

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

EXAMINATION REPORT

OF

CITY OF AURORA

DEARBORN COUNTY, INDIANA

January 1, 2009 to December 31, 2009



FILED
01/26/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Dennis R. Kinnett	01-01-08 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 Town Council	Donnie Hastings, Jr.	01-01-08 to 12-31-11
President of the Utility Service Board	John Borgman	01-01-09 to 12-31-10
Superintendent of Utilities	Randolph J. Turner	01-01-09 to 12-31-10
Utility Office Manager	Avis L. Rivera	01-01-09 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the City of Aurora (City), for the period of January 1, 2009 to December 31, 2009. 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, 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

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

STATE BOARD OF ACCOUNTS

November 23, 2010

CITY OF AURORA
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 80,958	\$ 1,465,557	\$ 1,144,099	\$ 402,416
Motor Vehicle Highway	67,525	136,303	188,057	15,771
Local Road and Street	-	32,189	76,352	(44,163)
Park and Recreation	100,614	100,097	151,314	49,397
Unsafe Buildings	32,670	24,812	60,148	(2,666)
Law Enforcement Continuing Education	2,424	3,560	-	5,984
Riverboat	4,834,416	2,360,869	2,132,629	5,062,656
Rainy Day	2,435	-	-	2,435
Donation	29,644	5,300	26,532	8,412
Local Grants	329,706	138,388	271,159	196,935
Operation Pullover	953	-	37,118	(36,165)
HD 970-020	9,285	-	19,267	(9,982)
HRA	11,225	31,703	21,988	20,940
Corporation Construction 350K Loan	145,641	-	-	145,641
Conwell Project	400,000	-	-	400,000
Lesko RFD DNR Match	179,401	-	109,930	69,471
Micro Loan	24,854	-	-	24,854
Record Preservation	31,340	-	-	31,340
Police Seizure	1,053	-	-	1,053
Housing Improvement	58,127	-	-	58,127
SR 56 Riverfront Development	42,800	-	-	42,800
ALT Trail Project	455	-	-	455
Main Streetscape Phase II	51,553	-	-	51,553
City Hall Project	121,712	-	-	121,712
City Court	-	78,516	37,179	41,337
Park Improvements	295	-	-	295
Low Interest Loan Program	101,607	2,025	-	103,632
Cumulative Capital Improvement	101,708	-	-	101,708
Cumulative Capital Development	3,488	37,405	37,219	3,674
Cumulative Fire and Police	23,631	-	-	23,631
Cumulative Park and Recreation	32,508	376	28,450	4,434
Proprietary Funds:				
Water Utility - Operating	72,163	954,097	1,036,146	(9,886)
Water Utility - Bond and Interest	(4)	123,649	123,645	-
Water Utility - Debt Service Reserve	129,990	41,475	-	171,465
Water Utility - Customer Deposit	30,876	63,207	61,953	32,130
Wastewater Utility - Operating	57,097	1,315,915	1,391,929	(18,917)
Wastewater Utility - Bond and Interest	185,373	311,951	327,853	169,471
Wastewater Utility - Debt Service Reserve	377,724	156,064	104,010	429,778
Wastewater Utility - Customer Deposit	41,637	20,706	35,020	27,323
Wastewater Utility - Construction	183,911	141	-	184,052
Gas Utility - Operating	(71,918)	3,513,804	3,370,958	70,928
Gas Utility - Customer Deposit	155,936	254,441	294,435	115,942
Gas Utility - Payroll	276	214,537	213,648	1,165
Gas Utility - Debt Service Reserve	140,152	-	18,332	121,820
Utility Clearing	(12,656)	5,620,593	5,604,940	2,997
Fiduciary Funds:				
Police Officers' Pension	104,169	183,637	84,462	203,344
Utility Retirement Plan	432,778	50,441	13,128	470,091
Payroll	14,577	1,679,169	1,674,638	19,108
Law Enforcement Continuing Education	16,493	8,391	10,225	14,659
Sales Tax	176	-	764	(588)
City Court	19,001	299,329	304,823	13,507
Northside Neighborhood Project Retainage	220	-	-	220
Telecommunication Escrow	14,277	17,563	-	31,840
Utility SR 350 Tank Retainage	27,454	42	-	27,496
County Court Fees	31,991	-	-	31,991
Totals	\$ 8,773,721	\$ 19,246,252	\$ 19,012,350	\$ 9,007,623

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

CITY OF AURORA
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, culture and recreation, public improvements, planning and zoning, general administrative services, economic development, gas, water, wastewater, and urban redevelopment and housing.

