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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

CITY OF AURORA

DEARBORN COUNTY, INDIANA

January 1, 2011 to December 31, 2011

FILED
04/10/2013

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SCHEDULE OF OFFICIALS

Office	Official	Term
Clerk-Treasurer	(Vacant)	01-01-11 to 01-16-11
	Bradley A. Fentress	01-17-11 to 10-03-11
	(Vacant)	10-04-11 to 10-11-11
	Randolph J. Turner	10-12-11 to 12-31-15
Mayor	Donnie Hastings, Jr.	01-01-08 to 12-31-15
President of the Board of Public Works	Donnie Hastings, Jr.	01-01-08 to 12-31-15
President of the Common Council	Donnie Hastings, Jr.	01-01-08 to 12-31-15
President of the Utilities Service Board	John Borgman	01-01-11 to 12-31-13
Superintendent of Utilities	Randolph J. Turner	01-01-11 to 12-31-13

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statement of the City of Aurora, for the year ended December 31, 2011. The financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on the financial statement based on our examination.

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

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City of Aurora for the year ended December 31, 2011, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the financial statement. It has not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, City 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

January 23, 2013

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FINANCIAL STATEMENT

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

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

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General Fund	$ 592,855	$ 3,460,274	$ 1,421,597	$ 2,631,532
Motor Vehicle Highway	(4,294)	236,551	226,188	6,069
Local Road & Streets	(291)	27,787	10,000	17,496
UCB Loan CDs (7 funds)	105,190	1,649	-	106,839
City Court 2	359	-	-	359
ARCC	-	237,532	237,532	-
Llece-Local Law Enforce	7,325	4,117	-	11,442
Unsafe Building	1,654	4,150	-	5,804
Gaming	744,625	1,833,077	2,392,916	184,786
Dept Of Parks	15,994	112,281	115,021	13,254
Rainy Day Fund	2,435	-	-	2,435
Cum. Cap. Development	5,255	34,059	-	39,314
Westside/Decatur	-	48,461	48,461	-
Phase 3 Sewer	51,559	11	51,570	-
Cum. Fire & Police	23,631	-	-	23,631
Cum. Park & Recreation	1,213	-	-	1,213
GreatCreasantGrant	-	200,000	200,000	-
Riverboat Capital Project	-	654,343	-	654,343
Cum. Cap. Improvement	101,708	-	-	101,708
Police Pension	107,669	77,407	70,678	114,398
County Court Fees	31,991	-	-	31,991
Grant ARCC DCF	-	57,946	12,263	45,683
Gaming-Endowment Grant	222,218	51,987	-	274,205
Grant Misc	440,497	272,946	412,376	301,067
Park Improvements	295	-	-	295
Hd-970-020(Ihfa)	9,285	-	-	9,285
Mainstreet Scape Phase Ii	51,553	-	-	51,553
SR 56 Riverfront Dev	42,800	-	-	42,800
Alt Trail Project	455	-	-	455
City Hall Project	121,712	-	-	121,712
Lesko Rfd (Dnr Match)	53,677	-	-	53,677
Corp Construction350Kloan	145,641	-	-	145,641
Operation Pull Over	-	1,112	1,112	-
First Financial Savings	96,483	107	-	96,590
Gaming Firehouse Money	1,402,949	57,627	152,701	1,307,875
Record Preservation	31,340	-	-	31,340
Police Seizure	1,053	-	-	1,053
City Court 1	16,290	28,207	44,496	1
Microloan Corp Account	24,854	-	-	24,854
Miscellaneous Donations	281,555	9,190	234,204	56,541
Lece-Court	14,610	-	-	14,610
SR350 Retainage	27,533	-	-	27,533
Gaming-People's Cd	2,002,708	98,683	2,101,391	-
Gaming Capital Reserve	780,567	-	-	780,567
Payroll-City	20,892	1,044,384	1,042,671	22,605
Hra	44,644	40,000	29,457	55,187
Payroll Utility	6,573	765,060	764,902	6,731
Sales Tax	(63)	988	870	55
Telecommunications Ucb	37,085	8,691	4,212	41,564
Sewer Customer Deposits	-	4,123	4,123	-
Wastewater Utility-Operating	(115,453)	1,794,784	1,656,594	22,737
Wastewater Utility-Customer Deposit	28,624	4,638	5,705	27,557
Wastewater Utility-Construction	(8,521)	36,167	27,646	-
Bond And Interest Bony	180,366	-	19,215	161,151
Debt Service Reserve Bony	334,699	39,024	-	373,723
Reserve	109,577	-	109,577	-
Wastewater B&I	(30,108)	110,525	80,417	-
SIEOC	-	8,943	8,823	120
SIEOC (2)	-	150,388	147,388	3,000
Water Customer Deposits	-	21,668	2,495	19,173
Sales Tax	-	29,488	41,500	(12,012)
Utility Pension	526,530	-	13,013	513,517
Water Utility-Operating	99,404	1,113,091	1,102,108	110,387
Water Utility-Bond And Interest	19,211	-	19,211	-
Water Utility-Depreciation/Improve	(75,517)	155,122	53,327	26,278
Water Utility-Customer Deposit	34,448	-	28,658	5,790
Water Bond And Interest	115,143	21,012	-	136,155
Reserve	128,975	-	-	128,975
Gas Customer Deposits	-	10,529	10,529	-
Gas- New	-	217,738	50,000	167,738
Gas Utility-Operating	(251,406)	3,546,335	3,359,803	(64,874)
Gas Utility-Bond And Interest	(1,932)	1,932	-	-
Gas Utility-Depreciation/Improve	(17,734)	38,151	20,417	-
Gas Utility-Customer Deposit	120,160	19,528	19,777	119,911
Gas Clearing Account	1,254	4,225,881	4,174,405	52,730
Cash Change	386	-	-	386
Reserve	121,820	-	121,820	-
Totals	$ 8,986,010	$ 20,917,694	$ 20,651,169	$ 9,252,535

