

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

TOWN OF HUDSON

STEBEN COUNTY, INDIANA

January 1, 2010 to December 31, 2011



**FILED**  
10/19/2012



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Atta Hayes Marlene Smith	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Town Council	Brian E. Hayes Kathy Kope	01-01-10 to 12-31-11 01-01-12 to 12-31-12
Town Manager	Ward K. Odom	01-01-10 to 08-03-12
Superintendent of Utilities	Ed Miller	01-01-10 to 12-31-12



**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 accompanying financial statements of the Town of Hudson (Town), for the years ended December 31, 2010 and 2011. The financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on the financial statements 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 statements 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 Town prepares its financial statements 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2010 and 2011, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the Town's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town's management, Town Council, and others within the entity 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

September 19, 2012

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## FINANCIAL STATEMENTS

The financial statements and accompanying notes were approved by management of the Town. The financial statements and notes are presented as intended by the Town.

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

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 28,202	\$ 171,139	\$ 173,026	\$ 26,315
Petty Cash	50	-	-	50
Motor Vehicle Highway	23,753	44,121	50,653	17,221
Local Road And Street	4,590	4,256	4,000	4,846
Sanitation	1,277	23,470	24,119	628
Energy Grant	-	-	2,000	(2,000)
Law Enforcement Continuing Education	107	2,544	2,179	472
Assistance To Firefighters	-	40,490	40,490	-
Levy Excess	-	395	-	395
Opo/Dui	-	92,916	80,996	11,920
Tax Increment Financing	56,872	149,903	162,750	44,025
Major Moves Construction	329,607	61,137	101,394	289,350
Loit-Public Safety	10,928	17,299	24,039	4,188
Cumulative Capital Improvement	6,177	1,745	6,000	1,922
Cumulative Capital Development	8,994	7,605	7,895	8,704
County Economic Development Income Tax	18,288	30,669	28,423	20,534
Payroll	-	183,660	183,660	-
Wastewater Utility-Operating	37,676	119,494	130,306	26,864
Wastewater Utility-Bond And Interest	14,059	10,260	9,601	14,718
Wastewater Utility-Debt Reserve	11,000	-	-	11,000
Water Utility-Operating	4,436	227,288	224,005	7,719
Water Utility-Bond And Interest	10,459	9,000	8,000	11,459
Water Utility-Customer Deposit	7,995	1,879	935	8,939
Water Reserve Fund	2,683	2,426	-	5,109
Water Utility-Debt Reserve	19,000	-	-	19,000
Totals	<u>\$ 596,153</u>	<u>\$ 1,201,696</u>	<u>\$ 1,264,471</u>	<u>\$ 533,378</u>

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

TOWN OF HUDSON  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 26,315	\$ 152,123	\$ 156,574	\$ 21,864
Motor Vehicle Highway	17,221	40,860	47,563	10,518
Local Road And Street	4,846	4,120	805	8,161
Sanitation	628	25,687	24,557	1,758
Energy Grant	(2,000)	8,940	8,260	(1,320)
Law Enforcement Continuing Education	472	1,759	1,350	881
Levy Excess	395	-	-	395
Tax Increment Financing	44,025	548,792	511,469	81,348
Major Moves Construction	289,350	881	103,953	186,278
Cumulative Capital Improvement	1,922	1,712	3,434	200
Cumulative Capital Development	8,704	5,086	-	13,790
County Economic Development Income Tax	20,534	23,974	19,302	25,206
Petty Cash	50	-	-	50
Opo/Dui	11,920	53,605	63,057	2,468
Loit-Public Safety	4,188	8,893	13,080	1
Payroll	-	205,562	205,562	-
Wastewater Utility-Operating	26,864	124,447	142,698	8,613
Wastewater Utility-Bond And Interest	14,718	10,260	10,057	14,921
Wastewater Utility-Debt Reserve	11,000	-	-	11,000
Water Utility-Operating	7,719	238,784	237,874	8,629
Water Utility-Bond And Interest	11,459	9,000	8,750	11,709
Water Utility-Customer Deposit	8,939	1,910	2,020	8,829
Water Reserve Fund	5,109	2,555	-	7,664
Water Utility-Debt Reserve	19,000	-	-	19,000
Totals	<u>\$ 533,378</u>	<u>\$ 1,468,950</u>	<u>\$ 1,560,365</u>	<u>\$ 441,963</u>

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

TOWN OF HUDSON  
NOTES TO FINANCIAL STATEMENTS

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council 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 statements present the financial information for the Town.

