

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

TOWN OF UPLAND

GRANT COUNTY, INDIANA

January 1, 2016 to December 31, 2018



FILED
12/26/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jane E. Rockwell Francene L. Sizemore	01-01-15 to 03-04-18 03-05-18 to 12-31-19
President of the Town Council	John Bonham	01-01-16 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF THE TOWN OF UPLAND, GRANT COUNTY, INDIANA

We have reviewed the accompanying financial statements of the Town of Upland (Town), for the period of January 1, 2016 to December 31, 2018. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Town's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with a regulatory basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana 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. This includes determining that the basis of accounting the Town uses is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.


INDEPENDENT ACCOUNTANT'S REVIEW REPORT
(Continued)

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the prescribed basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana 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. Our conclusion is not modified with respect to this matter.


Paul D. Joyce, CPA
State Examiner

November 20, 2019

FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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

TOWN OF UPLAND
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended December 31, 2016 and 2017

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16	Receipts	Disbursements	Cash and Investments 12-31-17
GENERAL FUND	\$ 397,427	\$ 777,772	\$ 784,740	\$ 390,459	\$ 757,198	\$ 764,332	\$ 383,325
MOTOR VEHICLE HIGHWAY FUND	52,894	137,625	143,834	46,685	138,131	123,620	61,196
LOCAL ROAD AND STREET FUND	39,110	29,905	29,080	39,935	47,675	-	87,610
POLICE CONTINUING EDUCATION	6,743	2,695	-	9,438	1,862	600	10,700
RAINY DAY FUND	10,618	-	-	10,618	-	-	10,618
LEVY EXCESS	161	-	161	-	-	-	-
CUMULATIVE CAPITAL DEVELOPMENT	63,874	-	-	63,874	-	-	63,874
CUMULATIVE CAPITAL IMPROVEMENT	7,266	9,800	5,000	12,066	9,351	-	21,417
RIVERBOAT WAGERING	63,311	22,725	3,842	82,194	22,778	-	104,972
LOIT SPECIAL DISTRIBUTION	-	38,087	-	38,087	-	-	38,087
RECREATION DONOR FUND	10,000	27,108	20,004	17,104	5,317	10,406	12,015
OTHER FINANCING USES	1,100	4,800	2,996	2,904	30,456	26,906	6,454
PAYROLL FUND	16,719	684,280	690,266	10,733	673,590	671,047	13,276
SEWAGE OPERATING	4,488	610,496	599,136	15,848	662,836	575,385	103,299
SEWAGE SINKING FUND	45,996	148,045	179,543	14,498	164,679	179,177	-
RESERVE ACCOUNT/SEWAGE	104,500	-	-	104,500	-	104,500	-
WATER OPERATING	86,317	552,636	617,278	21,675	578,032	437,885	161,822
WATER METER FUND	70,445	12,960	8,224	75,181	11,760	10,157	76,784
WATER DEPRECIATION FUND	240,950	-	37,485	203,465	-	147,514	55,951
RESERVE ACCOUNT/WATER	234,822	-	-	234,822	-	-	234,822
WATER SINKING	199,640	195,592	234,732	160,500	175,896	234,471	101,925
WATER WORKS CONSTRUCTION FUND	340	-	-	340	-	-	340
STORM SEWER NON-REVERTING CAPITAL	36,563	40,001	72,984	3,580	44,725	48,275	30
Totals	<u>\$ 1,693,284</u>	<u>\$ 3,294,527</u>	<u>\$ 3,429,305</u>	<u>\$ 1,558,506</u>	<u>\$ 3,324,286</u>	<u>\$ 3,334,275</u>	<u>\$ 1,548,517</u>

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

TOWN OF UPLAND
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2018

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18
GENERAL FUND	\$ 383,325	\$ 767,760	\$ 848,224	\$ 302,861
MOTOR VEHICLE HIGHWAY FUND	61,196	179,696	131,948	108,944
LOCAL ROAD AND STREET FUND	87,610	51,611	29,470	109,751
RTP GRANT	-	1,000	26,000	(25,000)
POLICE CONTINUING EDUCATION	10,700	1,566	2,637	9,629
RAINY DAY FUND	10,618	-	-	10,618
CUMULATIVE CAPITAL DEVELOPMENT	63,874	-	-	63,874
LOCAL ROAD AND BRIDGE MATCHING GRANT FUND	-	274,319	274,319	-
CUMULATIVE CAPITAL IMPROVEMENT	21,417	8,988	18,000	12,405
RIVERBOAT WAGERING	104,972	22,777	51,125	76,624
LOIT SPECIAL DISTRIBUTION	38,087	-	-	38,087
RECREATION DONOR FUND	12,015	4	-	12,019
OTHER FINANCING USES	6,454	68	-	6,522
PAYROLL FUND	13,276	650,123	661,670	1,729
SEWAGE OPERATING	103,299	579,514	647,640	35,173
WATER OPERATING	161,822	559,704	713,039	8,487
WATER METER FUND	76,784	18,282	11,254	83,812
WATER DEPRECIATION FUND	55,951	-	-	55,951
RESERVE ACCOUNT/WATER	234,822	-	-	234,822
WATER SINKING	101,925	312,287	234,053	180,159
WATER WORKS CONSTRUCTION FUND	340	-	-	340
STORM WATER NON-REVERTING CAPITAL	30	50,035	24,063	26,002
	\$ 1,548,517	\$ 3,477,734	\$ 3,673,442	\$ 1,352,809
Totals	\$ 1,548,517	\$ 3,477,734	\$ 3,673,442	\$ 1,352,809

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

TOWN OF UPLAND
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statements present the financial information for the Town.