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

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes include the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, and other taxes that are set by the City.

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, building and planning permits, demolition 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, 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 and other municipalities.

Charges for services which include: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

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

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

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; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements 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 City. It includes all expenditures for the reduction of the principal and interest of the City'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.

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

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

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

On Behalf Payments

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

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

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

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

D. Utilities Retirement Plan

The City also contributes to the Utilities Retirement Plan- an additional pension plan unique to the City. Information regarding this plan may be obtained from the City.

Note 7. Restatement of Beginning Cash Balances

For the year ended December 31, 2011, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the City.

Fund Name	Balance as of December 31, 2010	Prior Period Adjustment	Balance as of January 1, 2011
Utility Pension	$ -	$ 526,530	$ 526,530
City Court 2	-	359	359
Cornwell Street Project	400,000	(400,000)	-
UCB Loan CDs	-	105,190	105,190
Gas Payroll	1,165	(1,165)	-

The Utility Pension, Low Interest Loan Program, and City Court 2 funds were not included in the City's 2010 records and were not reported in the City's 2010 financial statement. The Conwell Street Project Fund was erroneously included in the year-end 2010 cash and investment balance when the fund had been completely expended in a prior period. There was a duplicate reporting of the Gas Payroll Fund on the 2010 financial statement.

Note 8. Cash Balance Deficits

The financial statements contain funds with deficits in cash on December 31, 2011. The deficits arose from timing differences in transfers from old funds to new funds created during the year.

Note 9. Redevelopment Authority

The City has entered into a capital lease with the Aurora Redevelopment Authority. The lessor was organized pursuant to state statute for the purpose of financing and constructing or reconstructing facilities to lease to the City. Total lease payments during the year ending December 31, 2011, were $152,701.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City'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 statement contained in this report and the financial information presented in the Annual Report of the City which is 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 City. It is presented as intended by the City.

