

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

EXAMINATION REPORT

OF

CITY OF TIPTON

TIPTON COUNTY, INDIANA

January 1, 2005 to December 31, 2005



**FILED**  
08/25/2006



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Accountant's Report .....	3
Schedule of Receipts, Disbursements, and Cash and Investment Balances.....	4
Notes to Schedule .....	5-6
Examination Results and Comments:	
Official Bonds.....	7
Overdrawn Fund Balances .....	7
Exit Conference.....	8
Official Response .....	9

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tamera L. Clark	01-01-04 to 12-31-07
Mayor	George Ogden	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	George Ogden	01-01-04 to 12-31-07
President of the Common Council	Mike Dollens	01-01-04 to 12-31-06
President of the Utility Service Board	Mark Raver	01-01-04 to 12-31-06
Utility Manager	David Reep	01-01-04 to 12-31-06
Superintendent of Electric Utility	Larry Anderson	01-01-04 to 12-31-06
Superintendent of Water Utility	Thomas Spay	01-01-04 to 12-31-06
Superintendent of Wastewater Utility	Harry Hoelscher Troy Hooker	01-01-04 to 05-08-05 05-09-05 to 12-31-06
Utility Office Manager	Deborah K. Ploughe	01-01-04 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF TIPTON, TIPTON COUNTY, INDIANA

We have examined the schedule of receipts, disbursements, and cash and investment balances of the City of Tipton, for the period of January 1, 2005 to December 31, 2005. The City's management is responsible for the schedule. 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 schedule of receipts, disbursements, and cash and investment balances 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 schedule referred to above presents fairly, in all material respects, the cash transactions of the City for the year ended December 31, 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

July 5, 2006

CITY OF TIPTON  
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, 2005

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 985,115	\$ 4,149,541	\$ 4,114,397	\$ 1,020,259
Motor Vehicle Highway	60,268	159,218	182,565	36,921
Local Road and Streets	29,856	20,092	33,047	16,901
Law Enforcement Continuing Education	6,848	2,788	3,093	6,543
Fire Arms Training	48	-	-	48
Motor Vehicle Inspection	240	-	-	240
Unsafe Building	10,616	2,260	-	12,876
Court Clerk Record Perpetuation	7,748	1,938	1,600	8,086
Police Safety Grant	467	-	-	467
Fairview Beautification	5	-	-	5
Street and Sewer	8,098	3,942	2,460	9,580
Sidewalk Construction	51,477	43,569	1,651	93,395
Arson Investigation	347	-	347	-
Fire Training	1,093	-	-	1,093
Fire Prevention	1,200	125	-	1,325
Fire Specialized Equipment Fund	3,617	675	1,301	2,991
Police Special Equipment	6,532	2	6,534	-
Christmas Project	-	1,095	1,095	-
Woods Memorial	254	-	-	254
Rainy Day Fund	51,852	-	-	51,852
County Economic Development Income Tax	272,237	307,317	427,218	152,336
Riverboat Fund	33,204	66,223	46,500	52,927
Building Inspection	14,142	10,895	3,597	21,440
Historic Building	500	-	-	500
Industrial Park	2,615	34	-	2,649
Building Maintenance	29,457	9,325	16,082	22,700
Tipton Co Comm Center	789	-	-	789
Summer Recreation	2,439	3,770	3,850	2,359
Economic Development Comm	7,798	-	-	7,798
Findling Trust	11,827	-	-	11,827
Cemetery/Mausoleum	11,295	-	-	11,295
Cemetery/Perpetual Care	57,847	2,840	-	60,687
Lebo Endowment	36,307	1,414	-	37,721
Golf Credit Card Reimbursement	(3,032)	47,153	43,903	218
Interest Clearing	-	47,057	45,563	1,494
Utility Clearing	-	10,461,801	10,419,757	42,044
City Court	17,302	168,624	171,810	14,116
Golf Capital Improvement	43,660	37,528	28,645	52,543
Cumulative Capital Improvement	95,970	16,232	-	112,202
Cumulative Capital Development	140,864	47,815	82,433	106,246
Public Safety Building	731	-	-	731
Park Beautification	437	-	-	437
Proprietary Funds:				
Electric Utility	1,107,158	8,373,515	7,911,187	1,569,486
Water Utility	617,660	984,451	957,891	644,220
Wastewater Utility	850,405	1,555,118	1,435,492	970,031
Fiduciary Funds:				
Police Pension	134,615	99,094	98,286	135,423
Fire Pension	152,052	182,472	134,240	200,284
Payroll	11,505	3,873,411	3,885,021	(105)
Court Cost Due County	1,643	15,569	15,569	1,643
Law Enforcement Continuing Education User Fee	28,134	2,913	3,141	27,906
Health Insurance Clearing	-	162,734	162,734	-
Totals	<u>\$ 4,905,242</u>	<u>\$ 30,862,550</u>	<u>\$ 30,241,009</u>	<u>\$ 5,526,783</u>

