

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF HUDSON

STEBEN COUNTY, INDIANA

January 1, 2012 to December 31, 2015



**FILED**  
04/11/2017



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Marlene Smith Carla Olson	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President of the Town Council	Kathy Cope Rick Bailer	01-01-12 to 12-31-15 01-01-16 to 12-31-17
Superintendent of Utilities	Ed Miller	01-01-12 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our examination report of the Town of Hudson (Town), for the period from January 1, 2012 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statements Examination Report of the Town, which provides our opinion on the Town's financial statements. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

February 22, 2017

CLERK-TREASURER  
TOWN OF HUDSON  
EXAMINATION RESULTS AND COMMENTS

***ANNUAL FINANCIAL REPORTS***

The Annual Financial Reports (AFR) filed for 2012 through 2015 did not match the Town's ledgers. The AFRs also did not include Schedules of Payables and Receivables.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

***CONDITION OF RECORDS***

We observed the following deficiencies related to recordkeeping during our examination:

- Several posting errors were noted.
- Monthly Financial Statements did not always agree with the Ledger of Receipts Disbursements and Balances.
- Simplified Cash Journals were not maintained for the Water and Wastewater Utilities.
- 2013 Monthly Financial Statements did not include transactions for the Water and Wastewater Utilities.
- No monthly financial reports were prepared for 2016 as of January 31, 2017.

Officials and employees are required to use prescribed and approved forms in the manner prescribed.

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER  
TOWN OF HUDSON  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**OVERDRAWN CASH BALANCES**

The financial statements presented for examination included the following funds with overdrawn cash balances at December 31 of the year indicated:

<u>Years</u>	<u>Fund</u>	<u>Amount Overdrawn</u>
2012	General	\$ 31,570
2013	General	64,184
	Motor Vehicle Highway	5,427
	Loit-Public Safety	6,358
2014	Motor Vehicle Highway	384
	Loit-Public Safety	5,498

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 unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**BANK ACCOUNT RECONCILIATIONS**

Depository reconciliations of the fund balances to the bank account balances were not presented for examination for the months of November and December 2015. Also, no reconciliations have been prepared for 2016.

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."

CLERK-TREASURER  
TOWN OF HUDSON  
EXIT CONFERENCE

The contents of this report were discussed on February 22, 2017, with Carla Olson, Clerk-Treasurer; Rick Bailer, President of the Town Council; and Marlene Smith, former Clerk-Treasurer.