*B. Basis of Accounting*

The financial statements are 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 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 Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses 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.

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,

TOWN OF HUDSON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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, park rental fees, cable tv receipts, ordinance violations, and fines and fees.

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.

Penalties which include fees received for late payments.

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 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 Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

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.

TOWN OF HUDSON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 Town 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 Town. 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 Town. 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 Town 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 Town 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 Town 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.

TOWN OF HUDSON  
NOTES TO FINANCIAL STATEMENTS  
(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 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.

**Note 5. *Risk Management***

The Town 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 Town 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 Town by recording as a disbursement any replacement items purchased.

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### SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 2010 Annual Report can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

For additional financial information, the Town's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Town 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 approved by management of the Town. It is presented as intended by the Town.

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

	General	Petty Cash	Motor Vehicle Highway	Local Road And Street	Sanitation	Energy Grant	Law Enforcement Continuing Education
Cash and investments - beginning	\$ 28,202	\$ 50	\$ 23,753	\$ 4,590	\$ 1,277	\$ -	\$ 107
Receipts:							
Taxes	80,244	-	26,912	-	-	-	-
Licenses and permits	-	-	-	-	-	-	230
Intergovernmental	66,158	-	16,697	4,256	-	-	-
Charges for services	6,210	-	-	-	23,470	-	189
Fines and forfeits	3,308	-	-	-	-	-	452
Utility fees	-	-	-	-	-	-	-
Other receipts	15,219	-	512	-	-	-	1,673
Total receipts	<u>171,139</u>	<u>-</u>	<u>44,121</u>	<u>4,256</u>	<u>23,470</u>	<u>-</u>	<u>2,544</u>
Disbursements:							
Personal services	101,479	-	21,893	-	-	-	-
Supplies	3,107	-	18,330	2,400	-	-	-
Other services and charges	59,612	-	10,430	1,600	24,119	-	1,730
Debt service - principal and interest	8,828	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	2,000	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	449
Total disbursements	<u>173,026</u>	<u>-</u>	<u>50,653</u>	<u>4,000</u>	<u>24,119</u>	<u>2,000</u>	<u>2,179</u>
Excess (deficiency) of receipts over disbursements	<u>(1,887)</u>	<u>-</u>	<u>(6,532)</u>	<u>256</u>	<u>(649)</u>	<u>(2,000)</u>	<u>365</u>
Cash and investments - ending	<u>\$ 26,315</u>	<u>\$ 50</u>	<u>\$ 17,221</u>	<u>\$ 4,846</u>	<u>\$ 628</u>	<u>\$ (2,000)</u>	<u>\$ 472</u>

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

	Assistance To Firefighters	Levy Excess	Opo/Dui	Tax Increment Financing	Major Moves Construction	Loit-Public Safety	Cumulative Capital Improvement
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 56,872	\$ 329,607	\$ 10,928	\$ 6,177
Receipts:							
Taxes	-	395	-	64,543	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	38,219	-	92,916	2,758	-	10,515	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	<u>2,271</u>	<u>-</u>	<u>-</u>	<u>82,602</u>	<u>61,137</u>	<u>6,784</u>	<u>1,745</u>
Total receipts	<u>40,490</u>	<u>395</u>	<u>92,916</u>	<u>149,903</u>	<u>61,137</u>	<u>17,299</u>	<u>1,745</u>
Disbursements:							
Personal services	-	-	77,578	7,729	-	1,500	-
Supplies	-	-	-	15,655	-	-	-
Other services and charges	-	-	-	-	-	2,118	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	40,490	-	-	32,497	101,394	12,150	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	<u>-</u>	<u>-</u>	<u>3,418</u>	<u>106,869</u>	<u>-</u>	<u>8,271</u>	<u>6,000</u>
Total disbursements	<u>40,490</u>	<u>-</u>	<u>80,996</u>	<u>162,750</u>	<u>101,394</u>	<u>24,039</u>	<u>6,000</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>395</u>	<u>11,920</u>	<u>(12,847)</u>	<u>(40,257)</u>	<u>(6,740)</u>	<u>(4,255)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 395</u>	<u>\$ 11,920</u>	<u>\$ 44,025</u>	<u>\$ 289,350</u>	<u>\$ 4,188</u>	<u>\$ 1,922</u>

