

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

EXAMINATION REPORT  
OF  
CITY OF UNION CITY  
RANDOLPH COUNTY, INDIANA  
January 1, 2006 to December 31, 2006



**FILED**  
11/14/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Anita Amspaugh	01-01-04 to 12-31-07
Mayor	Roger Hoover	01-01-04 to 12-31-07
President of the City Council	Mike Seidl Bryan Conklin	01-01-06 to 12-31-06 01-01-07 to 12-31-07
President of the Board of Works	Roger Hoover	01-01-04 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF UNION CITY, RANDOLPH COUNTY, INDIANA

We have examined the financial information presented herein of the City of Union City (City), for the period of January 1, 2006 to December 31, 2006. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

September 27, 2007

CITY OF UNION CITY  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES  
As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 979,046	\$ 1,576,143	\$ 1,789,829	\$ 765,360
Clerk's Record Perpetuation	2,748	1,005	1,109	2,644
Riverboat	58,850	22,793	37,028	44,615
Sidewalk Replacement	-	22,502	22,502	-
Motor Vehicle Highway	131,646	462,201	446,044	147,803
Local Road and Street	12,407	31,170	26,693	16,884
Park and Recreation	14,845	131,474	131,742	14,577
Cemetery	8,934	98,130	59,882	47,182
Criminal Justice Equipment	3,004	-	1,109	1,895
Law Enforcement Continuing Education	321	1,746	1,644	423
Video Camera Grant	-	5,940	5,940	-
Drug Forfeiture	491	-	-	491
Ambulance Nonreverting	123	209,393	191,255	18,261
Cemetery Nonreverting	108,062	110,814	100,120	118,756
Pool Concessions Nonreverting	7,146	14,468	5,180	16,434
Industrial Development	4,049	-	-	4,049
Police Donations	-	476	-	476
Criminal Justice Institute	1,068	-	-	1,068
EMS Training/Equipment Grant	3,001	-	3,001	-
FEMA Grant - Fire Department	10,163	-	10,163	-
Utilities	76,773	191,862	219,182	49,453
Rainy Day	129,382	150,000	5,000	274,382
Park Donation	18,410	39,054	38,145	19,319
Revolving Loan	100,475	16,428	662	116,241
Little Mississinewa River	152,685	3,246	99,625	56,306
Economic Development Income Tax	739,917	362,048	368,456	733,509
CEDIT - Program Income Service	199,359	971	-	200,330
Cumulative Capital Improvement	41,729	12,940	10,420	44,249
Cumulative Capital Development	55,514	18,006	13,098	60,422
Proprietary Funds:				
Water Utility - Operating	61,254	507,901	525,033	44,122
Water Utility - Bond and Interest	-	75,475	75,475	-
Water Utility - Debt Reserve	77,784	-	-	77,784
Water Utility - Water Tower	15,000	30,698	15,000	30,698
Water Utility - Depreciation	-	17,098	15,698	1,400
Water Utility - Customer Deposit	51,537	46,800	44,760	53,577
Wastewater Utility - Operating	153,374	736,341	788,924	100,791
Wastewater Utility - Bond and Interest	-	233,043	232,793	250
Wastewater Utility - Debt Reserve	230,341	849	849	230,341
Wastewater Utility - Depreciation	-	87,705	-	87,705
Fiduciary Funds:				
Firefighters' Pension	18,511	86,929	29,338	76,102
Police Officers' Pension	49,542	48,534	37,397	60,679
City Court User Fee	15,101	7,551	8,316	14,336
Payroll	20,974	1,629,927	1,630,021	20,880
Levy Excess	-	4,135	-	4,135
City Court	20,431	95,203	102,327	13,307
Totals	<u>\$ 3,573,997</u>	<u>\$ 7,090,999</u>	<u>\$ 7,093,760</u>	<u>\$ 3,571,236</u>

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

CITY OF UNION CITY  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (Indiana Code 5-13-9) authorizes 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.

CITY OF UNION CITY  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), 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% 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:

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.