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

	General Fund	Motor Vehicle Highway	Local Road & Streets	UCB Loan CDs (7 funds)	City Court 2	ARCC	Llece-Local Law Enforce	Unsafe Building
Cash and investments - beginning	$ 592,855	$ (4,294)	$ (291)	$ 105,190	$ 359	$ -	$ 7,325	$ 1,654
Receipts:								
Taxes	972,010	119,547	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	1,840
Intergovernmental	303,441	117,004	27,787	-	-	-	-	-
Charges for services	49,469	-	-	-	-	82,054	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	2,135,354	-	-	1,649	-	155,478	4,117	2,310
Total receipts	3,460,274	236,551	27,787	1,649	-	237,532	4,117	4,150
Disbursements:								
Personal services	900,197	135,455	-	-	-	88,529	-	-
Supplies	80,388	46,624	10,000	-	-	26,935	-	-
Other services and charges	428,951	28,424	-	-	-	23,351	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	6,997	-	-	-	-	98,717	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	5,064	15,685	-	-	-	-	-	-
Total disbursements	1,421,597	226,188	10,000	-	-	237,532	-	-
Excess (deficiency) of receipts over disbursements	2,038,677	10,363	17,787	1,649	-	-	4,117	4,150
Cash and investments - ending	$ 2,631,532	$ 6,069	$ 17,496	$ 106,839	$ 359	$ -	$ 11,442	$ 5,804

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

	Gaming	Dept. of Parks	Rainy Day Fund	Cum. Cap. Development	Westside/ Decatur	Phase 3 Sewer	Cum Fire & Police
Cash and investments - beginning	$ 744,625	$ 15,994	$ 2,435	$ 5,255	$ -	$ 51,559	$ 23,631
Receipts:							
Taxes	-	81,925	-	33,119	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	1,567,139	2,326	-	940	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	265,938	28,030	-	-	48,461	11	-
Total receipts	1,833,077	112,281	-	34,059	48,461	11	-
Disbursements:							
Personal services	514,867	29,874	-	-	-	-	-
Supplies	64,383	32,147	-	-	-	-	-
Other services and charges	1,196,400	52,875	-	-	48,461	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	183,879	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	433,387	125	-	-	-	51,570	-
Total disbursements	2,392,916	115,021	-	-	48,461	51,570	-
Excess (deficiency) of receipts over disbursements	(559,839)	(2,740)	-	34,059	-	(51,559)	-
Cash and investments - ending	$ 184,786	$ 13,254	$ 2,435	$ 39,314	$ -	$ -	$ 23,631

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

	Cum Park & Recreation	Great CreasantGrant	Riverboat Capital Project	Cum. Cap. Improvement	Police Pension	County Court Fees	Grant ARCC DCF
Cash and investments - beginning	$ 1,213	$ -	$ -	$ 101,708	$ 107,669	$ 31,991	$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	654,343	-	-	-	57,946
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	200,000	-	-	77,407	-	-
Total receipts	-	200,000	654,343	-	77,407	-	57,946
Disbursements:							
Personal services	-	-	-	-	70,678	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	200,000	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	12,263
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	200,000	-	-	70,678	-	12,263
Excess (deficiency) of receipts over disbursements	-	-	654,343	-	6,729	-	45,683
Cash and investments - ending	$ 1,213	$ -	$ 654,343	$ 101,708	$ 114,398	$ 31,991	$ 45,683

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

	Gaming-Endowment Grant	Grant Misc	Park Improvements	Hd-970-020(Ihfa)	Mainstreet Scape Phase II	SR 56 Riverfront Dev	Alt Trail Project
Cash and investments - beginning	$ 222,218	$ 440,497	$ 295	$ 9,285	$ 51,553	$ 42,800	$ 455
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	51,987	272,946	-	-	-	-	-
Total receipts	51,987	272,946	-	-	-	-	-
Disbursements:							
Personal services	-	342,872	-	-	-	-	-
Supplies	-	1,500	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	9,599	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	58,405	-	-	-	-	-
Total disbursements	-	412,376	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	51,987	(139,430)	-	-	-	-	-
Cash and investments - ending	$ 274,205	$ 301,067	$ 295	$ 9,285	$ 51,553	$ 42,800	$ 455

