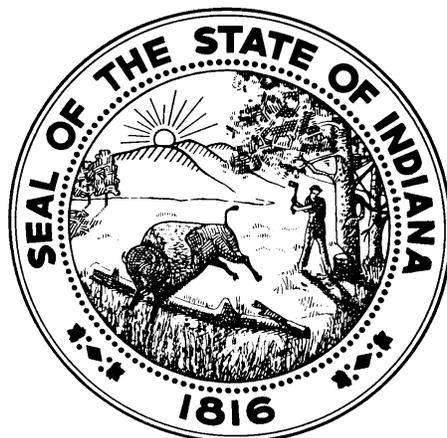


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
TOWN OF HUDSON
STEUBEN COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
10/31/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Atta E. Hayes	01-01-04 to 12-31-11
President of the Town Council	Sean Walker Brian E. Hayes	01-01-06 to 12-31-07 01-01-08 to 12-31-08
Town Manager	Ward K. Odom	01-01-06 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF HUDSON, STEUBEN COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Hudson (Town), for the period of January 1, 2006 to December 31, 2007. The Town's management is responsible for the financial information presented herein. 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 financial information presented herein 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 financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 16, 2008

TOWN OF HUDSON
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 50,395	\$ 185,316	\$ 186,077	\$ 49,634
Motor Vehicle Highway	17,951	47,378	54,936	10,393
Local Road and Street	3,799	4,465	7,346	918
Law Enforcement Continuing Education	1,224	2,370	2,742	852
Park Donation	729	300	750	279
Fremont Grant	1,785	120	1,524	381
OPO-DUI Grant	4,570	32,417	33,687	3,300
Local Law Enforcement Block Grant	777	-	777	-
Levy Excess	-	12,761	9,831	2,930
Tax Incremental Financing	70,096	83,145	105,531	47,710
Cumulative Capital Improvement	8,445	4,727	7,419	5,753
Cumulative Capital Development	3,585	7,353	6,679	4,259
County Economic Development Income Tax	4,805	24,952	28,550	1,207
Major Moves	-	318,194	-	318,194
Proprietary Funds:				
Water Utility - Operating	18,954	225,593	243,049	1,498
Water Utility - Bond and Interest	52,024	10,697	7,950	54,771
Water Utility - Debt Service Reserve	20,846	-	-	20,846
Water Utility - Customer Deposit	8,015	1,750	1,525	8,240
Wastewater Utility - Operating	80,011	135,939	129,970	85,980
Wastewater Utility - Bond and Interest	16,173	10,558	9,360	17,371
Wastewater Utility - Debt Service Reserve	5,948	-	-	5,948
Fiduciary Fund:				
Payroll	-	155,389	155,389	-
Totals	<u>\$ 370,132</u>	<u>\$ 1,263,424</u>	<u>\$ 993,092</u>	<u>\$ 640,464</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 49,634	\$ 100,044	\$ 147,073	\$ 2,605
Motor Vehicle Highway	10,393	42,225	45,998	6,620
Local Road and Street	918	4,643	3,781	1,780
Law Enforcement Continuing Education	852	12,113	11,912	1,053
Park Donation	279	550	461	368
Fremont Grant	381	1,990	291	2,080
OPO-DUI Grant	3,300	50,480	35,505	18,275
Park Community Grant	-	24,500	-	24,500
Levy Excess	2,930	-	2,930	-
Tax Incremental Financing	47,710	88,425	107,588	28,547
Cumulative Capital Improvement	5,753	6,093	6,000	5,846
Cumulative Capital Development	4,259	4,940	1,500	7,699
County Economic Development Income Tax	1,207	42,034	27,069	16,172
Major Moves	318,194	16,053	-	334,247
Proprietary Funds:				
Water Utility - Operating	1,498	252,348	249,677	4,169
Water Utility - Bond and Interest	54,771	10,752	38,750	26,773
Water Utility - Debt Service Reserve	20,846	-	-	20,846
Water Utility - Customer Deposit	8,240	1,550	1,490	8,300
Wastewater Utility - Operating	85,980	138,683	176,388	48,275
Wastewater Utility - Bond and Interest	17,371	10,667	9,983	18,055
Wastewater Utility - Debt Service Reserve	5,948	-	-	5,948
Fiduciary Fund:				
Payroll	-	153,025	153,025	-
Totals	<u>\$ 640,464</u>	<u>\$ 961,115</u>	<u>\$ 1,019,421</u>	<u>\$ 582,158</u>

The accompanying notes are an integral part of the financial information.