The accompanying notes are an integral part of the schedules.

CITY OF TIPTON  
NOTES TO SCHEDULE

Note 1. Introduction

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

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

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

Note 5. Deposits and Investments

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

State statute (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 TIPTON  
NOTES TO SCHEDULE  
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

Note 7. Long-Term Debt

The City has entered into various debts such as a loan for Wastewater Treatment Facilities Improvements; a loan for Golf Course Improvements; and various capital leases for the construction of a Public Safety Building and various equipment items. The outstanding principal at December 31, 2005, was \$1,552,000, \$75,676, and \$731,038, respectively.

CITY OF TIPTON  
EXAMINATION RESULTS AND COMMENTS

OFFICIAL BONDS

The following deficiencies were noted on official bonds during the audit period:

- (1) Official bonds were not obtained for the Utility Superintendents for the Electric, Water and Wastewater Utilities.
- (2) The Police Pension Secretary is bonded for \$2,500. The minimum amount for a bond is \$8,500.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

Indiana Code 8-1.5-3-5(c) states: "The superintendent shall give bond in the sum not less than double the estimated amount of money that may be in his hands at any time. The bond shall be conditioned upon the faithful discharge of his duties and the payment to the proper person of all money in his hands. The bond is subject to the approval of the executive of the municipality."

Indiana Code 5-4-1-18 states: "The amount of the bond of any other person (other than the Clerk-Treasurer) required to file an individual bond shall be fixed by the fiscal body of the unit at not less than eight thousand five hundred dollars (\$8,500)."

OVERDRAWN FUND BALANCES

The Payroll Fund was overdrawn at December 31, 2005, in the amount of \$105.

The fund 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)

CITY OF TIPTON  
EXIT CONFERENCE

The contents of this report were discussed on July 6, 2006, with Tamera L. Clark, Clerk-Treasurer; George Ogden, Mayor; Mark Raver, President of the Utility Service Board; and Deborah K. Ploughe, Utility Service Manager. The official response has been made a part of this report and may be found on page 9.

**CITY OF TIPTON**

**Legal Department**

P. O. BOX 288

TIPTON, INDIANA 46072-0288

July 6, 2006

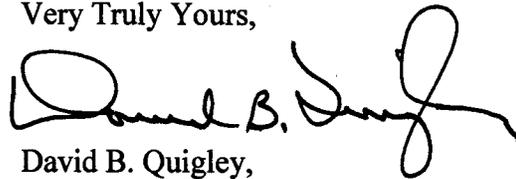
To: Tipton Utility Service Board

I have been given a copy of the recent State Board of Accounts audit summary of the utility company. It references the fact that the Superintendents are not bonded and refers to I.C. 8-1.5-3-5(c) as authority that they should be.

The statute clearly provides for a bond in a sum not less than double the estimated amount of money that may be in their hands at any time. Since they do not handle utility money, it is my opinion that bonds are not required.

The citation to I.C. 5-4-1-5.1(b) is superfluous since the bonds are not required and in any event the statute needs to be read in conjunction with I.C. 5-4-1-18 which sets forth those officials and employees for whom bonds are required. Superintendents are not in that class of officials or employees unless directed to by the fiscal body. Our fiscal body has never directed that this be done.

Very Truly Yours,



David B. Quigley,  
Attorney for the City of Tipton and  
the Tipton Utility Service Board

DBQ/jeb