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

	Cumulative Capital Development	County Economic Development Income Tax	Payroll	Wastewater Utility-Operating	Wastewater Utility-Bond And Interest	Wastewater Utility-Debt Reserve
Cash and investments - beginning	\$ 8,994	\$ 18,288	\$ -	\$ 37,676	\$ 14,059	\$ 11,000
Receipts:						
Taxes	7,401	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	204	28,551	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	12,082	-	-
Other receipts	-	2,118	183,660	107,412	10,260	-
Total receipts	7,605	30,669	183,660	119,494	10,260	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	5,960	-	-	-	-
Debt service - principal and interest	-	-	-	30,885	3,601	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	45,478	-	-
Other disbursements	7,895	22,463	183,660	53,943	6,000	-
Total disbursements	7,895	28,423	183,660	130,306	9,601	-
Excess (deficiency) of receipts over disbursements	(290)	2,246	-	(10,812)	659	-
Cash and investments - ending	\$ 8,704	\$ 20,534	\$ -	\$ 26,864	\$ 14,718	\$ 11,000

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

	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility-Customer Deposit	Water Reserve Fund	Water Utility-Debt Reserve	Totals
Cash and investments - beginning	\$ 4,436	\$ 10,459	\$ 7,995	\$ 2,683	\$ 19,000	\$ 596,153
Receipts:						
Taxes	-	-	-	-	-	179,495
Licenses and permits	-	-	-	-	-	230
Intergovernmental	-	-	-	-	-	260,274
Charges for services	-	-	-	-	-	29,869
Fines and forfeits	-	-	-	-	-	3,760
Utility fees	85,003	9,000	-	-	-	106,085
Other receipts	<u>142,285</u>	<u>-</u>	<u>1,879</u>	<u>2,426</u>	<u>-</u>	<u>621,983</u>
Total receipts	<u>227,288</u>	<u>9,000</u>	<u>1,879</u>	<u>2,426</u>	<u>-</u>	<u>1,201,696</u>
Disbursements:						
Personal services	-	-	-	-	-	210,179
Supplies	-	-	-	-	-	39,492
Other services and charges	-	-	-	-	-	105,569
Debt service - principal and interest	-	3,000	935	-	-	47,249
Capital outlay	-	-	-	-	-	188,531
Utility operating expenses	70,802	-	-	-	-	116,280
Other disbursements	<u>153,203</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>557,171</u>
Total disbursements	<u>224,005</u>	<u>8,000</u>	<u>935</u>	<u>-</u>	<u>-</u>	<u>1,264,471</u>
Excess (deficiency) of receipts over disbursements	<u>3,283</u>	<u>1,000</u>	<u>944</u>	<u>2,426</u>	<u>-</u>	<u>(62,775)</u>
Cash and investments - ending	<u>\$ 7,719</u>	<u>\$ 11,459</u>	<u>\$ 8,939</u>	<u>\$ 5,109</u>	<u>\$ 19,000</u>	<u>\$ 533,378</u>