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

	City Hall Project	Lesko Rfd (Dnr Match)	Corp Construction350Kloan	Operation Pull Over	First Financial Savings	Gaming Firehouse Money	Record Preservation
Cash and investments - beginning	$ 121,712	$ 53,677	$ 145,641	$ -	$ 96,483	$ 1,402,949	$ 31,340
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	1,112	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	-	107	57,627	-
Total receipts	-	-	-	1,112	107	57,627	-
Disbursements:							
Personal services	-	-	-	1,112	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	119,743	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	32,958	-
Total disbursements	-	-	-	1,112	-	152,701	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	107	(95,074)	-
Cash and investments - ending	$ 121,712	$ 53,677	$ 145,641	$ -	$ 96,590	$ 1,307,875	$ 31,340

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

	Police Seizure	City Court 1	Microloan Corp Account	Miscellaneous Donations	Lece-Court	SR 350 Retainage	Gaming-People's CD
Cash and investments - beginning	$ 1,053	$ 16,290	$ 24,854	$ 281,555	$ 14,610	$ 27,533	$ 2,002,708
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	670	-	-	-	-	-
Fines and forfeits	-	18,084	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	9,453	-	9,190	-	-	98,683
Total receipts	-	28,207	-	9,190	-	-	98,683
Disbursements:							
Personal services	-	33,873	-	-	-	-	-
Supplies	-	1,273	-	-	-	-	-
Other services and charges	-	433	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	8,917	-	234,204	-	-	2,101,391
Total disbursements	-	44,496	-	234,204	-	-	2,101,391
Excess (deficiency) of receipts over disbursements	-	(16,289)	-	(225,014)	-	-	(2,002,708)
Cash and investments - ending	$ 1,053	$ 1	$ 24,854	$ 56,541	$ 14,610	$ 27,533	$ -

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

	Gaming Capital Reserve	Payroll-City	Hra	Payroll Utility	Sales Tax	Telecommunications Ucb	Sewer Customer Deposits
Cash and investments - beginning	$ 780,567	$ 20,892	$ 44,644	$ 6,573	$ (63)	$ 37,085	$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	988	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	4,123
Penalties	-	-	-	-	-	-	-
Other receipts	-	1,044,384	40,000	765,060	-	8,691	-
Total receipts	-	1,044,384	40,000	765,060	988	8,691	4,123
Disbursements:							
Personal services	-	998,106	29,457	707,528	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	1,160	-	3,256	-	4,212	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	4,123
Other disbursements	-	43,405	-	54,118	870	-	-
Total disbursements	-	1,042,671	29,457	764,902	870	4,212	4,123
Excess (deficiency) of receipts over disbursements	-	1,713	10,543	158	118	4,479	-
Cash and investments - ending	$ 780,567	$ 22,605	$ 55,187	$ 6,731	$ 55	$ 41,564	$ -

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

	Wastewater Utility-Operating	Wastewater Utility-Customer Deposit	Wastewater Utility-Construction	Bond And Interest Bony	Debt Service Reserve Bony	Reserve	Wastewater B&I
Cash and investments - beginning	$ (115,453)	$ 28,624	$ (8,521)	$ 180,366	$ 334,699	$ 109,577	$ (30,108)
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	709,927	4,638	-	-	-	-	110,521
Penalties	-	-	-	-	-	-	-
Other receipts	1,084,857	-	36,167	-	39,024	-	4
Total receipts	1,794,784	4,638	36,167	-	39,024	-	110,525
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	80,417
Capital outlay	-	-	27,646	-	-	-	-
Utility operating expenses	509,963	-	-	-	-	-	-
Other disbursements	1,146,631	5,705	-	19,215	-	109,577	-
Total disbursements	1,656,594	5,705	27,646	19,215	-	109,577	80,417
Excess (deficiency) of receipts over disbursements	138,190	(1,067)	8,521	(19,215)	39,024	(109,577)	30,108
Cash and investments - ending	$ 22,737	$ 27,557	$ -	$ 161,151	$ 373,723	$ -	$ -

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

	SIEOC	SIEOC (2)	Water Customer Deposits	Sales Tax	Utility Pension	Water Utility-Operating	Water Utility-Bond And Interest
Cash and investments - beginning	$ -	$ -	$ -	$ -	$ 526,530	$ 99,404	$ 19,211
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	8,943	150,388	21,668	-	-	466,980	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	29,488	-	646,111	-
Total receipts	8,943	150,388	21,668	29,488	-	1,113,091	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	8,823	147,388	-	-	-	685,057	-
Other disbursements	-	-	2,495	41,500	13,013	417,051	19,211
Total disbursements	8,823	147,388	2,495	41,500	13,013	1,102,108	19,211
Excess (deficiency) of receipts over disbursements	120	3,000	19,173	(12,012)	(13,013)	10,983	(19,211)
Cash and investments - ending	$ 120	$ 3,000	$ 19,173	$ (12,012)	$ 513,517	$ 110,387	$ -

