

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

CITY OF AURORA

DEARBORN COUNTY, INDIANA

January 1, 2010 to December 31, 2010



FILED
12/12/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Dennis R. Kinnett (Vacant) Bradley A. Fentress (Vacant) Randolph J. Turner	01-01-08 to 12-31-10 01-01-11 to 01-16-11 01-17-11 to 10-03-11 10-04-11 to 10-11-11 10-12-11 to 12-31-11
Mayor	Donnie Hastings, Jr.	01-01-08 to 12-31-11
President of the Board of Public Works	Donnie Hastings, Jr.	01-01-08 to 12-31-11
President of the Common Council	Donnie Hastings, Jr.	01-01-08 to 12-31-11
President of the Utility Service Board	John Borgman	01-01-10 to 12-31-11
Superintendent of Utilities	Randolph J. Turner	01-01-10 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial statement of the City of Aurora (City), for the period of January 1, 2010 to December 31, 2010. The City's management is responsible for the financial statement. 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 statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

The financial statement contained inaccurate information including the omission of funds; fund activity and balances not supported by the financial records; financial activity recorded to the wrong funds; erroneous adjustments to the financial records; and various other errors.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in all material respects, the financial position, and results of operations of the City for the year ended December 31, 2010, on the basis of accounting described in Note 1.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, 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 financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City's management, Common Council, Board of Public Works and Utility Service Board, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

November 28, 2011

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FINANCIAL STATEMENT

The financial statement and accompanying notes were prepared by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF AURORA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General Fund	\$ 402,316	\$ 2,825,457	\$ 2,634,918	\$ 592,855
Motor Vehicle Highway	15,771	215,604	235,669	(4,294)
Local Road & Streets	(44,163)	43,872	-	(291)
Liece - Local Law Enforce	5,984	4,037	2,696	7,325
Unsafe Building	(2,666)	7,382	3,062	1,654
Gaming	(1,188,170)	6,268,596	4,335,801	744,625
Dept Of Parks	49,397	129,538	162,941	15,994
Gaming - Endowment Grant	222,218	-	-	222,218
Grant, Misc	196,935	523,371	279,809	440,497
Rainy Day Fund	2,435	-	-	2,435
Park Improvements	295	-	-	295
Hd-970-020(lhfa)	(9,982)	125,001	105,734	9,285
Mainstreet Scape Phase Ii	51,553	-	-	51,553
Sr 56 Riverfront Dev	42,800	-	-	42,800
Conwell Street Project	400,000	-	-	400,000
Alt Trail Project	455	-	-	455
City Hall Project	121,712	-	-	121,712
Lesko Rfd (Dnr Match)	69,471	-	15,794	53,677
Corp Construction350Kloan	145,641	-	-	145,641
Operation Pull Over	(36,165)	36,528	363	-
First Financial Savings	-	96,483	-	96,483
Gaming Firehouse Money	1,555,962	428	153,441	1,402,949
Record Preservation	31,340	-	-	31,340
Police Seizure	1,053	-	-	1,053
City Court-Fees	41,337	62,173	87,220	16,290
Microloan Corp Account	24,854	-	-	24,854
Miscellaneous Donations	8,412	276,487	3,344	281,555
Lece - Court	14,659	-	49	14,610
Sr350 Retainage	27,496	37	-	27,533
Nsnb Retainage	220	-	220	-
Gaming - People's Cd	2,002,708	-	-	2,002,708
Cum. Cap. Development	3,674	33,300	31,719	5,255
Cum. Fire & Police	23,631	-	-	23,631
Cum. Park & Recreation	4,434	354	3,575	1,213
Riverboat Capital Project	1,689,370	496,089	2,185,459	-
Cum. Cap. Improvement	101,708	-	-	101,708
Gaming Capital Reserve	780,567	-	-	780,567
Housing Improve-Program	58,127	-	58,127	-
Police Pension	107,142	69,142	68,615	107,669
County Court Fees	31,991	-	-	31,991
Payroll - City	11,617	1,008,429	999,154	20,892
Hra	20,940	51,288	27,584	44,644
Payroll Utility	7,491	795,864	796,782	6,573
Sales Tax	(588)	1,310	785	(63)
Telecommunication Escro	17,500	(17,500)	-	-
Telecommunications Ucb	14,340	28,733	5,988	37,085
Gas Utility - Operating	70,542	2,892,405	3,214,353	(251,406)
Gas Utility - Bond And Interest	-	-	1,932	(1,932)
Gas Utility - Depreciation/Improve	-	-	17,734	(17,734)
Gas Utility - Customer Deposit	115,942	35,804	31,586	120,160
Gas Clearing Account	2,997	61	1,804	1,254
Cash Change	386	-	-	386
Gas Payroll	1,165	-	-	1,165
Reserve	121,820	-	-	121,820
Wastewater Utility - Operating	(18,917)	1,353,642	1,450,178	(115,453)
Wastewater Utility - Customer Deposit	27,323	2,967	1,666	28,624
Wastewater Utility - Construction	-	-	8,521	(8,521)
Bond And Interest Bony	169,471	259,919	249,024	180,366
Debt Service Reserve Bony	282,667	52,032	-	334,699
Reserve	109,577	-	-	109,577
Wastewater B&I	37,534	17,351	84,993	(30,108)
Water Utility - Operating	(9,886)	982,377	873,087	99,404
Water Utility - Bond And Interest	-	20,721	1,510	19,211
Water Utility - Depreciation/Improve	-	-	75,517	(75,517)
Water Utility - Customer Deposit	32,130	2,318	-	34,448
Water Bond And Interest	42,490	72,653	-	115,143
Reserve	128,975	-	-	128,975
Sewer Retainage Account	184,052	34	132,527	51,559
Totals	\$ 8,324,090	\$ 18,774,287	\$ 18,343,281	\$ 8,755,096