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 (IC 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 AURORA
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

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.

Utility Pension Plan

Plan Description

The Aurora Utilities (Water, Wastewater, and Gas) contribute to a Utilities Retirement Plan (URP) which is a single-employer defined benefit plan. The plan is administered by the City of Aurora Municipal Utilities and an appointed trustee as authorized by state statute (IC 8-1.5-3-7) for all employees over age 21 with one year service.

Funding Policy and Annual Pension Cost

Employee contributions are not required by the plan agreement.

CITY OF AURORA
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

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	\$ 1,401,250	\$ 146,715
Loans payable:		
City hall	<u>1,219,749</u>	<u>154,889</u>
Total governmental activities debt	<u>\$ 2,620,999</u>	<u>\$ 301,604</u>
Business-type activities:		
Water Utility:		
Loan payable:		
Water tower	\$ 243,727	\$ 101,049
Revenue bonds:		
1996 Waterworks improvement	<u>715,000</u>	<u>124,325</u>
Total Water Utility	<u>958,727</u>	<u>225,374</u>
Wastewater Utility:		
Loan payable:		
State revolving loan fund	3,198,426	260,732
Revenue bonds:		
2005 Sewage works refunding	<u>824,000</u>	<u>104,520</u>
Total Wastewater Utility	<u>4,022,426</u>	<u>365,252</u>
Total business-type activities debt	<u>\$ 4,981,153</u>	<u>\$ 590,626</u>

CITY OF AURORA
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS (Applies to City Council and Clerk-Treasurer)

Expenditures exceeded approved appropriations as follows:

1. The records presented for examination indicated expenditures in excess of budgeted appropriations by \$54,859 for the Local Road and Street Fund.

IC 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."

2. The City expended \$3,423,500 from the Riverboat Fund in excess of the approved appropriations by the City Council.

IC 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 had been made for that purpose and the appropriation is not exhausted . . ."

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. 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, and B35096.

CITY OF AURORA
EXAMINATION RESULTS AND COMMENTS
(Continued)

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

The following funds cash balances were overdrawn at December 31, 2009:

<u>Fund</u>	<u>Cash Balance</u>
Local Road and Street	\$ 44,163
Unsafe Buildings	2,666
Operation Pullover	36,165
HD 970-020	9,982
Sales Tax	588
Water Utility Operating	9,886
Wastewater Utility Operating	18,917

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, and B35096

CUSTOMER DEPOSIT REGISTER (Applies to All Utilities)

The detailed customer deposit registers as of December 31, 2009, for the Water Utility, Wastewater Utility, and Gas Utility were not presented for examination. Therefore, a reconciliation of the total individual customer deposits to the cash and investment balance as of December 31, 2009, could not be performed.

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)

A similar comment was reported in Reports B32679 and B35096.

COLLECTION OF AMOUNTS DUE (Applies to Clerk-Treasurer)

The following was noted concerning the repayment of economic development loans by local businesses:

1. To promote economic development, the City lent money to three local businesses under a microloan program. Under agreements with the respective businesses, the loans were to be repaid in monthly installments. According to City records, none of the three businesses have made any loan payments in the years 2007, 2008, and 2009. The following schedule shows the amount of each business's delinquent loan balance as of December 31, 2009:

CITY OF AURORA
EXAMINATION RESULTS AND COMMENTS
(Continued)

Business	Loan Balance December 31, 2009
Hoosier Wings and Rings, Inc. - Loan 1	\$ 3,892
Hoosier Wings and Rings, Inc. - Loan 2	24,583
George's Truck Accessories	2,317
Smither's Insulation	15,876

These amounts do not include recomputation of interest due on the outstanding loan balance. The City should recompute interest to date and pursue collection of the amounts owed by the borrowers based on the amounts in arrears including additional interest due.