CITY OF UNION CITY  
EXAMINATION RESULTS AND COMMENTS

ORDINANCES AND RESOLUTIONS

The City has an ordinance concerning mileage paid to employees when using personal vehicles for City business. The mileage paid was at the federal rate rather than the state rate as provided in Ordinance 2004-02.

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)

COLLECTION OF AMOUNTS DUE - FIRE PROTECTION

The amount of \$6,779 was due from several customers for public and private fire protection as of September 27, 2007. This represents 27% of all fire protection billings.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger.

At all times, the manual and 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)

CITY COURT - TRUST REGISTERS

As reported in prior Report B25983, the City Court financial records presented for examination did not include a trust register for bonds or restitution. We also noted a cash bond held for over 10 years that had not been remitted to the Attorney General.

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

Indiana Code 32-34-1-20(c)(6) states: "For property or proceeds held by a court or a court clerk, five (5) years after the property or proceeds become distributable. The property or proceeds must be treated as unclaimed property under Indiana Code 32-34-3."

CITY OF UNION CITY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

CITY COURT - PARTIAL PAYMENTS

There is no written policy addressing the acceptance of partial payments being made to the Court.

Each court should establish written guidelines for handling refunds and NSF checks. Such policy should also address whether the court will accept partial payment of court cost, fines and fees which are due. (Accounting and Uniform Compliance Guidelines for Courts, Chapter 4)

EMERGENCY AMBULANCE SERVICES - INTERNAL CONTROLS

Controls over the receipting, depositing, recording, and accounting for the financial activities were insufficient. The City has hired an ambulance billing company to bill and collect charges for ambulance services. Currently the City is not reviewing and reconciling the information processed by the ambulance billing company.

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)

FIRE DEPARTMENT - PAYROLL PROCEDURES

Firefighters were compensated for call back time. Call back time represents time worked when firefighters are actually called in to perform firefighting services. The hours paid for call back time were not added to the regular time worked, but paid separately as required by the salary ordinance. This call back time was also factored into the total time worked to determine if overtime was paid. This resulted in some firefighters being paid twice for the same time worked. The City is to contact the Department of Labor to determine the correct manner in determining overtime wages to be paid.

Firefighters were compensated for back-up call at a rate of \$1.50 per hour. Back-up call represents time the firefighters are on call. A back-up call schedule was created and posted periodically at the Fire Department. Firefighters sign up for individual days on the schedule. The Fire Chief was paying himself back-up call pay when he was not initially on the schedule. A copy of the schedule was made the day before the schedule was submitted to the Payroll Clerk. A comparison of this initial schedule to the schedule submitted to the Payroll Clerk indicated the Fire Chief would note his name on all days there was no other firefighter.

There were two firefighters who were coaching athletics while they were on duty.

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 for Cities and Towns, Chapter 7)

CITY OF UNION CITY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Indiana Code 35-44-2-4 states:

"(a) A public servant who knowingly or intentionally:

- (1) hires an employee for the governmental entity that he serves; and
- (2) fails to assign to the employee any duties, or assigns to the employee any duties not related to the operation of the governmental entity; commits ghost employment, a Class D felony.

(b) A public servant who knowingly or intentionally assigns to an employee under his supervision any duties not related to the operation of the governmental entity that he serves commits ghost employment, a Class D felony.

(c) A person employed by a governmental entity who, knowing that he has not been assigned any duties to perform for the entity, accepts property from the entity commits ghost employment, a Class D felony.

(d) A person employed by a governmental entity who knowingly or intentionally accepts property from the entity for the performance of duties not related to the operation of the entity commits ghost employment, a Class D felony.

(e) Any person who accepts property from a governmental entity in violation of this section and any public servant who permits the payment of property in violation of this section are jointly and severally liable to the governmental entity for that property. The attorney general may bring a civil action to recover that property in the county where the governmental entity is located or the person or public servant resides.