The notes to the financial statement are an integral part of this statement.

CITY OF AURORA
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City (primary government), and does not include financial information for any of the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the City (primary government).

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or non-businesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF AURORA
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

CITY OF AURORA
NOTES TO FINANCIAL STATEMENT
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

CITY OF AURORA
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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.

Note 5. Risk Management

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement and replacement items purchased.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 percent 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:

CITY OF AURORA
NOTES TO FINANCIAL STATEMENT
(Continued)

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 1925 Police Officers' Pension Plan 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

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

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under Indiana Code 5-10.3-11.

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

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is 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 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. 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:

CITY OF AURORA
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Funding Policy

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

The City also contributes to an additional pension plan (Utilities Retirement Plan) unique to the City. Information regarding these plans may be obtained from the City.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and/or approved by management of the City. It is presented as intended by the City.

CITY OF AURORA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General Fund	Motor Vehicle Highway	Local Road & Streets	Llece-Local Law Enforce	Unsafe Building	Gaming	Dept Of Parks
Cash and investments - beginning	\$ 402,316	\$ 15,771	\$ (44,163)	\$ 5,984	\$ (2,666)	\$ (1,188,170)	\$ 49,397
Receipts:							
Taxes	868,303	115,044	-	-	-	-	99,180
Licenses and permits	-	-	-	-	1,665	-	-
Intergovernmental	364,157	100,560	23,872	-	65	-	3,092
Charges for services	49,162	-	-	4,037	-	-	16,120
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,543,835	-	20,000	-	5,652	6,268,596	11,146
Total receipts	<u>2,825,457</u>	<u>215,604</u>	<u>43,872</u>	<u>4,037</u>	<u>7,382</u>	<u>6,268,596</u>	<u>129,538</u>
Disbursements:							
Personal services	760,170	179,876	-	-	3,062	138,082	59,408
Supplies	93,989	45,639	-	2,696	-	108,907	33,217
Other services and charges	317,871	10,154	-	-	-	1,363,123	70,316
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	7,000	-	-	-	-	773,526	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1,455,888	-	-	-	-	1,952,160	-
Total disbursements	<u>2,634,918</u>	<u>235,669</u>	<u>-</u>	<u>2,696</u>	<u>3,062</u>	<u>4,335,801</u>	<u>162,941</u>
Excess (deficiency) of receipts over disbursements	<u>190,539</u>	<u>(20,065)</u>	<u>43,872</u>	<u>1,341</u>	<u>4,320</u>	<u>1,932,795</u>	<u>(33,403)</u>
Cash and investments - ending	<u>\$ 592,855</u>	<u>\$ (4,294)</u>	<u>\$ (291)</u>	<u>\$ 7,325</u>	<u>\$ 1,654</u>	<u>\$ 744,625</u>	<u>\$ 15,994</u>

CITY OF AURORA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Gaming-Endowment Grant	Grant, Misc	Rainy Day Fund	Park Improvements	Hd-970-020(Ihfa)	Mainstreet Scape Phase li	Sr 56 Riverfront Dev
Cash and investments - beginning	\$ 222,218	\$ 196,935	\$ 2,435	\$ 295	\$ (9,982)	\$ 51,553	\$ 42,800
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	500,671	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	22,700	-	-	125,001	-	-
Total receipts	-	523,371	-	-	125,001	-	-
Disbursements:							
Personal services	-	75,069	-	-	-	-	-
Supplies	-	74,340	-	-	-	-	-
Other services and charges	-	5,400	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	125,000	-	-	105,734	-	-
Total disbursements	-	279,809	-	-	105,734	-	-
Excess (deficiency) of receipts over disbursements	-	243,562	-	-	19,267	-	-
Cash and investments - ending	\$ 222,218	\$ 440,497	\$ 2,435	\$ 295	\$ 9,285	\$ 51,553	\$ 42,800