TOWN OF HUDSON
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety; culture and recreation; water, wastewater, and trash collection services; and general administrative services.

Note 2. Fund Accounting

The Town 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 Town 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.

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 Town 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.

TOWN OF HUDSON
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

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.

General infrastructure assets completed in the current years have been reported.

<u>Primary Government</u>	Ending Balance
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 105,829
Buildings	27,179
Improvements other than buildings	306,006
Machinery and equipment	595,030
Total governmental activities, capital assets not being depreciated	\$ 1,034,044

<u>Primary Government</u>	Ending Balance
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Improvements other than buildings	\$ 468,796
Machinery and equipment	17,585
Total Water Utility capital assets	486,381
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	51,466
Improvements other than buildings	1,248,404
Machinery and equipment	43,321
Total Wastewater Utility capital assets	1,343,191
Total business-type activities capital assets	\$ 1,829,572

TOWN OF HUDSON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Notes and loans payable	<u>\$ 213,183</u>	<u>\$ 26,573</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
construction	<u>\$ 70,000</u>	<u>\$ 8,500</u>
Wastewater Utility		
Revenue bonds:		
construction	<u>57,000</u>	<u>9,564</u>
Total business-type activities debt:	<u>\$ 127,000</u>	<u>\$ 18,064</u>

TOWN OF HUDSON
EXAMINATION RESULTS AND COMMENTS

LOANS BETWEEN FUNDS

The following temporary loans were made in 2006 and have not been repaid as of the date of this examination:

\$5,000 from Local Roads and Streets to General
\$3,500 from Tax Incremental Financing to Motor Vehicle Highway

Also, as noted in the prior examination Report B28734; Wastewater Utility funds were used to purchase a police car for \$19,500 in 2004. The Wastewater Utility has not been repaid at the date of this examination.

Indiana Code 36-1-8-4 concerning temporary loans states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs; (4) The amount transferred must be returned to the other fund at the end of the prescribed period . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
 - (A) A statement that the fiscal body has determined that an emergency exists.
 - (B) A brief description of the grounds for the emergency.
 - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and department of local government finance."

COMPENSATION AND BENEFITS

The following official and employees received reimbursements for health insurance payments for 2006, which were not reported on their W-2:

Atta E. Hayes	\$1,195.05
Ward K. Odom	5,052.28
Edward Miller	2,347.66
Jacob Quick	2,253.78

In 2007, Atta E. Hayes and Ward K. Odom received reimbursements for health insurance payments of \$2,466.17 and \$4,675.00, respectively, which were not reported on their W-2.

TOWN OF HUDSON
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

UTILITY LATE FEES

Penalties on utility late payments were charged more than once.

It is our audit position that the 10% penalty [on unpaid wastewater bills] specified in IC 36-9-23-31 should be assessed one time and one time only. Subsequent billings should not include additional assessments on this penalty. Similarly, unless specifically directed by statute, ordinance, or other legal directives, penalties on late fees for municipal utilities organized under IC 8-1.5 should be charged only one time. Future late charges should not include additional charges added to the penalties on late fees. (Cities and Towns Bulletin and Uniform Compliance Guidelines, March 1999)

ORDINANCES AND RESOLUTIONS - WATER PENALTIES

The Town has an ordinance concerning water rates. The ordinance states that the penalty shall be 10% on the first \$3.00, and 3% on the unpaid billing in excess of \$3.00. However, the Town has been charging 3% on the entire unpaid billing.

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)

ORDINANCES AND RESOLUTIONS - WASTEWATER RATES

The Town has charged several customers (people over 80 years of age with only social security income) a reduced wastewater rate that is not included in the rate ordinance.

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)

TOWN OF HUDSON
EXAMINATION RESULTS AND COMMENTS
(Continued)

OPERATING LOSSES - WATER UTILITY

The Water Utility has operated at a cash basis loss for the four years from 2004 to 2007. The cumulative loss at December 31, 2007, was \$45,272. Revenue Bond Ordinance 55, adopted March 6, 1978, (Section 19) states that: "The Town shall establish, maintain and collect reasonable and just rates and charges for the facilities and services afforded and rendered by said waterworks . . . so that the revenues therefrom shall always be sufficient to meet the expenses of operation, repair and maintenance, and said requirements of the Waterworks 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)

TOWN OF HUDSON
EXIT CONFERENCE

The contents of this report were discussed on September 16, 2008, with Atta E. Hayes, Clerk-Treasurer; Brian E. Hayes, President of the Town Council; and Ward K. Odom, Town Manager. The officials concurred with our findings.