

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

EXAMINATION REPORT
OF
TOWN OF LINDEN
MONTGOMERY COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
06/06/2007

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Janet Heide

03-04-04 to 12-31-07

President of the Town Council

Gary Fike

01-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF LINDEN, MONTGOMERY COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Linden (Town), for the period of January 1, 2005 to December 31, 2006. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

April 30, 2007

TOWN OF LINDEN
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 40,213	\$ 71,130	\$ 69,280	\$ 42,063
Motor Vehicle Highway	45,363	66,311	77,787	33,887
Local Road and Street	7,409	3,483	-	10,892
Park and Recreation	23,346	6,311	8,721	20,936
Law Enforcement Continuing Education	826	930	254	1,502
Cumulative Capital Improvement	31,600	2,240	10,729	23,111
Cumulative Capital Development	30,940	6,238	-	37,178
Proprietary Funds:				
Water Utility - Operating	682	99,186	93,319	6,549
Water Utility - Depreciation	3,492	4,538	-	8,030
Water Utility - Construction	1,386	14,453	-	15,839
Water Utility - Customer Deposit	9,188	2,640	2,178	9,650
Wastewater Utility - Operating	1,157	203,600	201,634	3,123
Wastewater Utility - Bond and Interest	14,222	70,114	61,688	22,648
Wastewater Utility - Depreciation	40,547	5,063	23,954	21,656
Fiduciary Fund:				
Payroll	3,458	132,617	135,665	410
Totals	<u>\$ 253,829</u>	<u>\$ 688,854</u>	<u>\$ 685,209</u>	<u>\$ 257,474</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 42,063	\$ 69,274	\$ 87,690	\$ 23,647
Motor Vehicle Highway	33,887	68,617	76,719	25,785
Local Road and Street	10,892	3,407	11,000	3,299
Park and Recreation	20,936	11,035	8,646	23,325
Law Enforcement Continuing Education	1,502	651	-	2,153
Cumulative Capital Improvement	23,111	2,862	4,650	21,323
Cumulative Capital Development	37,178	6,466	-	43,644
Police Grant	-	7,544	7,408	136
Proprietary Funds:				
Water Utility - Operating	6,549	101,313	90,476	17,386
Water Utility - Depreciation	8,030	3,600	-	11,630
Water Utility - Construction	15,839	3,000	-	18,839
Water Utility - Customer Deposit	9,650	2,851	1,951	10,550
Water Utility - 2006-B SRF Trust	-	2,000,000	-	2,000,000
Wastewater Utility - Operating	3,123	160,001	168,142	(5,018)
Wastewater Utility - Bond and Interest	22,648	60,000	60,463	22,185
Wastewater Utility - Depreciation	21,656	4,800	2,174	24,282
Fiduciary Fund:				
Payroll	410	157,189	156,783	816
Totals	<u>\$ 257,474</u>	<u>\$ 2,662,610</u>	<u>\$ 676,102</u>	<u>\$ 2,243,982</u>

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

TOWN OF LINDEN
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, and urban redevelopment.

Note 2. Fund Accounting

The Town 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 Town 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 Town 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 Town 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.

TOWN OF LINDEN
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. State Revolving Fund Loans

The Town has entered into two loans from the State Revolving Loan Fund (SRF) for waterworks improvements. Under the terms of the loans, funds are loaned to the Town as planned construction costs are accrued to the maximum amount under the loan. SRF Loan 2006-A established a maximum draw of \$775,000 and SRF Loan 2006-B established a maximum draw of \$3,280,000. As of December 31, 2006, \$278,309 had been expended from SRF Loan 2006-A and \$628,184 had been expended from SRF Loan 2006-B. On December 28, 2006, per the requirements of SRF Loan 2006-B, an independent corporation made a deposit to an irrevocable trust account in the amount of \$2,000,000. The deposit is held in the Town's name for the sole purpose of funding a debt service reserve for SRF Loan 2006-B. The balance of this account at December 31, 2006, is indicated on the Schedule of Receipts, Disbursements and Cash and Investment Balances as the Water Utility – 2006-B SRF Trust Fund.

Note 7. Subsequent Events

The Board approved Ordinance 2007-3 on February 1, 2007, concerning the issuance of Wastewater Revenue Bonds to provide for additions and improvements to the sewage works of the Town in an estimated amount of \$200,000.

The Board approved the purchase of a Town Hall for \$24,999 on April 12, 2007. The initial payment of \$2,000 is currently due. The remaining \$22,999 is due no later than November 30, 2009.

TOWN OF LINDEN
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

The Town does not maintain detailed records of capital assets for its governmental funds or Utility Plant in Service accounts.

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)

ORDINANCES AND RESOLUTIONS

Ordinance 2006-5 established new rates and charges for services rendered by the waterworks of the Town to be effective with the November 2006 billing cycle. As of April 18, 2007, these new rates have not been implemented.

Ordinance 2004-5 established hydrant rental at \$131.25 per hydrant per year. The Town remitted to the Water Utility hydrant rental at a rate of \$116.50 per hydrant.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN FUND BALANCES

The Wastewater Utility Operating Fund was overdrawn in 2006.

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)

TOWN OF LINDEN
EXIT CONFERENCE

The contents of this report were discussed on April 30, 2007, with Janet Heide, Clerk-Treasurer. The official concurred with our findings.