CITY OF AURORA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Conwell Street Project	Alt Trail Project	City Hall Project	Lesko Rfd (Dnr Match)	Corp Construction350Kloan	Operation Pull Over	First Financial Savings
Cash and investments - beginning	\$ 400,000	\$ 455	\$ 121,712	\$ 69,471	\$ 145,641	\$ (36,165)	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	363	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	36,165	96,483
Total receipts	-	-	-	-	-	36,528	96,483
Disbursements:							
Personal services	-	-	-	-	-	363	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	15,794	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	-	-	15,794	-	363	-
Excess (deficiency) of receipts over disbursements	-	-	-	(15,794)	-	36,165	96,483
Cash and investments - ending	<u>\$ 400,000</u>	<u>\$ 455</u>	<u>\$ 121,712</u>	<u>\$ 53,677</u>	<u>\$ 145,641</u>	<u>\$ -</u>	<u>\$ 96,483</u>

CITY OF AURORA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Gaming Firehouse Money	Record Preservation	Police Seizure	City Court-Fees	Microloan Corp Account	Miscellaneous Donations
Cash and investments - beginning	\$ 1,555,962	\$ 31,340	\$ 1,053	\$ 41,337	\$ 24,854	\$ 8,412
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	61,805	-	-
Utility fees	-	-	-	-	-	-
Other receipts	428	-	-	368	-	276,487
Total receipts	428	-	-	62,173	-	276,487
Disbursements:						
Personal services	-	-	-	33,873	-	-
Supplies	-	-	-	581	-	-
Other services and charges	118,698	-	-	1,051	-	3,344
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	34,743	-	-	1,179	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	50,536	-	-
Total disbursements	153,441	-	-	87,220	-	3,344
Excess (deficiency) of receipts over disbursements	(153,013)	-	-	(25,047)	-	273,143
Cash and investments - ending	\$ 1,402,949	\$ 31,340	\$ 1,053	\$ 16,290	\$ 24,854	\$ 281,555

CITY OF AURORA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Lece-Court	Sr350 Retainage	Nsnb Retainage	Gaming-People's Cd	Cum. Cap. Development	Cum. Fire & Police
Cash and investments - beginning	\$ 14,659	\$ 27,496	\$ 220	\$ 2,002,708	\$ 3,674	\$ 23,631
Receipts:						
Taxes	-	-	-	-	32,259	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	1,041	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	37	-	-	-	-
Total receipts	-	37	-	-	33,300	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	31,719	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	49	-	220	-	-	-
Total disbursements	49	-	220	-	31,719	-
Excess (deficiency) of receipts over disbursements	(49)	37	(220)	-	1,581	-
Cash and investments - ending	\$ 14,610	\$ 27,533	\$ -	\$ 2,002,708	\$ 5,255	\$ 23,631

CITY OF AURORA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Cum. Park & Recreation	Riverboat Capital Project	Cum. Cap. Improvement	Gaming Capital Reserve	Housing Improve-Program	Police Pension
Cash and investments - beginning	\$ 4,434	\$ 1,689,370	\$ 101,708	\$ 780,567	\$ 58,127	\$ 107,142
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	69,142
Charges for services	354	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	496,089	-	-	-	-
Total receipts	<u>354</u>	<u>496,089</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,142</u>
Disbursements:						
Personal services	-	-	-	-	-	68,615
Supplies	-	-	-	-	-	-
Other services and charges	3,575	-	-	-	35	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	2,185,459	-	-	58,092	-
Total disbursements	<u>3,575</u>	<u>2,185,459</u>	<u>-</u>	<u>-</u>	<u>58,127</u>	<u>68,615</u>
Excess (deficiency) of receipts over disbursements	<u>(3,221)</u>	<u>(1,689,370)</u>	<u>-</u>	<u>-</u>	<u>(58,127)</u>	<u>527</u>
Cash and investments - ending	<u>\$ 1,213</u>	<u>\$ -</u>	<u>\$ 101,708</u>	<u>\$ 780,567</u>	<u>\$ -</u>	<u>\$ 107,669</u>