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

	Water Utility-Depreciation/Improve	Water Utility-Customer Deposit	Water Bond And Interest	Reserve	Gas Customer Deposits	Gas-New	Gas Utility-Operating
Cash and investments - beginning	$ (75,517)	$ 34,448	$ 115,143	$ 128,975	$ -	$ -	$ (251,406)
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	155,122	-	-	-	-	-	54,183
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	10,529	217,738	1,280,042
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	21,012	-	-	-	2,212,110
Total receipts	155,122	-	21,012	-	10,529	217,738	3,546,335
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	10,529	-	413,086
Other disbursements	53,327	28,658	-	-	-	50,000	2,946,717
Total disbursements	53,327	28,658	-	-	10,529	50,000	3,359,803
Excess (deficiency) of receipts over disbursements	101,795	(28,658)	21,012	-	-	167,738	186,532
Cash and investments - ending	$ 26,278	$ 5,790	$ 136,155	$ 128,975	$ -	$ 167,738	$ (64,874)

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

	Gas Utility-Bond And Interest	Gas Utility Depreciation/Improve	Gas Utility-Customer Deposit	Gas Clearing Account	Cash Change	Reserve	Totals
Cash and investments - beginning	$ (1,932)	$ (17,734)	$ 120,160	$ 1,254	$ 386	$ 121,820	$ 8,986,010
Receipts:							
Taxes	-	-	-	-	-	-	1,206,601
Licenses and permits	-	-	-	-	-	-	1,840
Intergovernmental	-	-	-	-	-	-	2,941,343
Charges for services	-	-	-	-	-	-	133,181
Fines and forfeits	-	-	-	-	-	-	18,084
Utility fees	-	-	19,528	-	-	-	3,005,025
Penalties	-	-	-	-	-	-	-
Other receipts	1,932	38,151	-	4,225,881	-	-	13,611,620
Total receipts	1,932	38,151	19,528	4,225,881	-	-	20,917,694
Disbursements:							
Personal services	-	-	-	-	-	-	3,852,548
Supplies	-	-	-	-	-	-	263,250
Other services and charges	-	-	-	-	-	-	1,987,523
Debt service - principal and interest	-	-	-	-	-	-	80,417
Capital outlay	-	-	-	-	-	-	458,844
Utility operating expenses	-	-	-	-	-	-	1,778,969
Other disbursements	-	20,417	19,777	4,174,405	-	121,820	12,229,618
Total disbursements	-	20,417	19,777	4,174,405	-	121,820	20,651,169
Excess (deficiency) of receipts over disbursements	1,932	17,734	(249)	51,476	-	(121,820)	266,525
Cash and investments - ending	$ -	$ -	$ 119,911	$ 52,730	$ 386	$ -	$ 9,252,535

OVERDRAWN CASH BALANCES (Applies to Clerk-Treasurer)

The cash balances for the following funds were overdrawn on December 31, 2011:

Fund	Amount
Sales Tax	$ 12,012
Gas Utility Operating	64,874

City officials explained that the Sales Tax fund showed an overdrawn cash balance until such time as monies collected for sales tax being held in the Gas Clearing Account ending cash balance was transferred to the Sales Tax Fund.

City officials also explained that due to the transition to a new computerized record system, the Gas Utility Operating Fund balance at December 31, 2011, consists of two funds: the Gas Utility Operating fund shown in the above schedule and the Gas-New Fund which had an ending balance of $167,738 at December 31, 2011. The cash balances for these two funds when combined together results in a positive ending cash balance of $102,864.