2. To promote economic development, the City lent money to five local businesses under a business district development program. Under agreements with the respective businesses, the amount loaned would be forgiven 20% for each year the business stayed in operation or if the business ceased operating then there would be monthly repayment installments of \$333.34 beginning one month after the date of closing of the business. According to City Officials, as of December 31, 2008, three of the businesses that received a loan had discontinued operations. In 2009, the City did not receive any loan repayments from the three businesses as required by the loan agreements. The following schedule shows the amount of each business's delinquent loan as of December 31, 2009:

Business	Loan Balance 12-31-09
Crystal's Café	\$ 20,000
Bath and Biscuits Pet Spa	20,000
Tuscny by the River, Inc.	20,000

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)

EXCESS POLICE PENSION BENEFITS PAID

The City paid police pension benefits during the year 2009 to two retirees in excess of the amount authorized by IC 36-86-9(b). The following is a schedule of the retirees and the amount of the excess benefits paid:

CITY OF AURORA
EXAMINATION RESULTS AND COMMENTS
(Continued)

Name	Years of Service	Salary of 1st Class Patrolman	Benefit Percentage	Annual Benefit	Benefit Paid	Excess Benefits Paid
George Honchell	21.0	\$ 40,002.43	52%	\$ 20,801.26	\$ 21,425.70	\$ 624.44
William McCartney	21.5	40,002.43	53%	21,201.29	21,837.40	<u>636.11</u>
Total						<u>\$ 1,260.55</u>

IC 36-8-6-9(b) states in part:

"The 1925 fund shall be used to provide a member of the police department who retires from active duty after twenty (20) or more years of active duty an annual pension equal to fifty percent (50%) of the salary of a first class patrolman in the police department, plus:

- (1) for a member who retires before January 1, 1986, two percent (2%) of the first class patrolman's salary for each year of service; or
- (2) for a member who retires after December 31, 1985, one percent (1%) of the first class patrolman's salary for each six (6) months of service; of the retired member over twenty (20) years . . . "

City officials stated they planned to make arrangements to have the excess payments repaid and they would review payments made in 2010 to determine if any additional excess payments needed to be refunded.

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

OPERATING FUNDS USED FOR CITY EXPENSES (Applies to Gas Utility)

For the past several years the Gas Utility has been paying expenses from its Operating Fund for expenses related to the City's Street Department and the City's Parks and Recreation Department. It was the Gas Utility's practice to submit an invoice quarterly to the City for reimbursement of these nonutility related expenses. In 2009, payments totaling \$420 were paid from the Gas Utility Operating Fund. These payments were obligations of the Street Department and Parks and Recreation Department. However, the Gas Utility did not submit any invoices to the City for reimbursement in 2009. As of December 31, 2009, the City owed the Gas Utility Operating Fund a total of \$85,774.04.

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. Establishment of a Cash Reserve Fund permits transfer of surplus utility funds to the city or town general fund. After appropriation, such transferred funds may then be used for any legal general fund purpose. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

IC 8-1.5-3-11 states in part:

"(a) The money belonging to each municipally owned utility shall be kept by the municipal fiscal officer as separate funds as required by any bond ordinance or accounting procedures established by the commission or the state board of accounts. The municipal legislative

CITY OF AURORA
EXAMINATION RESULTS AND COMMENTS
(Continued)

body, with the approval of the board, may transfer surplus earnings of the utility to the general fund. The money may not, however, be transferred unless the terms and conditions of any bond ordinance, resolution ... or similar instrument binding upon the utility are complied with ...

(c) 'Surplus earnings' are those cash earnings remaining after provision has been made to take care of current obligations, including: (1) operating expense; (2) depreciation or replacement fund; (3) bond and interest sinking fund; (4) retirement fund; or (5) any other priority fund requirements fixed by law.