CITY OF AURORA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	County Court Fees	Payroll-City	Hra	Payroll Utility	Sales Tax	Telecommunication Escro
Cash and investments - beginning	\$ 31,991	\$ 11,617	\$ 20,940	\$ 7,491	\$ (588)	\$ 17,500
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	1,008,429	51,288	795,864	1,310	(17,500)
Total receipts	-	1,008,429	51,288	795,864	1,310	(17,500)
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	999,154	27,584	796,782	785	-
Total disbursements	-	999,154	27,584	796,782	785	-
Excess (deficiency) of receipts over disbursements	-	9,275	23,704	(918)	525	(17,500)
Cash and investments - ending	\$ 31,991	\$ 20,892	\$ 44,644	\$ 6,573	\$ (63)	\$ -

CITY OF AURORA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Telecommunications Ucb	Gas Utility-Operating	Gas Utility-Bond And Interest	Gas Utility-Depreciation/Improve	Gas Utility-Customer Deposit	Gas Clearing Account
Cash and investments - beginning	\$ 14,340	\$ 70,542	\$ -	\$ -	\$ 115,942	\$ 2,997
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	2,604,378	-	-	-	-
Other receipts	28,733	288,027	-	-	35,804	61
Total receipts	28,733	2,892,405	-	-	35,804	61
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	929	1,932	-	-	-
Capital outlay	-	1,931	-	17,734	-	-
Utility operating expenses	-	2,589,388	-	-	31,586	-
Other disbursements	5,988	622,105	-	-	-	1,804
Total disbursements	5,988	3,214,353	1,932	17,734	31,586	1,804
Excess (deficiency) of receipts over disbursements	22,745	(321,948)	(1,932)	(17,734)	4,218	(1,743)
Cash and investments - ending	\$ 37,085	\$ (251,406)	\$ (1,932)	\$ (17,734)	\$ 120,160	\$ 1,254

CITY OF AURORA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Cash Change	Gas Payroll	Reserve	Wastewater Utility-Operating	Wastewater Utility-Customer Deposit	Wastewater Utility-Construction
Cash and investments - beginning	\$ 386	\$ 1,165	\$ 121,820	\$ (18,917)	\$ 27,323	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	1,236,243	-	-
Other receipts	-	-	-	117,399	2,967	-
Total receipts	-	-	-	1,353,642	2,967	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	86,529	-	-
Capital outlay	-	-	-	89,290	-	8,521
Utility operating expenses	-	-	-	627,928	1,666	-
Other disbursements	-	-	-	646,431	-	-
Total disbursements	-	-	-	1,450,178	1,666	8,521
Excess (deficiency) of receipts over disbursements	-	-	-	(96,536)	1,301	(8,521)
Cash and investments - ending	\$ 386	\$ 1,165	\$ 121,820	\$ (115,453)	\$ 28,624	\$ (8,521)

CITY OF AURORA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Bond And Interest Bony	Debt Service Reserve Bony	Reserve	Wastewater B&I	Water Utility-Operating	Water Utility-Bond And Interest
Cash and investments - beginning	\$ 169,471	\$ 282,667	\$ 109,577	\$ 37,534	\$ (9,886)	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	837,776	-
Other receipts	259,919	52,032	-	17,351	144,601	20,721
Total receipts	<u>259,919</u>	<u>52,032</u>	<u>-</u>	<u>17,351</u>	<u>982,377</u>	<u>20,721</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	249,024	-	-	-	-	7
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	662,189	1,503
Other disbursements	-	-	-	84,993	210,898	-
Total disbursements	<u>249,024</u>	<u>-</u>	<u>-</u>	<u>84,993</u>	<u>873,087</u>	<u>1,510</u>
Excess (deficiency) of receipts over disbursements	<u>10,895</u>	<u>52,032</u>	<u>-</u>	<u>(67,642)</u>	<u>109,290</u>	<u>19,211</u>
Cash and investments - ending	<u>\$ 180,366</u>	<u>\$ 334,699</u>	<u>\$ 109,577</u>	<u>\$ (30,108)</u>	<u>\$ 99,404</u>	<u>\$ 19,211</u>