TOWN OF HUDSON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Local Road And Street	Sanitation	Energy Grant	Law Enforcement Continuing Education	Levy Excess
Cash and investments - beginning	\$ 26,315	\$ 17,221	\$ 4,846	\$ 628	\$ (2,000)	\$ 472	\$ 395
Receipts:							
Taxes	91,494	22,892	-	-	-	-	-
Licenses and permits	170	-	-	-	-	120	-
Intergovernmental	29,927	17,531	4,120	-	8,940	-	-
Charges for services	10,646	437	-	-	-	-	-
Fines and forfeits	1,916	-	-	-	-	400	-
Utility fees	-	-	-	-	-	-	-
Other receipts	17,970	-	-	25,687	-	1,239	-
Total receipts	<u>152,123</u>	<u>40,860</u>	<u>4,120</u>	<u>25,687</u>	<u>8,940</u>	<u>1,759</u>	<u>-</u>
Disbursements:							
Personal services	80,500	20,293	-	-	-	-	-
Supplies	3,228	26,584	805	-	-	621	-
Other services and charges	66,323	-	-	24,557	8,260	729	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	6,523	686	-	-	-	-	-
Total disbursements	<u>156,574</u>	<u>47,563</u>	<u>805</u>	<u>24,557</u>	<u>8,260</u>	<u>1,350</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(4,451)</u>	<u>(6,703)</u>	<u>3,315</u>	<u>1,130</u>	<u>680</u>	<u>409</u>	<u>-</u>
Cash and investments - ending	<u>\$ 21,864</u>	<u>\$ 10,518</u>	<u>\$ 8,161</u>	<u>\$ 1,758</u>	<u>\$ (1,320)</u>	<u>\$ 881</u>	<u>\$ 395</u>

TOWN OF HUDSON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Tax Increment Financing	Major Moves Construction	Cumulative Capital Improvement	Cumulative Capital Development	County Economic Development Income Tax	Petty Cash
Cash and investments - beginning	\$ 44,025	\$ 289,350	\$ 1,922	\$ 8,704	\$ 20,534	\$ 50
Receipts:						
Taxes	90,078	-	-	5,086	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	1,712	-	23,974	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	458,714	881	-	-	-	-
Total receipts	548,792	881	1,712	5,086	23,974	-
Disbursements:						
Personal services	-	-	-	-	5,110	-
Supplies	4,281	-	-	-	-	-
Other services and charges	455,688	-	-	-	11,184	-
Debt service - principal and interest	43,500	-	-	-	-	-
Capital outlay	8,000	103,953	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	3,434	-	3,008	-
Total disbursements	511,469	103,953	3,434	-	19,302	-
Excess (deficiency) of receipts over disbursements	37,323	(103,072)	(1,722)	5,086	4,672	-
Cash and investments - ending	\$ 81,348	\$ 186,278	\$ 200	\$ 13,790	\$ 25,206	\$ 50

TOWN OF HUDSON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Opo/Dui	Loit-Public Safety	Payroll	Wastewater Utility-Operating	Wastewater Utility-Bond And Interest	Wastewater Utility-Debt Reserve
Cash and investments - beginning	\$ 11,920	\$ 4,188	\$ -	\$ 26,864	\$ 14,718	\$ 11,000
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	8,730	-	-	-	-
Charges for services	53,605	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	513	10,260	-
Other receipts	-	163	205,562	123,934	-	-
Total receipts	<u>53,605</u>	<u>8,893</u>	<u>205,562</u>	<u>124,447</u>	<u>10,260</u>	<u>-</u>
Disbursements:						
Personal services	5,580	11,006	-	-	-	-
Supplies	-	2,074	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	43,212	10,057	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	97,520	-	-
Other disbursements	57,477	-	205,562	1,966	-	-
Total disbursements	<u>63,057</u>	<u>13,080</u>	<u>205,562</u>	<u>142,698</u>	<u>10,057</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(9,452)</u>	<u>(4,187)</u>	<u>-</u>	<u>(18,251)</u>	<u>203</u>	<u>-</u>
Cash and investments - ending	<u>\$ 2,468</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 8,613</u>	<u>\$ 14,921</u>	<u>\$ 11,000</u>

TOWN OF HUDSON  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For The Year Ended December 31, 2011  
(Continued)

