

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

EXAMINATION REPORT

OF

CITY OF SEYMOUR

JACKSON COUNTY, INDIANA

January 1, 2006 to December 31, 2006



**FILED**  
07/30/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Fred D. Lewis	01-01-04 to 12-31-07
Mayor	James Bullard	01-01-04 to 12-31-07
President of the Common Council	Mike T. Jordan	01-01-06 to 12-31-07
President of the Board of Public Works and Safety	James Bullard	01-01-06 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF SEYMOUR, JACKSON COUNTY, INDIANA

We have examined the financial information presented herein of the City of Seymour (City), for the period of January 1, 2006 to December 31, 2006. The City'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 City for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

June 7, 2007

CITY OF SEYMOUR  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES  
As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 3,138,983	\$ 10,218,474	\$ 10,028,494	\$ 3,328,963
Electrical License	13,900	7,184	3,850	17,234
Cumulative Capital Improvement	95,598	67,636	15,137	148,097
Cumulative Fire Equipment	326,015	332	42,785	283,562
Fire Department - Hazardous Waste	15,801	982	82	16,701
Recycling Fund	87,224	135,893	156,550	66,567
Thoroughfare	322,955	25,693	46,396	302,252
Local Road and Street	37,403	88,166	48,063	77,506
Police Soft Drink Nonreverting	1,260	2,242	2,688	814
Motor Vehicle Highway	636,287	805,259	748,065	693,481
Fire Department - Education Nonreverting	29,112	11,861	1,294	39,679
City of Seymour Housing Rehab	9,812	1,645	2	11,455
Cumulative Capital Development	799,442	395,976	291,072	904,346
EDIT Tax Fund	1,152,824	734,816	654,362	1,233,278
Landfill Cost Nonreverting	90,869	236,781	202,237	125,413
City Department of Public Works	3,752	9,470	9,932	3,290
Economic Development	21,590	-	10,811	10,779
Grant Holding Fund	96,587	65,216	82,814	78,989
Park and Recreation	840,679	567,726	735,538	672,867
Park and Recreation Activity Nonreverting	59,748	18,462	9,213	68,997
Region XI	6,032	12,482	14,687	3,827
Seymour Community Center	7,277	4,045	1,804	9,518
Park and Recreation League Nonreverting	31,201	34,170	27,302	38,069
Police Alcohol and Drug	5,354	3,588	2,664	6,278
Law Enforcement Training	33,878	28,796	20,186	42,488
Police Seizure Fund	42,696	50,993	40,724	52,965
D.A.R.E. Police Fund	6,616	11,757	8,425	9,948
Sey. Microloan Fund N.R.	14,089	5,675	12,000	7,764
98 Construction Bond Interest	258,111	111,373	202,932	166,552
Proprietary Funds:				
Wastewater Utility - Operating	4,900,843	6,571,038	4,746,266	6,725,615
Wastewater Utility - Improvement	61,562	2,411	-	63,973
Wastewater Utility - Bond and Interest	31,813	395,922	397,269	30,466
Wastewater Utility - Debt Reserve	364,743	5,387	-	370,130
Fiduciary Funds:				
Firefighters' Pension	965,138	296,312	498,601	762,849
Police Officers' Pension	649,584	312,908	356,025	606,467
Payroll	77,895	8,600,014	8,532,573	145,336
Totals	<u>\$ 15,236,673</u>	<u>\$ 29,840,685</u>	<u>\$ 27,950,843</u>	<u>\$ 17,126,515</u>

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

CITY OF SEYMOUR  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, urban redevelopment, wastewater, 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 SEYMOUR  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plans

A. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

1. 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 3.5% 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.

2. 1925 Police Officers' Pension Plan

Plan Description

The primary government contributes to the 1925 Police Officers' Pension Plan, which 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 and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The primary government's annual pension cost and related information as provided by the actuary, is presented in this note.

CITY OF SEYMOUR  
NOTES TO FINANCIAL INFORMATION  
(Continued)

The use of the pay-as-you-go actuarial cost method by the primary government results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

3. 1937 Firefighters' Pension Plan

Plan Description

The primary government contributes to the 1937 Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). 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 and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The primary government's annual pension cost and related information, as provided by the actuary, is presented in this note.

B. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The primary government contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) 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 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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

CITY OF SEYMOUR  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the primary government is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the primary government are established by the Board of Trustees of PERF. The primary government's contributions to the plan for the years ending December 31, 2006, 2005, and 2004, were \$725,763, \$669,126, and \$614,983, respectively, equal to the required contributions for each year.

