

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

EXAMINATION REPORT  
OF  
TOWN OF UTICA  
CLARK COUNTY, INDIANA  
January 1, 2008 to December 31, 2009



**FILED**  
01/04/2011



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Patricia A. Love	01-01-08 to 12-31-11
President of the Town Council	Henry H. Dorman	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 UTICA, CLARK COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Utica (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 Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

November 10, 2010

TOWN OF UTICA  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL FUND TYPES  
As Of And For The Years Ended December 31, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 60,681	\$ 123,014	\$ 157,291	\$ 26,404
Motor Vehicle Highway	26,051	27,617	30,564	23,104
Local Road and Street	1,704	7,670	6,442	2,932
Park and Recreation	9,720	2,482	2,660	9,542
Law Enforcement Continuing Education	5,191	-	1,933	3,258
Violation	-	315	-	315
Cumulative Capital Improvement	3,030	1,922	2,236	2,716
Town Hall Rental	70	312	382	-
Permits	340	1,220	1,560	-
Town Donation Fund	42	-	-	42
Fleece Drug Alcohol	-	50,300	42,513	7,787
Youth Coalition	-	2,895	-	2,895
Totals	<u>\$ 106,829</u>	<u>\$ 217,747</u>	<u>\$ 245,581</u>	<u>\$ 78,995</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 26,404	\$ 184,692	\$ 119,912	\$ 91,184
Motor Vehicle Highway	23,104	32,881	36,229	19,756
Local Road and Street	2,932	7,427	4,969	5,390
Park and Recreation	9,542	6,857	6,694	9,705
Law Enforcement Continuing Education	3,258	-	3,258	-
Violation	315	302	565	52
Cumulative Capital Improvement	2,716	1,813	3,221	1,308
Town Hall Rental	-	75	75	-
Permits	-	5,061	3,253	1,808
Town Donation Fund	42	-	-	42
Fleece Drug Alcohol	7,787	22,500	29,972	315
Youth Coalition	2,895	-	1,409	1,486
Disaster	-	6,400	6,400	-
Totals	<u>\$ 78,995</u>	<u>\$ 268,008</u>	<u>\$ 215,957</u>	<u>\$ 131,046</u>

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

TOWN OF UTICA  
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, 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 UTICA  
 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:		
Capital leases:		
Police Car	\$ 2,851	\$ 2,950

TOWN OF UTICA  
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS (Applies to Clerk-Treasurer)

The following deficiencies related to the financial records were noted:

1. The total of the individual funds cash and investment balances were not reconciled with the all funds control cash and investment balances for the years 2008 and 2009. Instances were noted in which receipt and disbursement transactions were recorded to the all funds control ledger; however, these transactions were not posted to the individual funds ledger. In the year 2009, the net total of receipts and disbursement transactions recorded to the control but not to the individual funds ledger totaled \$55,839.

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)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

2. Reconcilements between the depository account balance and the record balance of cash and investment were performed; however, variances were not identified and explained. At December 31, 2008 and 2009, there were unidentified variances in the amount of \$527 and \$669, respectively. In each instance, the depository account showed more funds on hand than the record balance.

IC 5-13-6-1(e) states:

"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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank 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 Guidelines Manual for Cities and Towns, Chapter 7)

MONITORING TAX DISTRIBUTIONS (Applies to Clerk-Treasurer)

The Town did not have procedures in place to monitor collections in order to ensure amounts received from the government of Clark County were reasonable in relationship to budgeted revenue. As a result, the Town was not aware that all tax distributions owed it by the County had not been received.

The Clark County Auditor issued three checks totaling \$4,085 for tax distributions to the Town of Utica. These checks were not deposited in the Town's depository account or receipted to the Town's financial records. Instead, the funds were deposited into the depository account of the Utica Township Trustee. This may have been caused by the Town and Township having similar names and mailing addresses.

TOWN OF UTICA  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

After being advised the tax distributions went to the wrong unit, the Clerk-Treasurer contacted the Township Trustee for repayment. The Township Trustee repaid the funds owed to the Town on October 30, 2010.