	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility-Customer Deposit	Water Reserve Fund	Water Utility-Debt Reserve	Totals
Cash and investments - beginning	\$ 7,719	\$ 11,459	\$ 8,939	\$ 5,109	\$ 19,000	\$ 533,378
Receipts:						
Taxes	-	-	-	-	-	209,550
Licenses and permits	-	-	-	-	-	290
Intergovernmental	-	-	-	-	-	94,934
Charges for services	-	-	-	-	-	64,688
Fines and forfeits	-	-	-	-	-	2,316
Utility fees	238,784	9,000	1,910	2,555	-	263,022
Other receipts	-	-	-	-	-	834,150
Total receipts	<u>238,784</u>	<u>9,000</u>	<u>1,910</u>	<u>2,555</u>	<u>-</u>	<u>1,468,950</u>
Disbursements:						
Personal services	-	-	-	-	-	122,489
Supplies	-	-	-	-	-	37,593
Other services and charges	-	-	-	-	-	566,741
Debt service - principal and interest	11,564	8,750	-	-	-	117,083
Capital outlay	-	-	-	-	-	111,953
Utility operating expenses	76,689	-	2,020	-	-	176,229
Other disbursements	149,621	-	-	-	-	428,277
Total disbursements	<u>237,874</u>	<u>8,750</u>	<u>2,020</u>	<u>-</u>	<u>-</u>	<u>1,560,365</u>
Excess (deficiency) of receipts over disbursements	<u>910</u>	<u>250</u>	<u>(110)</u>	<u>2,555</u>	<u>-</u>	<u>(91,415)</u>
Cash and investments - ending	<u>\$ 8,629</u>	<u>\$ 11,709</u>	<u>\$ 8,829</u>	<u>\$ 7,664</u>	<u>\$ 19,000</u>	<u>\$ 441,963</u>

TOWN OF HUDSON  
SCHEDULE OF DEBT  
December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Notes and loans payable	2002 Water and Waste Line Expansion	\$ 141,471	\$ 31,200
Notes and loans payable	2011 Industrial Development	<u>290,921</u>	<u>31,200</u>
Total governmental activities		<u>432,392</u>	<u>62,400</u>
Wastewater:			
Revenue bonds	1985 USDA Sewage Works Revenue Bond	<u>33,000</u>	<u>9,471</u>
Water:			
Revenue bonds	1978 USDA Water Revenue Bond	<u>49,000</u>	<u>8,450</u>
Totals		<u>\$ 514,392</u>	<u>\$ 80,321</u>

TOWN OF HUDSON  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2011

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.

	Ending Balance
Wastewater:	
Land	\$ 51,466
Infrastructure	1,252,886
Improvements other than buildings	50,436
Total Wastewater	1,354,788
Water:	
Land	100,000
Infrastructure	478,985
Improvements other than buildings	17,250
Total Water	596,235
Total capital assets	\$ 1,951,023

TOWN OF HUDSON  
EXAMINATION RESULTS AND COMMENTS

***ERRORS ON CLAIMS***

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

1. Claims were not prepared for all disbursements.
2. Claims were not adequately itemized for all disbursements.
3. All Claims did not indicate what funds the disbursement was to be made from.

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."

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

***ORDINANCES AND RESOLUTIONS***

The Town has a resolution dated November 24, 2008, concerning a loan of \$21,500 from Major Moves Fund to be repaid by Cumulative Capital Development Fund over a 3-year period of time at 5 percent interest. Three payments of \$7,984.80 were to be paid by the 1st of December for the years 2009, 2010, and 2011. However, the Town did not make any payments from the Cumulative Capital Development Fund for the years 2010 and 2011.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF HUDSON  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**APPROVAL OF CLAIMS**

In 2011, claims were not prepared for the purchase of land and the purchase of a modular home. A sales disclosure agreement was presented for the land purchase, but no documentation was presented for the purchase of a modular home. The disbursements were included on the July 2011 vouchers payable list approved by the Board.

Indiana Code 5-11-10-2(a) states:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

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

**APPROPRIATIONS**

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

Fund	Years	Excess Amount Expended
Cumulative Capital Improvement	2010	\$ 3,000
Cumulative Capital Development	2010	1,395
Major Moves	2010	90,413
Major Moves	2011	82,163

Indiana Code 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."

**SALES TAX**

During the test of billings it was noted that the sales tax billed is more than what is actually calculated using the 7 percent sales tax rate. Per the current Clerk-Treasurer, the unit started billing an extra .03 percent to cover Utility Receipt Tax. Unit's rate ordinance does not include this additional charge.