CITY OF SEYMOUR  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 632,950
Buildings	4,836,788
Improvements other than buildings	3,353,895
Machinery and equipment	<u>7,809,037</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 16,632,670</u></u>
 Business-type activity:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 112,575
Buildings	28,469,481
Improvements other than buildings	5,840,742
Machinery and equipment	<u>2,047,768</u>
 Total business-type activity capital assets	 <u><u>\$ 36,470,566</u></u>

CITY OF SEYMOUR  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Police station lease/rental	\$ 4,750,000	\$ -
Notes and loans payable		
Interfund loans from wastewater utility to general fund	1,200,000	1,200,000
Bonds payable:		
General obligation bonds:		
1998 EDIT general obligation bond	<u>2,285,000</u>	<u>95,000</u>
Total governmental activities long-term debt	<u>\$ 8,235,000</u>	<u>\$ 1,295,000</u>
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
1998 Sewage works refunding revenue bond	\$ 1,090,000	\$ 355,000
Notes and loans payable		
State revolving fund loan	<u>18,185,474</u>	<u>695,430</u>
Total business-type activities long-term debt	<u>\$ 19,275,474</u>	<u>\$ 1,050,430</u>

CITY OF SEYMOUR  
EXAMINATION RESULTS AND COMMENTS

INVESTMENT MATURITY LIMITATIONS

The City purchased a certificate of deposit investment which has a stated maturity in excess of two years.

Indiana Code 5-13-9-5.6 states in part: "Investments made under IC 5-13-9 must have a stated final maturity of not more than . . . two (2) years . . . after the date of purchase or entry into a repurchase agreement."

LOAN FROM WASTEWATER UTILITY IN ANTICIPATION OF TAXES TO BE COLLECTED

The Wastewater Utility has outstanding loans of \$700,000 and \$500,000, which were made in 2004 and 2005, respectively, to the City's General Fund in anticipation of taxes to be levied and collected. These loans were not repaid on or before 30 days after the last day for the payment of the anticipated taxes.

Indiana Code 8-1.5-3-12 states:

"(a) A municipality may, by ordinance of its legislative body, borrow money from a utility owned by the municipality for current purposes in anticipation of taxes levied and to be collected during the current or following year."

"(b) The board may by resolution lend money to the municipality if the utility has on hand:

- (1) A surplus of cash exceeding by at least the amount loaned the sum of all amounts required to pay the indebtedness of the utility falling due during the current calendar year and the following year;
- (2) The amount necessary to meet current expenses during the year; and
- (3) The amount necessary to pay for improvements contemplated to be made during the current calendar year minus the estimated receipts during the calendar year."

"(c) A loan may not be made for a sum in excess of fifty percent (50%) of the amount estimated to be collected from anticipated taxes. The loan:

- (1) Must be evidenced by an obligation of the municipality;
- (2) Must be signed by the executive;
- (3) Is due on or before thirty (30) days after the last day for the payment of anticipated taxes; and
- (4) May bear interest at any rate as determined by the board, payable at maturity."

CITY OF SEYMOUR  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

COLLECTION OF AMOUNTS DUE

A City employee has a delinquent Wastewater Utility account at December 31, 2006, in the amount of \$691.76. The employee has not made a payment on the outstanding balance since 2005, but has been receiving an annual salary through the City's payroll. Although the City has the authority, it has not garnished the individual's wages for amounts that are owed.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TRAVEL CLAIMS

The City has a travel policy that states, "itemized receipts will be required along with the claim voucher." However, in some instances employees were reimbursed for meals without an itemized receipt attached to the claim.

All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for whom amounts are claimed, including the nature, name and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

CREDIT CARDS

Some instances were noted where employees of the City are being allowed to use "City" credit cards to purchase items without an approved credit card policy.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.

CITY OF SEYMOUR  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPARTMENTAL RECEIPTS

Some receipts collected by the Parks Department and the Planning and Zoning Department were remitted to the Clerk-Treasurer less frequently than once a week.

Receipts and fees collected by a department should be remitted to the clerk-treasurer or city controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

CITY OF SEYMOUR  
EXIT CONFERENCE

The contents of this report were discussed on June 7, 2007, with James Bullard, Mayor; Fred D. Lewis, Clerk-Treasurer; Jeff Vance, Park and Recreation Director; and Jeremy Gray, Building Commissioner. The officials concurred with our findings.