The balance of any fund may not be reduced below zero. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN APPROPRIATIONS (Applies to Clerk-Treasurer)

Cash expenditures exceeded approved appropriations for the following funds:

Fund	Excess Amount Expended
Gaming	$ 307,058
Local Road and Street	10,000
Dept of Parks	5,126

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

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

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

A similar comment was reported in prior reports B38365 and B39935.

AURORA RECREATION COMMUNITY CENTER BOARD (Applies to Common Council)

The City operates an Aurora Recreation Community Center (ARCC). On February 21, 2011, the City Council approved the creation of an ARCC board consisting of three of the five City Council members and two citizens. ARCC board meeting dates and times were not advertised in advance. Minutes of the ARRC board meetings were not recorded and retained.

Indiana Code 5-14-1.5(a) states in part: "Public notice of the date, time, and place of any meetings, executive sessions, or of any rescheduled or reconvened meeting, shall be given at least forty-eight (48) hours (excluding Saturdays, Sundays, and legal holidays) before the meeting. . . ."

Indiana Code 5-14-1.5-4(b) and (c) states in part the following:

"(b) As the meeting progresses, the following memoranda shall be kept:

(1) The date, time, and place of the meeting.

(2) The members of the governing body recorded as either present or absent.

(3) The general substance of all matters proposed, discussed, or decided.

(4) A record of all votes taken, by individual members if there is a roll call.

(5) Any additional information required under IC 5-1.5-2-2.5."

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

AURORA RECREATION COMMUNITY CENTER FEES (Applies to Common Council)

The Aurora Recreation Community Center charges various fees for the activities conducted at the facility. No record of a City Council ordinance or resolution establishing the fees was presented for examination.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMMUNITY CENTER INTERNAL CONTROLS (Applies to ARCC Board)

In our review of the Aurora Recreation Community Center (ARCC) we noted the following deficiencies in internal controls:

1. Prior to July 2011, receipts were issued to customers using unapproved receipt forms.

   Use of generic receipt forms could be used to circumvent the controls provided by authorized prescribed forms. The State Board of Accounts prescribed receipt form requires the receipt to have the name of the unit and a receipt control number pre-printed on the form by the supplier. The use of the prescribed form allows the Department to have controls over the receipts that are issued in order to properly account for all receipts. By allowing the use of a generic receipt form, employees could more readily use their own receipt books to issue receipts without the knowledge of others and divert funds.

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)

2. Prescribed form, Report of Collections (Form 362), was not used. The unapproved substitute forms did not show prior collections and year-to-date collections as required by prescribed Form 362.

   Failure to properly document collections on the prescribed form weakens the City's ability to establish controls over collections. The year-to-date totals on the prescribed form provides a mechanism for the collection area to report all collections received for comparison with amounts reported in the City's financial records in order to ensure proper accounting and reporting of financial activity.

   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)

3. Receipts were not issued for all monies collected as shown in the following schedule:

	Collections from Customers		
Reporting Period	Totals Per Report of Collections	Totals Per Receipts Issued to Customers	Difference
06-06-11 to 06-15-11	$ 1,470.00	$ 170.00	$ 1,300.00
08-05-11 to 08-12-11	881.00	828.00	53.00

   Failure to issue receipts at the time of the transactions could result in monies not being properly accounted for or the source of the funds properly identified for financial reporting purposes.

   Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

4. We also noted monies collected were not being remitted by the ARCC to the Clerk-Treasurer at least weekly. We noted three checks dated in April of the year 2011 totaling $248 were not remitted to the Clerk-Treasurer until June 12, 2011.

Failure to remit monies timely for deposit weakens internal controls and increases the risk for the misappropriation of funds. If monies are not deposited daily, current collections can be substituted for previous collections that have not been remitted and have been misappropriated or checks from collections can be substituted for cash collections that have been misappropriated and not receipted. Failure to deposit funds daily increases the risk of theft from outside sources if the funds are not held in a secure location.

All collections made by any department or person connected with a city shall be turned in to the Clerk-Treasurer at least weekly. When large amounts of collections are involved in a city, turnovers shall be made daily to the Clerk-Treasurer or such collections deposited directly in the depository and duplicate deposit slips furnished the Clerk-Treasurer if this arrangement is acceptable to the Clerk-Treasurer. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 6)

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.

