

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

EXAMINATION REPORT

OF

CITY OF BUTLER

DEKALB COUNTY, INDIANA

January 1, 2005 to December 31, 2005



FILED
09/19/2006

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Catharine S. Minehart	01-01-04 to 12-31-07
Mayor	Floyd C. Coburn	01-01-04 to 12-31-07
President of the Common Council	Ronald L. Walter	01-01-05 to 12-31-06



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF BUTLER, DEKALB COUNTY, INDIANA

We have examined the schedule of receipts, disbursements, and cash and investment balances of City of Butler, 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

August 14, 2006

CITY OF BUTLER
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	\$ 65,183	\$ 973,522	\$ 967,557	\$ 71,148
Special Revenues:				
Motor Vehicle Highway	25,120	324,983	293,794	56,309
Local Road and Street	14,033	13,991	14,000	14,024
Park and Recreation	(24,749)	106,291	69,896	11,646
Park and Recreation Donation Fund	5,315	375	670	5,020
Law Enforcement Continuing Ed	7,939	1,570	5,315	4,194
Clerk's Record Perpetuation	24,688	34,154	27,207	31,635
Unsafe Building Fund	8,658	6,000	-	14,658
Riverboat Fund	34,538	17,482	18,568	33,452
Historic Preservation Grant	10,000	-	-	10,000
Rainy Day Fund	16,568	-	-	16,568
Click It or Tick It	10	-	-	10
Fire Cost Recovery	26,565	20,209	20,000	26,774
Recycling Fund	158	-	-	158
County Drugfree Grant Fund	1,500	-	-	1,500
Redevelopment Commission	(877)	33,088	132	32,079
Police Donation	27,582	34,531	36,755	25,358
Garbage Collection	7,714	86,972	85,531	9,155
Cemetery Trust	346	1,860	1,000	1,206
South Side Park Fund	2,108	180	281	2,007
Community Development Revolving Loan Fund	52,669	2,895	-	55,564
Debt Service:				
Debt Service	18,797	11,637	30,825	(391)
Debt Service Charge	90,171	173,493	170,550	93,114
Capital Projects:				
Cumulative Capital Improvement	17,854	8,562	12,000	14,416
Cumulative Capital Development	(3,310)	33,854	36,542	(5,998)
Park Equipment Fund	17,262	26,563	5,625	38,200
Cumulative Fire Equipment Fund	265,520	77,539	54,914	288,145
County Econ. Development Income Tax	57,972	87,426	111,501	33,897
Thompson Block	2,427	80,500	-	82,927
Proprietary Funds:				
Water Utility:				
Operating	413,157	507,847	612,939	308,065
Depreciation	189,835	118,758	115,000	193,593
Consumer Deposit	15,650	7,000	7,150	15,500
Capacity Fee	32,069	4,372	-	36,441
Wastewater Utility:				
Operating	593,948	1,198,188	1,269,205	522,931
Bond and Interest	41,431	381,838	379,798	43,471
Depreciation	58,077	24,674	16,058	66,693
SDI Replacement	81,440	77,051	72,469	86,022
Debt Service Reserve	363,844	169,856	166,400	367,300
Capacity Fee	349,054	29,195	-	378,249
Improvement	-	6,717	-	6,717
Cash Reserve Fund	44,117	1,024	5,141	40,000
Fiduciary and Agency Funds:				
Payroll Deduction	755	13,407	14,047	115
FICA	-	90,800	90,800	-
Federal Withholding Tax	-	84,032	84,032	-
State Withholding Tax	-	26,231	26,231	-
County Withholding Tax	-	10,725	10,725	-
Garnishment	576	16,474	16,768	282
77 Police and Fire Fund	(45)	6,989	6,989	(45)
Police Pension	163,752	139,306	147,150	155,908
User Fee	5,241	110,653	110,516	5,378
Police Department	43	-	42	1
City Court	16,302	736,460	731,021	21,741
Totals	<u>\$ 3,141,007</u>	<u>\$ 5,919,274</u>	<u>\$ 5,845,144</u>	<u>\$ 3,215,137</u>

The accompanying notes are an integral part of the schedules.

CITY OF BUTLER
NOTES TO SCHEDULE

Note 1. Introduction

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

These financial statements present the City (primary government). There are no significant component units which require inclusion.

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.

The City has the following fund types:

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the servicing of general long-term debt (debt service funds) and the acquisition or construction of general fixed assets (capital project funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to outside parties (enterprise funds).

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governmental units, or on behalf of other funds within the same governmental unit. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent.

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 District 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

CITY OF BUTLER
NOTES TO SCHEDULE
(Continued)

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 District 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 District 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 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 District authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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

CITY OF BUTLER
NOTES TO SCHEDULE
(Continued)

Note 7. Notes and Loans Payable

The City has entered into a note. Annual debt service requirements to maturity for the note, including interest of \$3,237 as of December 31, 2005, are as follows:

	<u>Cemetery Mortgage</u>
2006	\$ 27,637
2007	<u>17,275</u>
Total	<u>\$ 44,912</u>

CITY OF BUTLER
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

Records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Police Pension Fund	2005	<u>\$ 850</u>

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

OVERDRAWN FUND BALANCES

The Debt Service, Cumulative Capital Development, and 77 Police and Fire Funds were overdrawn by \$391, \$5,998 and \$45 respectively in 2005.

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 BUTLER
EXIT CONFERENCE

The contents of this report were discussed on August 14, 2006, with Catharine S. Minehart, Clerk-Treasurer; and Floyd C. Coburn, Mayor.