for examination for the year 2005 was incomplete. The annual report did not contain the receipts, disbursement, or balances for the Gas Utility, Water Utility, and Wastewater Utility Funds.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

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)

CONDITION OF RECORDS (Applies to Utilities)

The following items, relating to the receipting of funds, were present during the examination period:

1. Some Gas Utility investments were not receipted back into the fund from which they were originally purchased.

When the investments by fund are sold, the full amount of such sale should be entered as receipt to the fund from which the investment was made. The receipt should show separately the principal (purchase price) received and the interest received from the investment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF FAURORA
EXAMINATION RESULTS AND COMMENTS
(Continued)

2. Proceeds from the refinancing of the Wastewater Utility bond were not receipted into the Wastewater Utility funds.

The Sewage Works Refunding Revenue Bond Ordinance makes provision for the bond proceeds to be deposited by the Clerk-Treasurer into the Depreciation Fund or to the Bond and Interest Account of the Sinking Fund

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)

3. Some transactions, such as transfers from the Gas Utility and Wastewater Utility to the Riverboat Fund, were not entered in the records of the Gas Utility and Wastewater Utility.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PUBLIC RECORDS RETENTION

Ordinances approving transfers between funds were not presented for examination.

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

CERTIFIED REPORT NOT FILED (Applies to the Clerk Treasurer)

The City did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the year 2006.

Indiana Code 5-11-13-1 states in part: "Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

CITY OF AURORA
EXIT CONFERENCE

The contents of this report were discussed on November 6, 2006, with Donnie Hastings Jr., Mayor; Randy C. Eaglin, Clerk-Treasurer; Charles E. Thayer, President of the Utility Service Board; Randolph J. Turner, Utility Superintendent of Utilities; and Avis L. Rivera, Utility Office Manager. The officials concurred with our findings.