CITY OF AURORA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Water Utility-Depreciation/Improve	Water Utility-Customer Deposit	Water Bond And Interest	Reserve	Sewer Retainage Account	Totals
Cash and investments - beginning	\$ -	\$ 32,130	\$ 42,490	\$ 128,975	\$ 184,052	\$ 8,324,090
Receipts:						
Taxes	-	-	-	-	-	1,114,786
Licenses and permits	-	-	-	-	-	1,665
Intergovernmental	-	-	-	-	-	1,062,963
Charges for services	-	-	-	-	-	69,673
Fines and forfeits	-	-	-	-	-	61,805
Utility fees	-	-	-	-	-	4,678,397
Other receipts	-	2,318	72,653	-	34	11,784,998
Total receipts	-	2,318	72,653	-	34	18,774,287
Disbursements:						
Personal services	-	-	-	-	-	1,318,518
Supplies	-	-	-	-	-	359,369
Other services and charges	-	-	-	-	-	1,893,567
Debt service - principal and interest	-	-	-	-	-	338,421
Capital outlay	75,517	-	-	-	-	1,056,957
Utility operating expenses	-	-	-	-	-	3,914,260
Other disbursements	-	-	-	-	132,527	9,462,189
Total disbursements	75,517	-	-	-	132,527	18,343,281
Excess (deficiency) of receipts over disbursements	(75,517)	2,318	72,653	-	(132,493)	431,006
Cash and investments - ending	\$ (75,517)	\$ 34,448	\$ 115,143	\$ 128,975	\$ 51,559	\$ 8,755,096

CITY OF AURORA
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Firehouse	\$ 1,335,000	\$ 148,250
Loans payable:		
City hall	<u>1,219,749</u>	<u>107,500</u>
Total governmental activities debt	<u>\$ 2,554,749</u>	<u>\$ 255,750</u>
Business-type activities:		
Water Utility:		
Loan payable:		
Water tower	\$ 243,727	\$ 156,167
Revenue bonds:		
1996 Waterworks improvement	<u>630,000</u>	<u>124,650</u>
Total Water Utility	<u>873,727</u>	<u>280,817</u>
Wastewater Utility:		
Loan payable:		
State revolving loan fund	3,407,617	260,413
Revenue bonds:		
2005 Sewage works refunding	<u>772,000</u>	<u>104,834</u>
Total Wastewater Utility	<u>4,179,617</u>	<u>365,247</u>
Total business-type activities debt	<u>\$ 5,053,344</u>	<u>\$ 646,064</u>

CITY OF AURORA
EXAMINATION RESULTS AND COMMENTS

FINANCIAL REPORT OPINION MODIFICATION

The financial statement presented by the City of Aurora contained inaccurate information including the omission of funds; fund activity and balances not supported by the financial records; financial activity recorded to the wrong funds; erroneous adjustments to the financial records; and various other errors. These deficiencies in the financial statement are more fully described in the Examination Results and Comments titled "Errors on Annual Financial Report" and "Condition of Records – Utility Funds." Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Accountant's Report for the financial statement.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Accountant's Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ERRORS ON ANNUAL FINANCIAL REPORT (Applies to Clerk-Treasurer)

We noted the following errors on the Annual Report (City and Town Annual Report (CTAR-1):

1. The following funds' financial activity and cash and investment balances were omitted from the Annual Report:

Fund	Balance December 31, 2010
City Court	\$ 8,497
Utility Pension	526,530
Low Interest Loan Program	105,190
Police Pension Number 2	96,202

2. The Annual Report reported a cash and investment balance for the Conwell Street Project Fund in the amount of \$400,000 at December 31, 2010. However, the financial ledger showed a zero cash and investment balance for the Conwell Street Project Fund at December 31, 2010.

The above error would have been identified if the Annual Report's cash and investment balances had been compared to the fund's ledger balances.

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)

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)

CITY OF AURORA
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS – UTILITY FUNDS

The following deficiencies were noted regarding the recording of financial activity for the Gas, Water, and Wastewater Utilities:

1. All Water Utility and Wastewater Utility customer deposit receipts and disbursements were recorded to the Gas Utility Customer Deposit Fund for the period March through December of the year 2010. As a result, the reporting of the financial activity for the respective funds were not reflective of the funds actual financial activity and the subsidiary customer deposit's register for the Gas, Water, and Wastewater Utilities did not agree with the respective customer deposit cash balances recorded on the General Ledger at December 31, 2010.

Utility officials stated they plan to make correcting entries on the year 2011 records.

2. The following variances were noted between the Gas, Water, and Wastewater Utilities' cash and investment balances reported on the general ledger and the respective balances reported on the detailed customer deposit ledger:

	<u>General Ledger</u>	<u>Customer Deposits Ledger</u>	<u>Variance</u>
Gas Utility	\$ 120,160	\$ 122,659	\$ (2,499)
Water Utility	34,448	31,185	3,263
Wastewater Utility	<u>28,624</u>	<u>27,034</u>	<u>1,590</u>
 Totals	 <u>\$ 183,232</u>	 <u>\$ 180,878</u>	 <u>\$ 2,354</u>

The above balances on the General Ledger takes into consideration adjustments for known recording errors.