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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

C. Cash and Investments

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

D. Receipts

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

Taxes. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits. 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 the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF UPLAND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits. Amounts received 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. Amounts received from charges for current services.

Other receipts. Amounts received from various sources, including, but not limited to, the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements include the following uses:

Personal services. Amounts disbursed 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. Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service - principal and interest. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

TOWN OF UPLAND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses. Amounts disbursed for operating the utilities.

Other disbursements. Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by December 31 of the year preceding the budget year or January 15 of the budget year if the Town is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

TOWN OF UPLAND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plan

The Town contributes to a pension plan unique to the Town. Information regarding this plan may be obtained from the Town.

Note 7. Cash Balance Deficit

The financial statements contain a fund with deficits in cash. This is a result of the fund being set up for reimbursement grants. The reimbursements for expenditures made by the Town were not received by December 31, 2018.

Note 8. Renamed Funds

Some funds were reported in the previous report with different names. The following schedule shows the previous fund name and the current fund name:

TOWN OF UPLAND
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Fund Name Prior Financial Statements</u>	<u>Fund Name Current Financial Statements</u>
Riverboat	Riverboat Wagering
Law Enforcement Continuing Education	Police Continuing Education
Donation	Other Financing Uses
Water Debt Reserve	Reserve Account/Water
Water Bond and Interest	Water Sinking
Water Customer Deposits	Water Meter Fund
Water Construction	Water Works Construction Fund
Wastewater Operating	Sewage Operating
Wastewater Bond and Interest	Sewage Sinking Fund
Storm Water Non-Reverting	Storm Sewer Non-Reverting Capital
Wastewater Debt Reserve	Reserve Account/Sewage

TOWN OF UPLAND
REVIEW RESULTS AND COMMENTS

DELINQUENT WASTEWATER ACCOUNTS

The same comment also appeared in prior Reports B37087, B42237, and B46938.

Condition and Context

Delinquent wastewater fees and penalties had not been recorded with the County Recorder, nor were they certified to the County Auditor, which would result in a lien against the property.

Criteria

Indiana Code 36-9-23-33 states in part:

". . . (c) Except as provided in subsection (m), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

- (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.

- (B) A description of the premises, as shown by the records of the county auditor.

- (C) The amount of the delinquent fees, together with the penalty.

- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent.

(d) The officer shall record a copy of each list or each individual instrument with the county recorder . . .

(f) . . . Using the lists and instruments prepared under subsection (c) and recorded under subsection (d), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (d), certify to the county auditor a list of the unpaid liens for collection with the next May installment of property taxes. . . ."

TOWN OF UPLAND
REVIEW RESULTS AND COMMENTS
(Continued)

TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

Documentation that the Clerk-Treasurer had received training over internal control standards was not provided. Training on internal control standards had not been provided to other required Town personnel. The Town incorrectly certified on the Indiana Gateway for Government Units financial reporting system that the training on internal control standards was completed by the required Town personnel.

Criteria

Indiana 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

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

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

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Francene Sizemore
Clerk Treasurer

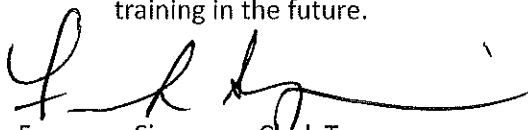
John Bonham
Council President

11/22/2019

State Board of Accounts
302 Washington St., Room E418
Indianapolis, IN 46204-2765

In response to the exit conference that was held on November 20, 2019 with the State Board of Accounts, the findings will be resolved in the following manner:

1. Presently liens are not placed on outstanding sewage utility bills due to the lack of information received from Upland residents on the Meter Deposit/Disconnect Form. This form was revised and in effect as of June 1, 2019 now providing the necessary information. The Upland Clerk Treasurer will work with the Town Attorney on establishing a process moving forward.
2. The Internal Control Standards training required by the State Board of Accounts is to be viewed and documented by all parties responsible for the towns finances including the Clerk-Treasurer, the Deputy Clerk and members of the Upland Council. At this time, the Clerk-Treasurer and Deputy Clerk have completed this training and it has been documented. The Upland Council members will hold an Administrative Meeting and view this training within the next 90 days. The documentation of this training will be kept by the Clerk-Treasurer. New employees responsible for the town's finances and new Council members will be required to complete this training in the future.



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TOWN OF UPLAND
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2019, with Francene L. Sizemore, Clerk-Treasurer; John Bonham, President of the Town Council; and Jonathan Perez, Town Manager.