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)

MAYOR PROMOTIONAL ACTIVITIES (Applies to Mayor and Common Council)

The following is a schedule of costs paid for promotional activities from the Mayor's budget in the General Fund in 2011:

Description	Amount
Christmas Cards and Postage for 2010 and 2011	$ 1,558
Community Organizations	3,218
Flowers	184
Total	$ 4,960

Promotional Activities

In regards to the payment for promotional activities, no Home Rule ordinance was presented for examination authorizing the payment of promotional activities. A Home Rule ordinance needs to be adopted in accordance with Indiana Code 36-1-3 in order to enable a city or town to pay for such expenses. Additionally, an appropriation for such expenses must also be obtained.

In an effort to assist cities and towns that have not passed an enabling ordinance, but who wish to establish the promotion of business ordinance, many municipalities have used the following wording in their enabling ordinance.

"City and town councils are authorized to budget and appropriate funds from the general fund of the city, or town, to pay the expense of or to reimburse city officials or town officials, as the case may be, for expenses incurred in promoting the best interest of the city or town. Such expenses may include, but not necessarily be limited to, rental of meeting places, meals, decorations, memorabilia, awards, expenses incurred in promoting industrial, commercial, and residential development, expenses incurred in developing relations with other units of government and any other expenses of a civic or governmental nature deemed by the mayor or the town council to be in the best interest of the city or town."

Each city and town should establish, by ordinance, the parameters for such appropriations and expenditures. Such ordinance should list the specific types of promotional expenses which can be paid from moneys appropriated for such purpose. Please note that we would take audit exception to excessive amounts expended for employee meals, awards, gifts and similar expenses and amounts expended for items not listed in the ordinance." (Cities and Towns Bulletin and Uniform Compliance Guidelines, March 2012)

On October 15, 2012, the Common Council passed Ordinance 2012-09 authorizing expenditures for the promotion of City business.

Payments to Community Organizations for Promotional Activities

In regards to payments made to community organizations totaling $2,973, no contracts or agreements were presented for examination describing the services or promotional activities the community organizations were to provide to the City.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DISBURSEMENT PROCEDURES NOT FOLLOWED (Applies to Clerk-Treasurer)

It is the practice of the City to pay all claims prior to the Board of Works or Utility Service Board approval. No ordinance was presented for examination authorizing the payment of claims prior to approval of the Utility Service Board. City Ordinance 31.06 places restrictions on the type of expenses that the Clerk-Treasurer is authorized to pay prior to Board of Public Works and Safety approval. Ordinance 31.06 (A) states in part the following:

"The Clerk-Treasurer of the city with prior written approval of the Board of Public Works and Safety, is hereby authorized to make payment on the following kinds of expenses or claims prior to their allowance by the Board of Public Works and Safety:

(1) Property or services purchased or leased from the United States government, its agencies, or its political subdivisions;

(2) License or permit fees;

(3) Insurance premiums;

(4) Utility payments or utility connection charges;

(5) General grant programs where advance funding is not prohibited and the contracting party posts sufficient security to cover the amount advanced;

(6) Grants of state funds authorized by statute;

(7) Maintenance or service agreements;

(8) Leases or rental agreements;

(9) Bond or coupon payments;

(10) Payroll;

(11) State, federal, or county taxes:

(12) Expenses that must be paid because of emergency circumstances;"

Indiana Code 5-11-10-1.6 (c) states in part: "The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless . . . 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."

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

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

(b) . . . with prior written approval of the board having jurisdiction over the allowance of claims, the city fiscal officer may make claim payments in advance of board allowance . . . for . . . Expenses described in an ordinance. . . .

(d) The city legislative body or the city board having jurisdiction over the allowance of the claim shall review and allow the claim at its next regular or special meeting following the preapproved payment of the expense."

A similar comment was made in prior report B39935.

CAPITAL ASSET RECORDS (Applies to Clerk-Treasurer and Superintendent of Utilities)

The City and Utilities do not maintain detailed records identifying individual capital assets owned by the City and the Utilities.

A detailed record of capital assets is needed to provide accounting controls over capital assets, to report capital assets on the City's Annual Financial Report, and to provide supporting documentation for insurance purposes in the event of a loss.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was reported in prior Reports B31379, B32679, B35096, B38365, and B39935.