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)

3. Water Utility bond payments totaling \$104,663 and \$19,663 were paid from the Gas Utility Operating Fund and Wastewater Utility Operating Fund, respectively.
4. The following are examples of erroneous adjustments made to the financial records:
 - a. The Utility deposits all customer collections (Gas, Water, and Wastewater) to a separate Utility clearing bank account. An adjustment is made to add the amount of a non-sufficient (bad check) back to the customer's accounts receivable account when a bad check is identified and the Utility does not transfer the amount of the bad check to the respective Utility operating funds. However, we noted disbursement adjustments were made to the Water Operating Fund for bad checks totaling \$18,387. These

CITY OF AURORA
EXAMINATION RESULTS AND COMMENTS
(Continued)

adjustments were not required because the adjustments had been previously accounted for when the Utility reduced the amount transferred from the Utility clearing bank account for the amount of the bad check.

b. The Utilities made adjustments for sales tax payments that resulted in duplicate recording of sales tax payments to the Gas Utility Operating Fund in the amount of \$185,417.

c. The Utility made adjustments to the Utilities' operating funds (Gas, Water, and Wastewater) for transfers of monies between bank accounts. These bank transfers did not involve financial activity for the individual funds, so no adjustments should have been made to the respective Utility operating funds. The net effect of these adjustments caused the Water Utility Operating Fund and the Wastewater Utility Operating Fund to be erroneously reduced by \$22,232 and \$39,603, respectively, and the Gas Utility Operating Fund to be increased by \$61,835.

d. There were instances of Water Utility operating expenditures being paid from the Water Utility Depreciation Fund; Wastewater Utility operating expenditures being paid from the Wastewater Utility Construction Fund; and Gas Utility operating expenditures being paid from the Gas Utility Bond and Interest Fund and the Gas Utility Depreciation Fund.

e. A payment made to the Sycamore Gas Company in the amount of \$312,547 was recorded twice to the Gas Utility Operating Fund resulting in disbursements being overstated for the year and cash and investment balance being understated as of December 31, 2010.

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)

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)

Payments or transfers which are not authorized by statute, ordinance, resolution, or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UNTIMELY RECORDING OF FINANCIAL ACTIVITY (Applies to Clerk-Treasurer)

Financial activity for the Gas, Water, and Wastewater Utilities for the year 2010 and were not recorded to the financial records until July 15, 2011. The Clerk-Treasurer's office was responsible for the recording of financial activity for the Gas, Water, and Wastewater Utilities. Financial activity was not recorded for the years 2010 and 2011 until July, 2011.

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)

CITY OF AURORA
EXAMINATION RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS NOT PERFORMED (Applies to Clerk-Treasurer)

The Clerk-Treasurer's office was responsible for performing bank reconciliations of the Utility funds. A reconciliation between bank account balances and cash balances recorded in the general ledger for the Gas, Water, and Wastewater Utilities were not performed because of the untimely recording of the respective Utilities financial activity during the years 2010 and 2011 (see Examination Result and Comment titled "Untimely Recording of Financial Activity"). A bank reconciliation for the Utility funds at December 31, 2010, was not completed until July of the year 2011.

Indiana Code 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)

POLICE PENSION BENEFIT OVERPAYMENTS (Applies 1925 Police Pension Plan)

The City paid pension benefits to two retirees and one beneficiary in excess of the amount authorized by Indiana Code 36-8-6-9(b) for retirees and Indiana Code 36-8-6-9.6(b) for spouses. The following is a schedule of benefit overpayments for the period January 1, 2009 through August 5, 2011:

<u>Retiree/Beneficiary</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Total</u>
George Honchell	\$ 624.44	\$ 236.47	\$ 221.82	\$ 1,082.73
William McCartney	636.11	241.36	226.37	1,103.84
Ann Seaver	-	136.23	128.17	264.40
Total overpayments	<u>\$ 1,260.55</u>	<u>\$ 614.06</u>	<u>\$ 576.36</u>	<u>\$ 2,450.97</u>

A similar comment was reported in the prior Report B38365.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Jeff Stratum, City Attorney, stated that the above retirees/beneficiary have verbally agreed to refund the above overpayments through withholdings from future benefit payments as follows:

CITY OF AURORA
EXAMINATION RESULTS AND COMMENTS
(Continued)

<u>Retiree/Beneficiary</u>	<u>Withholding Amount</u>	<u>Frequency</u>
George Honchell	\$ 50	Every two weeks
William McCartney	25	Weekly
Ann Seaver	5	Weekly

Randy Turner, Clerk-Treasurer, stated on November 9, 2011, that the above withholdings from benefit checks had begun.