(d) ... transfers may not be made from any utility funds to the general fund except from the cash reserve fund ..."

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)

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

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, 2009:

<u>Bank Account</u>	<u>Amount</u>
Water Utility	\$ 3,528
Wastewater Utility	4,951
Gas Utility	5,447

IC 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."

IC 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: (1) board of finance of a political subdivision; or (2) 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."

CITY OF AURORA
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 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 prior Reports B32679 and B35096.

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

The following schedule shows outstanding temporary loans from the Water Utility Operating Fund and the Wastewater Utility Operating Fund to the Gas Utility Operating Fund.

<u>Date of Loan</u>	<u>Fund Loan To</u>	<u>Fund Loan From</u>	<u>Amount</u>
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	<u>50,000</u>
Total			<u><u>\$ 250,000</u></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.

IC 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 and B35096.

BANK ACCOUNT RECONCILIATIONS (Applies to Utilities)

The reconciliation of the bank account balances to the Utilities general ledger cash account balances presented for examination were incorrect for the following bank depository accounts:

1. Utility Clearing Account
2. Utility Deposit Clearing Account
3. Sewer Utility Cash - Bank of New York (P&I) Account

CITY OF AURORA
EXAMINATION RESULTS AND COMMENTS
(Continued)

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

"All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was reported in the prior Report B35096.

CITY USER FEE FUNDS - LAW ENFORCEMENT CONTINUING
EDUCATION PROGRAM FEES (Applies to Clerk-Treasurer)

Fees collected by the Police Department for handgun application permits, accident reports and VIN checks were being receipted into the Law Enforcement Continuing Education Fund (LECE Fund), an agency fund. The LECE Fund was established for the depositing of the \$4.00 law enforcement continuing education program fee collected by the City Court. Disbursements from this fund were made to law enforcement agencies for their share of the \$4.00 law enforcement continuing education program fees; however, payments were also made for Aurora Police Department training expenses.

The \$4.00 law enforcement continuing education program fee assessed by the city court shall be transmitted by the court clerk to the city fiscal officer to be deposited into a City User Fee Fund. A law enforcement agency may receive the fees that are attributable to the enforcement efforts of that agency by filing a claim with the City. The fees claimed by the local law enforcement shall be placed into a Local Law Enforcement Continuing Education Fund by the city fiscal officer. These fees then can be used for the continuing education and training of law enforcement officers employed by the agency. (Cities and Towns Bulletin and Uniform Compliance Guidelines, June 2005)

The following types of revenues shall be deposited into local law enforcement continuing education fund established under IC 5-2-8-2: (1) law enforcement continuing education fees; (2) inspection of motor vehicles fees; (3) vehicle accident report fees; (4) handgun licenses fees; and (5) proceeds from the sale of confiscated weapons. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

A similar comment was reported in the prior Report B35096.

INVESTMENT MATURITY LIMITATIONS (Applies to Clerk-Treasurer)

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

IC 5-13-9-5.6 states in part:

". . . investments made under this chapter must have a stated final maturity of not more than:
. . . (3) two (2) years . . . after the date of purchase or entry into a repurchase agreement"

A similar comment was reported in the prior Report B35096.

CITY OF AURORA
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS (Applies to Clerk-Treasurer and Utilities)

We noted the following deficiencies related to record keeping during 2010:

1. Financial transactions for the Water Utility, Wastewater Utility and Gas Utility were not posted to the respective Utilities' General Ledger for the period April 1, 2010 through October 31, 2010.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 7)

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)

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

2. Depository reconciliations of the fund balances to the bank account balances were not presented for examination for the period April 1, 2010 through September 30, 2010.

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

"All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF AURORA
EXIT CONFERENCE

The contents of this report were discussed on November 23, 2010, with Donnie Hastings, Jr., Mayor; Dennis R. Kinnett, Clerk-Treasurer; R. Brett Fehrman, Council member; Randolph J. Turner, Superintendent of Utilities; Jennifer R. Fehrman, Deputy Clerk Treasurer Utilities; and Linda Hughes, Deputy Clerk Treasurer.