SALES TAX COLLECTION COMPLIANCE (Applies to Superintendent of Utilities)

On June 29, 2011, the City's Gas and Water Utilities were audited by the Indiana Department of Revenue for calendar years 2008, 2009, and 2010. The audit found the Gas and Water Utilities were improperly exempting sales to certain customers based on the acceptance of invalid exemption certificates. A tax liability of $141,842 was assessed to the Utilities. The Utilities protested the assessment. On February 1, 2012, the Indiana Department of Revenue in Letter of Findings Number: 04-20110475, accepted the retroactive submission of some properly completed exemption certificates and adjusted the final assessed tax liability to $9,595 plus interest.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Indiana Department of Revenue. (Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 7)

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 for Cities and Towns, Chapter 7)

ACCOUNTING FOR CUSTOMER DEPOSITS (Applies to Superintendent of Utilities)

We noted the following deficiencies regarding the accounting for customer deposits:

1. Customer deposits received as reported on the Monthly Meter Deposit Reports did not agree with receipts recorded in the accounting ledger for the respective Gas Utility, Water Utility, and Wastewater Customer Deposits Funds. There were various errors including receipts being recorded to the wrong Utility's Customer Deposit Fund. Corrections were attempted, but not all errors were corrected.

   Customer deposits reported on the Monthly Meter Deposit Report should agree with customer deposits recorded on the accounting ledger for the respective Utilities' Customer Deposit Fund.

2. Customer deposits refunded or applied as reported on the Monthly Meter Deposit Reports did not agree with disbursements recorded in the accounting ledger for the respective Gas Utility, Water Utility, and Wastewater Customer Deposits Funds. There were various errors including disbursements being recorded to the wrong Utility's Customer Deposit Fund. Corrections were attempted, but not all errors were corrected.

   Customer deposits reported on the Monthly Meter Deposit Report should agree with customer deposits recorded on the accounting ledger for the respective Utilities' Customer Deposit Fund.

3. The accounting reports that show month end customer deposit balances (customer deposit register) were not presented for examination. As a result, no documentation was presented for examination that Utility officials were performing month end reconcilements between the individual customer balances recorded in the customer deposit register with the total cash and investment balance on hand in the respective Utilities' Customer Deposit Funds.

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.

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)

At all times, the manual and/or computerized subsidiary ledgers and control ledgers/fund balances should agree. If the control fund balance is less than the subsidiary ledger, 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)

INTERNAL CONTROLS OVER ACCOUNTS RECEIVABLE (Applies to Superintendent of Utilities)

Documentation was not presented for examination that monthly reconcilements of detail listings of individual customer accounts receivable totals (subsidiary ledger) to control account balances were performed for the Gas, Water, and Wastewater Utilities. These reconcilements should be performed monthly to help identify errors and/or irregularities.

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.

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)

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

A similar comment was made in prior report B39935.

LOANS TO GAS UTILITY OPERATING FUND (Applies to Utility Service Board)

The following schedule shows outstanding loans at December 31, 2011, due from the Gas Utility to the Water Utility and Wastewater Utility:

Loan Date	Fund Receiving Loan	Lending Fund	Amount
02-03-07	Gas Utility Operating	Water Utility Operating	$ 50,000
12-03-07	Gas Utility Operating	Wastewater Utility Operating	100,000

Ordinances approving the temporary loans and establishing cash reserve funds for the Water and Wastewater Utilities were not presented for examination. The above loans have not been repaid as of December 31, 2012.

Indiana Code 8-1.5-3-11(f) states: "A cash reserve fund, if authorized by ordinance, may be used to make loans to another utility owned by the same municipality, for periods not to exceed five (5) years, at any interest rate. The repayment of the loan and interest shall be returned to the cash reserve fund."

Similar comments were reported in prior reports B32679, B35096, B38365, and B39935.

CITY OF AURORA
EXIT CONFERENCE

The contents of this report were discussed on January 23, 2013, with Donnie Hastings, Jr., Mayor, and Randolph J. Turner, Clerk-Treasurer/Superintendent of Utilities. The officials concurred with our findings.