FIRE TRUCK PURCHASE NOT BID (Applies to the Board of Works)

The City of Aurora purchased a fire truck at a cost of \$315,000 in October of the year 2010. Purchases of supplies, materials, or equipment costing \$150,000 or more are required to be competitively bid. No evidence was presented for examination that the purchase was competitively bid or that another purchase method was required or authorized.

Indiana Code 5-22-7-1 states:

"A purchasing agent shall follow the procedure described in this chapter in awarding a contract for supplies, unless another purchasing method is required or authorized by this article."

Indiana Code 5-22-7-5(a) states:

"The purchasing agency shall give notice of the invitation for bids in the manner required by IC 5-3-1."

Indiana Code 5-22-7-2 states in part the following:

"(a) A purchasing agent shall issue an invitation for bids.

(b) An invitation for bids must include the following:

- (1) A purchase description.
- (2) All contractual terms and conditions that apply to the purchase.
- (3) A statement of the evaluation criteria that will be used . . .
- (4) The time and place for opening the bids.
- (5) A statement concerning whether the bid must be accompanied by a certified check or other evidence of financial responsibility that may be imposed in accordance with rules or policies of the governmental body.
- (6) A statement concerning the conditions under which a bid may be canceled or rejected in whole or in part as specified under IC 5-22-18-2."

CITY OF AURORA
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-22-7-6 states: "The purchasing agency shall open bids publicly in the presence of one (1) or more witnesses at the time and place designated in the invitation for bids."

Indiana Code 5-22-7-8 states: "A contract must be awarded with reasonable promptness by written notice to the lowest responsible and responsive bidder."

DISBURSEMENT PROCEDURES NOT FOLLOWED (Applies to Clerk-Treasurer)

The following deficiencies were noted on claims during the examination period:

1. Claims were not presented for examination for 7 percent of disbursements made to vendors. There was also no evidence presented for examination that these claims were presented to the Board of Works for approval.
2. A credit card payment was made to U.S. Bank on May 12, 2010, in the amount of \$2,884. However, supporting documentation attached to the claim totaled only \$2,530.
3. It is the practice of the City to pay all claims prior to Board of Works and Utility Service Board approval. The claims are presented to the Board at their next meeting. The City's ordinance authorizing the advance payment of claims provides for only the following expenditures to be paid in advance:
 - a. Property or services purchased or leased from the United States government, its agencies, or its political subdivisions.
 - b. License or permit fees.
 - c. Insurance premiums.
 - d. Utility payments or utility connection charges.
 - e. General grant programs where advance funding is not prohibited and the contracting party posts sufficient security to cover the amount advanced.
 - f. Grants of state funds authorized by statute.
 - g. Maintenance or service agreements.
 - h. Leases or rental agreements.
 - i. Bond or coupon payments.
 - j. Payroll.
 - k. State, federal, or county taxes.
 - l. Expenses that must be paid because of emergency circumstances.

CITY OF AURORA
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

Supporting documentation such as receipts, canceled checks, tickets, 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)

Indiana Code 36-4-8-14 states in part:

"(a) . . . a city legislative body may adopt an ordinance allowing money to be disbursed for lawful city purposes . . .

(b) . . . with prior approval of the board having jurisdiction over the allowance of claims, the city fiscal officer may make claim payments in advance of board allowance . . . for the following kinds of expenses if the city legislative body has adopted an ordinance under subsection (a) . . . Expenses described in an ordinance."

INVESTMENT MATURITY LIMITATIONS (Applies to Clerk-Treasurer)

The City purchased certificates of deposit which have a stated maturity in excess of two years.

Indiana Code 5-13-9-5.6 states: "Investments made under IC 5-13-9 must have a stated final maturity of not more than two years after the date of purchase or entry into a repurchase agreement."

A similar comment was reported in the prior Reports B35096 and B38365.

CITY OF AURORA
EXAMINATION RESULTS AND COMMENTS
(Continued)

LOAN TO GAS UTILITY OPERATING FUND (Applies to Gas Utility)

The following schedule shows outstanding loans at December 31, 2010, due to the Water Utility Operating Fund and the Wastewater Utility Operating Fund from the Gas Utility Operating Fund:

Date of Loan	Fund Loaned To	Fund Loaned From	Amount
02-03-07	Gas Utility Operating	Water Utility Operating	\$ 50,000
05-03-07	Gas Utility Operating	Wastewater Utility Operating	25,000
12-03-07	Gas Utility Operating	Wastewater Utility Operating	100,000
01-30-08	Gas Utility Operating	Wastewater Utility Operating	25,000
02-28-08	Gas Utility Operating	Wastewater Utility Operating	50,000
Total			<u>\$ 250,000</u>

Ordinances approving the temporary loans by the City Council were not presented for examination. Cash reserve funds were not established for the Water Utility or the Wastewater Utility.

