

**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, 2008 to December 31, 2009



**FILED**  
12/29/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Atta E. Hayes	01-01-08 to 12-31-11
President of the Town Council	Brian E. Hayes	01-01-08 to 12-31-10
Town Manager	Ward K. Odom	01-01-08 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2008 to December 31, 2009. 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, 2008 and 2009, 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

November 3, 2010

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, 2008 And 2009

	Cash and Investments		Cash and Investments	
	01-01-08	Receipts	Disbursements	12-31-08
<b>Governmental Funds:</b>				
General	\$ 2,605	\$ 164,824	\$ 165,729	\$ 1,700
Motor Vehicle Highway	6,620	52,454	51,320	7,754
Local Road and Street	1,780	5,178	1,650	5,308
Law Enforcement Continuing Education	1,053	1,449	1,991	511
Park Donation	368	300	668	-
Fremont Grant	2,080	-	2,080	-
OPO-DUI Grant	18,275	42,880	54,740	6,415
Park Community Grant	24,500	513	22,867	2,146
Tax Incremental Financing	28,547	64,111	48,980	43,678
Cumulative Capital Improvement	5,846	8,738	9,384	5,200
Cumulative Capital Development	7,699	38,744	43,807	2,636
County Economic Development Income Tax	16,172	26,487	32,020	10,639
Major Moves	334,247	14,393	21,500	327,140
<b>Proprietary Funds:</b>				
Water Utility - Operating	4,169	267,924	256,155	15,938
Water Utility - Bond and Interest	26,773	9,972	27,036	9,709
Water Utility - Debt Service Reserve	20,846	10,000	11,846	19,000
Water Utility - Customer Deposit	8,300	1,150	2,150	7,300
Water Utility - Reserve	-	300	-	300
Wastewater Utility - Operating	48,275	161,343	194,080	15,538
Wastewater Utility - Bond and Interest	18,055	5,411	9,564	13,902
Wastewater Utility - Debt Service Reserve	5,948	10,000	4,948	11,000
<b>Fiduciary Fund:</b>				
Payroll	-	159,360	159,360	-
<b>Totals</b>	<b>\$ 582,158</b>	<b>\$ 1,045,531</b>	<b>\$ 1,121,875</b>	<b>\$ 505,814</b>

	Cash and Investments		Cash and Investments	
	01-01-09	Receipts	Disbursements	12-31-09
<b>Governmental Funds:</b>				
General	\$ 1,700	\$ 217,308	\$ 190,756	\$ 28,252
Motor Vehicle Highway	7,754	58,380	42,381	23,753
Local Road and Street	5,308	5,603	6,321	4,590
Law Enforcement Continuing Education	511	1,032	1,436	107
OPO-DUI Grant	6,415	68,134	74,549	-
Park Community Grant	2,146	-	2,146	-
Tax Incremental Financing	43,678	107,359	94,165	56,872
Cumulative Capital Improvement	5,200	10,091	9,114	6,177
Cumulative Capital Development	2,636	8,662	2,304	8,994
County Economic Development Income Tax	10,639	30,625	22,976	18,288
Major Moves	327,140	2,467	-	329,607
Local Option Income Tax	-	10,928	-	10,928
Sanitation	-	25,396	24,119	1,277
<b>Proprietary Funds:</b>				
Water Utility - Operating	15,938	215,322	226,824	4,436
Water Utility - Bond and Interest	9,709	9,000	8,250	10,459
Water Utility - Debt Service Reserve	19,000	-	-	19,000
Water Utility - Customer Deposit	7,300	1,700	1,005	7,995
Water Utility - Reserve	300	2,383	-	2,683
Wastewater Utility - Operating	15,538	132,758	110,620	37,676
Wastewater Utility - Bond and Interest	13,902	10,260	10,103	14,059
Wastewater Utility - Debt Service Reserve	11,000	-	-	11,000
<b>Fiduciary Fund:</b>				
Payroll	-	182,829	182,829	-
<b>Totals</b>	<b>\$ 505,814</b>	<b>\$ 1,100,237</b>	<b>\$ 1,009,898</b>	<b>\$ 596,153</b>