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)

RECEIPTS NOT DEPOSITED TIMELY (Applies to Clerk-Treasurer)

Receipts totaling \$2,895 were not receipted to the records and not deposited in the Town's depository account in a timely manner. The Clark County Auditor's records showed two checks dated June 18, 2008 were issued to the Utica Town Marshall's Department. However, receipts for these funds were not issued and recorded to the financial records until November 15, 2008. The funds were not deposited until November 17, 2008.

IC 5-13-6-1(d) states in part:

"A 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."

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)

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)

CAPITAL ASSET RECORDS (Applies to Clerk-Treasurer and Town Council)

The capital asset record of the Town is incomplete. The record presented for examination did not include infrastructure assets owned by the Town and the actual or estimated historical value of some of the assets has not been determined. In some instances, insurance replacement cost had been used instead of the actual purchase cost or the estimated historical cost.

Every governmental unit should have a complete inventory of all capital assets owned which reflects 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)

TOWN OF UTICA  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

A similar comment was reported in the prior Report B33828.

MONIES RECEIPTED TO THE WRONG FUND (Applies to Clerk-Treasurer)

Tax distribution monies received from the government of Clark County were receipted into the wrong funds. In the year 2008, \$3,626 due the Rainy Day Fund was receipted to the General Fund and \$9,990 due to the General Fund was receipted to the Motor Vehicle Highway Fund.

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)

COMPENSATION AND BENEFITS (Applies to Clerk-Treasurer)

Police department employees' compensation in the year 2008 was not included on the salary ordinance or resolution. In addition, we noted wages for one employee in the amount of \$680 were not shown on the employee's earnings record and were not properly reported on the employee's W-2.

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)

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 UTICA  
EXIT CONFERENCE

The contents of this report were discussed on November 10, 2010 with Patricia A. Love, Clerk-Treasurer, and Henry H. Dorman, President of Town Council. The official response has been made a part of this report and may be found on page 11.

**The following are responses to the examination results and comments for the Town of Utica from the Clerk-Treasurer.**

1. Deficiencies related to financial records - I began this position in January 2008. When I started I was given a key to the office and a 15 minute explanation of things that needed to be done. Therefore, everything that I have done was from just doing and hoping that things were done the correct way and asking many questions from other clerk-treasurers and State Board of Accounts. When I started, the records from the previous person were not reconciled. After weeks of trying to figure out where the differences were, we came up with a negative balance of \$54.65 overall and that is what we started with. The results of my record keeping and ledgers for the first year and second was lack of knowledge from what should be done and how it should be done. Also, 2007 records were not reconciled which made it very difficult. I feel that the first two years have been a learning experience and hopefully I am now doing things the correct way.
2. Monitoring Tax Distributions – I had no idea until I was contacted by the Auditor, Melissa Hayes while doing our audit, that three checks issued by the Clark County Auditor which were made out to the Town of Utica, was delivered in error to the Township Trustee’s address and in error the Township Trustee deposited these in the Township’s account. Our addresses are similar and next door to each other. As soon as I was notified by Ms. Hayes, I contacted the Township Trustee and he has written the Town of Utica a check for this error. Again, I was still in the learning process of this position and did not know that these checks were being sent to the Town.
3. Receipts not being deposited timely. I was not aware that our former Marshal and his wife had applied for a grant with the Clark County Youth Coalition in June and received a check. Therefore, I did not know anything about the check or the grant until the paperwork and check was given to me in November at which time I deposited the checks right away.
4. Capital Asset Records – This was a request from the last audit of the Town of Utica before I became Clerk-Treasurer. I started this record per the audit’s request by first having the Board do a Resolution for the Town to create a Capital Asset’s Inventory. I had no idea where to even start on this. So, I made a list of everything the Town owns over the \$2,000.00 limit. I did not know how much information was needed or the types of things that should be included in this inventory.
5. Monies receipted to the wrong fund – Again, this happened my second month on the job and I looked at where this money had been deposited in the past.
6. Compensation and Benefits –This was my mistake, I had printed an update on the total earnings of this individual and put the wrong update in the file when doing the W2’s. And, regarding the salary ordinance or resolution I failed to do one because at that time I did not know these had to be done yearly for every employee, nor did I know that they had to be done the year before with Board approval as an ordinance. In the past they were done as resolutions in January of each year.

Respectfully submitted,

Patricia Love, Clerk-Treasurer