Indiana Code 8-1.5-3-11(f) states:

"A cash reserve fund, if authorized by ordinance, may be used to make loans to another utility owned by the same municipality, for periods not to exceed five (5) years, at any interest rate. The repayment of the loan and interest shall be returned to the cash reserve fund."

A similar comment was reported in the prior Reports B32679, B35096, and B38365.

CAPITAL ASSET RECORDS (Applies to City and Utilities)

The City does not maintain a detailed inventory of capital assets.

The Utility does not maintain sufficient detailed records of capital assets for its Utility Plant in Service accounts. Upon purchase, the costs of the capital assets are added to an aggregate Utility Plant in Service account, and to subsidiary accounts for land, buildings, etc., in the General Ledger. However, records providing historical costs for some of the Utility's capital assets are not available, and records classifying and summarizing the Utility's capital assets are incomplete. Deletions or disposals of capital assets are not recorded.

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 form. 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)

A similar comment was reported in the prior Reports B31379, B32679, B35096, and B38365.

CITY OF AURORA
EXAMINATION RESULTS AND COMMENTS
(Continued)

OVERDRAWN APPROPRIATIONS (Applies to Clerk-Treasurer)

Cash expenditures exceeded approved appropriations for the following funds:

Fund	Excess Amount Expended
Motor Vehicle Highway	\$ 13,340
Unsafe Building	3,062

Indiana Code 36-4-8-2 states in part:

". . . Unless a statute provides otherwise, the fiscal officer may draw a warrant against a fund of the city only if:

- (1) an appropriation has been made for that purpose and the appropriation is not exhausted . . ."

A similar comment was reported in the prior Report B38365.

OVERDRAWN CASH BALANCES (Applies to the City Council, Clerk-Treasurer, and Utilities)

Cash balances for the following funds were overdrawn at December 31, 2010:

Fund	Amount
Motor Vehicle Highway	\$ 4,294
Local Roads & Streets	291
Sales Tax	63
Gas Utility - Operating	251,406
Gas Utility - Bond and Interest	1,932
Gas Utility - Depreciation/Improve	17,734
Wastewater Utility - Operating	115,453
Wastewater Utility - Construction	8,521
Wastewater B & I	30,108
Water Utility - Depreciation/Improve	75,517

The cash 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)

A similar comment was reported in prior Reports B31379, B32679, B35096, and B38365.

CITY OF AURORA
EXAMINATION RESULTS AND COMMENTS
(Continued)

OLD OUTSTANDING CHECKS (Applies to Clerk-Treasurer and Utilities)

The following is a summary of checks by bank account that have been outstanding in excess of two years as of December 31, 2010:

Bank Account	Amount
City General	\$ 1,409.96
Gaming	5,627.30
Payroll - City	26.62
Payroll - Utility	571.34
Utility Deposit Clearing	1,427.34
Sewer Utility	6,716.28
Water Utility	6,276.66
Gas Utility	8,894.46

Indiana Code 5-11-10.5-2 states in part:

"All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void. . . ."

Indiana Code 5-11-10.5-3 states in part:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the board of finance of the political subdivision or the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5(a) states:

"Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks."

A similar comment was reported in the prior Reports B32679, B35096, and B38365.

ACCOUNTS RECEIVABLE RECONCILEMENTS (Applies to Utilities)

Documentation was not presented for examination that monthly reconcilements were performed between the accounts receivable account balance recorded in the general ledger and the accounts receivable trial balance that provides a detail listing of outstanding customer accounts at a given point in time. These reconcilements could not be performed because the financial activity for the utilities was not

CITY OF AURORA
EXAMINATION RESULTS AND COMMENTS
(Continued)

recorded timely on the general ledger (see Examination Result and comment titled "Untimely Recording of Financial Activity"). These reconcilements should be performed monthly to help identify errors and/or irregularities. In addition, Utilities were unable to present either hard copies or electronic versions of the month end accounts receivable trial balances.

In addition, the Accounts Receivable Trial Balance as of December 31, 2010, was not presented for examination. The Accounts Receivable Trial Balance is a detailed report of all outstanding customer accounts receivable balances at a given time.

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)

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)

Indiana Code 5-15-6-3(f) states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

CITY OF AURORA
EXIT CONFERENCE

The contents of this report were discussed on November 28, 2011, with Donnie Hastings, Jr., Mayor; Jennifer Fehrman, Utility Clerk; Jamie Mayborg, Utility Clerk; Michele Kohorst, Consultant; Jeffery E. Stratman, City Attorney; Linda Hughes, Deputy Clerk-Treasurer; and Randolph J. Turner, Clerk-Treasurer.