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. 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 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, 2009

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 and prior years have been reported.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 105,829
Buildings	37,429
Improvements other than buildings	320,141
Machinery and equipment	<u>604,270</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 1,067,669</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 100,000
Improvements other than buildings	478,985
Machinery and equipment	<u>17,250</u>
Total Water Utility capital assets	<u>596,235</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	51,466
Improvements other than buildings	1,252,886
Machinery and equipment	<u>50,436</u>
Total Wastewater Utility capital assets	<u>1,354,788</u>
 Total business-type activities capital assets	 <u>\$ 1,951,023</u>

TOWN OF HUDSON  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2009

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	\$ 179,677	\$ 26,000
Business-type activities:		
Water Utility:		
Revenue bonds:		
Construction	\$ 60,000	\$ 8,000
Wastewater Utility:		
Revenue bonds:		
Construction	46,000	9,601
Total business-type activities debt	\$ 106,000	\$ 17,601

TOWN OF HUDSON  
EXAMINATION RESULTS AND COMMENTS

ORDINANCES AND RESOLUTIONS

The Town has an ordinance concerning water penalties. The ordinance states that the penalty shall be 10% on the first \$3.00 and 3% on the remaining unpaid balance. However, the Town was billing 3% on the entire unpaid prior billing. Also, the Town has not billed penalties on accounts where customers have had hardships. Also the rate billed for water was per amount approved in minutes on July 24, 2009, but an ordinance was not approved.

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)

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Cumulative Capital Improvement	2008	\$ 515
Cumulative Capital Development	2008	26,130

IC 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."

INVESTMENTS NOT AUTHORIZED BY STATUTE

The Town invested in a brokerage account which included out of state municipal bonds in 2008 and 2009. At December 31, 2009, \$329,607 was invested in this account.

IC 5-13-9-2 states in part:

(a) Each officer designated in section 1 of this chapter may invest or reinvest any funds that are held by the officer and available for investment in any of the following:

(1) Securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States and issued by any of the following:

- (A) The United States Treasury.
- (B) A federal agency.
- (C) A federal instrumentality.
- (D) A federal government sponsored enterprise.

TOWN OF HUDSON  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (2) Securities fully guaranteed and issued by any of the following:
  - (A) A federal agency.
  - (B) A federal instrumentality.
  - (C) A federal government sponsored enterprise.
- (3) Municipal securities issued by an Indiana local governmental entity, a quasi-governmental entity related to the state, or a unit of government, municipal corporation, or special taxing district in Indiana, if the issuer has not defaulted on any of the issuer's obligations within the twenty (20) years preceding the date of the purchase.

FUND SOURCES AND USES

Funds were disbursed from Tax Incremental Financing Fund for expenses not specifically allowed by IC 36-7-14-39.

These expenses were as follows:

	2008	2009
Town Manager/Marshal payroll and benefits	\$ 3,431	\$ 6,528
Liability insurance	-	3,598
Redevelopment bonds	-	371
Miscellaneous office supplies	-	1,250
Equipment purchase/repair	-	1,594
	\$ 3,431	\$ 13,341
Totals	\$ 3,431	\$ 13,341

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

In 2008 and 2009, the Town paid for individual health insurance plans for the Clerk-Treasurer and Town Manager/Marshall in the amounts of \$7,969 and \$8,122, respectively. These payments were not for a group insurance plan in accordance with Indiana Code 5-10-8-2.6. Since these payments were not for a group insurance plan, the payments may be considered income to the employees receiving the benefit. The Town should contact the internal Revenue Service for further guidance.

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)

TOWN OF HUDSON  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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)

TOWN OF HUDSON  
EXIT CONFERENCE

The contents of this report were discussed on November 3, 2010, with Atta E. Hayes, Clerk-Treasurer, and Kathy Kope, Council member. The officials concurred with our findings.