(f) For the purposes of this section, an employee of a governmental entity who voluntarily performs services:

(1) that do not:

- (A) promote religion;
- (B) attempt to influence legislation or governmental policy; or
- (C) attempt to influence elections to public office;

(2) for the benefit of:

- (A) another governmental entity; or
- (B) an organization that is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code;

(3) with the approval of the employee's supervisor; and

CITY OF UNION CITY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

(4) in compliance with a policy or regulation that:

(A) is in writing;

(B) is issued by the executive officer of the governmental entity; and

(C) contains a limitation on the total time during any calendar year that the employee may spend performing the services during normal hours of employment;

is considered to be performing duties related to the operation of the governmental entity."

CITY OF UNION CITY  
EXIT CONFERENCE

The contents of this report were discussed on September 27, 2007, with Anita Amspaugh, Clerk-Treasurer; Roger Hoover, Mayor; Bryan Conklin, President of the City Council; and Monty Poling, City Manager. The official response has been made a part of this report and may be found on pages 12 and 13.

CLERK-TREASURER

Anita Amspaugh

CHIEF OF POLICE

William Bradbury

CHIEF OF FIRE

Tim Crawford

CITY ATTORNEY

Linda Stemmer

**UNION**



**CITY**

105 N. Columbia Street  
Union City, Indiana 47390  
765-964-6534  
Fax: 765-964-7031

MAYOR

Roger Hoover

COUNCIL MEMBERS

Russ Reichard

Bryan Conklin

Susan Pyle, MD

Susan Linder

Chad Spence

October 4, 2007

Mr. Bruce Hartman, CPA, State Auditor  
Indiana State Board of Accounts  
302 W. Washington  
Indianapolis, IN 46204

Dear Mr. Hartman:

The Indiana State Board of Accounts recently presented their examination results and comments for the City of Union City and we would like to take this opportunity to respond to their findings by outlining the course of action we will follow to resolve the issues raised by the examiners:

• Ordinances and Resolutions:

**Finding:** The City has an ordinance concerning mileage paid to employees when using personal vehicles for city business. In several instances the mileage was erroneously paid at the federal rate instead of state rate as stated in Ordinance 2004-02.

**Response:** The payment of federal mileage rate was strictly an error in interpretation of a bulletin quoting the state and federal mileage rates and was corrected after only a few instances of paying the wrong rate of mileage. In the future, the City of Union City will strive to be more stringent in reviewing state and federal bulletins when mileage rates change to make sure the correct rates are paid according to our ordinances.

• Collection of Amounts Due – Fire Protection:

**Finding:** The audit noted the amount of \$6,799 was due from two (2) customers for public and private fire protection as of September 20, 2007, which represents twenty-seven (27%) of all fire protection billing.

Response: The City realizes the importance of collecting amounts due and owing the governmental unit pursuant to procedures authorized by statute. The two accounts in question are considered uncollectible through regular channels due to various reasons, therefore, the City will adopt a write off policy and, after all efforts for collections have been exhausted and documentation is in place, these amounts will be removed as bad debt.

- Emergency Ambulance Services-Internal Controls:

Finding: The audit revealed that the City is not reviewing and reconciling the information processed by the independent ambulance billing company to assure that all monies are being collected.

Response: The City realizes the importance of checks and balances when dealing with an outside resource and has conferred with the Union City EMS and the independent ambulance service to develop a check and balance process so that all parties are secure in the fact that all monies are being received for services rendered.

- Fire Department-Payroll Procedures:

Finding: It was noted that there were discrepancies in the process of payment for call back pay and back up pay for fire fighter/EMS personnel. There were also instances of two (2) firefighters who were coaching athletics while they were on duty.

Response: The City has diligently reviewed the payroll practices for this department and have corrected the policies and procedures for the documentation and payment of call back pay and back up pay which includes the fire chief amending the work schedule on a daily basis, as needed. Also, the practice of coaching athletics during duty time has been terminated. It should be noted that State of Accounts found only bookkeeping errors in these areas, no intentional wrongdoing by the fire chief.

The City of Union City would like to take this opportunity to thank the State Board of Accounts for allowing us to respond to their findings and will continue to work closely with your agency for the betterment of our City.

Respectfully,



Anita Amspaugh  
Clerk-Treasurer