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)

All questions concerning the law or procedure for paying and collecting sales tax should be directed to the Indiana Department of Revenue, Sales Tax Division. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF HUDSON  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**CONDITION OF RECORDS**

The following deficiencies, related to the recordkeeping, were present during our audit period:

1. Financial records presented for audit were incomplete and not reflective of the activity of the Major Moves Fund.
2. Cash Control did not equal cash of all funds.
3. Numerous posting errors were noted.
4. Monthly Financial Statements did not always agree with Ledger of Receipts, Disbursements and Balances and Simplified cash Journal of Utilities.
5. A bank reconciliation was not available for December 2010 and January 2011.

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)

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 transaction, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**PENALTIES, INTEREST, AND OTHER CHARGES**

During the examination of sales taxes, it was noted that notices had been sent for penalties and interest from the Indiana Department of Revenue, but there was no verification that these penalties and interest had been paid or excused by the Indiana Department of Revenue.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (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 transaction, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF HUDSON  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**CAPITAL ASSET RECORDS**

The Town's governmental capital asset ledgers were not maintained up to date.

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 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)

**NEGATIVE CASH BALANCES**

The Energy Grant Fund was overdrawn in 2010 and 2011 by \$2,000 and \$1,320, respectively.

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)

**TRANSFERS**

The following transfers were made during 2010 and 2011 without the authorization from the board.

Fund	2010		2011	
	From	To	From	To
General	\$ 2,288	\$ 12,000	\$ -	\$ 3,434
Motor Vehicle Highway	4,000	-	-	-
Tax Increment Financing	20,117	80,702	-	-
OPO-DUI	3,418	-	-	-
Major Moves	77,332	44,462	-	-
LOIT-Public Safety	8,271	-	-	163
County Economic Development Income Tax	20,345	-	163	-
Cumulative Capital Improvement	6,000	-	3,434	-
Cumulative Capital Development	-	2,288	-	-
Law Enforcement Continuing Education	-	48	-	-
Assistance to Firefighters	-	2,271	-	-

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)

TOWN OF HUDSON  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

***INVESTMENTS NOT AUTHORIZED BY STATUTE***

As stated in prior Report B38155, the Town invested in a brokerage account which included out of state municipal bonds in 2010 and 2011. At December 31, 2011, \$113,988.45 was invested in this account.

Indiana Code 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 investments 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.
- (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."

Losses related to investments and investment procedures which are not authorized by statute may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***FUND SOURCES AND USES***

As stated in prior Report B38155, funds were disbursed from the Tax Incremental Financing Fund for expenses not specifically allowed by Indiana Code 36-7-14-39.

TOWN OF HUDSON  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

These expenses were as follows:

	2010	2011
Town Manager/Marshal payroll and benefits	\$ 6,551	\$ -
Liability insurance	620	620
Miscellaneous office supplies	223	-
Equipment purchase/repair	24,877	732
Totals	\$ 32,271	\$ 1,352

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**

As stated in prior Report B38155, in 2010 the Town paid for individual health insurance plans for the Clerk-Treasurer, Town Manager/Marshal, and Utility Superintendent in the amount of \$10,040.

On January 1, 2011, the Town adopted a Section 125 Premium Only Plan. This plan states in part "Section 7.8 Source of Benefits. The Participating Employer and any insurance company contracts purchased or held by a participating Employer shall be the sole sources of the Plan . . ." Also, to enroll in the Plan, an employee must complete an election form each Plan Year. The "Plan Year" means the 12-month period commencing January 1 and ending on the subsequent December 31.

In 2011, the benefits totaling \$10,653 were paid directly to the employees to purchase their own insurance. No new election forms were completed for 2012. In 2012, the benefits are also paid directly to the employees to pay their own plan. The payments made directly to the employees to pay for their own personal insurance plan are not included on the employees' W-2s.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF HUDSON  
EXIT CONFERENCE

The contents of this report were discussed on September 19, 2012, with Marlene Smith, Clerk-Treasurer; Kathy Kope, President of the Town Council; and Atta Hayes, prior Clerk-Treasurer.