

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

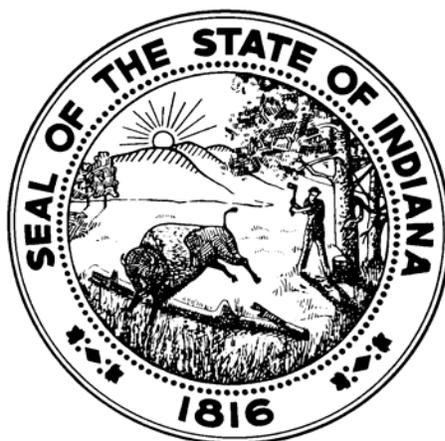
EXAMINATION REPORT

OF

CITY OF BUTLER

DEKALB COUNTY, INDIANA

January 1, 2006 to December 31, 2006



**FILED**  
10/26/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Catharine S. Minehart Angela M. Eck	01-01-04 to 06-30-06 07-01-06 to 12-31-07
Mayor	Floyd C. Coburn	01-01-04 to 12-31-07
President of Common Council	Ronald L. Walter	01-01-06 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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INDIANAPOLIS, INDIANA 46204-2769

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the City of Butler, 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 Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

September 6, 2007

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, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 71,148	\$ 797,822	\$ 943,441	\$ (74,471)
Special Revenues:				
Motor Vehicle Highway	56,309	296,513	320,084	32,738
Local Road and Street	14,024	13,806	22,449	5,381
Park and Recreation	11,646	61,196	79,403	(6,561)
Park and Recreation Donation Fund	5,020	25	5,231	(186)
Law Enforcement Continuing Ed	4,194	1,678	175	5,697
Clerk's Record Perpetuation	31,635	16,398	10,089	37,944
Unsafe Building Fund	14,658	5,400	-	20,058
Riverboat Fund	33,452	17,969	16,238	35,183
Historic Preservation Grant	10,000	248	10,000	248
Rainy Day Fund	16,568	268	4,059	12,777
Click It or Tick It	10	-	-	10
Fire Cost Recovery	26,774	1,010	-	27,784
Recycling Fund	158	-	53	105
County Drug Free Grant Fund	1,500	-	-	1,500
Redevelopment Commission	32,079	-	5,148	26,931
Police Donation	25,358	4,627	9,217	20,768
Garbage Collection	9,155	85,737	83,681	11,211
Cemetery Trust	1,206	2,690	2,700	1,196
South Side Park Fund	2,007	2,700	2,000	2,707
Community Development Revolving Loan Fund	55,564	2,903	-	58,467
Community Focus Grant	-	8,748	8,748	-
Debt Service:				
Debt Service	(391)	391	-	-
Debt Service Charge	93,114	168,769	254,550	7,333
Capital Projects:				
Cumulative Capital Improvement	14,416	10,148	-	24,564
Cumulative Capital Development	(5,998)	35,166	27,302	1,866
Park Equipment Fund	38,200	10,649	12,500	36,349
Cumulative Fire Equipment Fund	288,145	22,539	329	310,355
County Economic Development Income Tax	33,897	101,724	131,395	4,226
Thompson Block	82,927	99,036	84,500	97,463
Proprietary Funds:				
Water Utility:				
Operating	308,065	325,797	455,582	178,280
Depreciation	193,593	10,612	3,191	201,014
Consumer Deposit	15,500	6,856	7,576	14,780
Capacity Fee	36,441	4,044	-	40,485
Construction	-	790,108	5,260	784,848
Wastewater Utility:				
Operating	522,931	1,226,678	1,224,003	525,606
Bond and Interest	43,471	9,499	-	52,970
Depreciation	66,693	26,742	5,000	88,435
SDI Replacement	86,022	15,283	17	101,288
Debt Service Reserve	367,300	46,050	46,050	367,300
Capacity Fee	378,249	21,331	-	399,580
Improvement	6,717	15,902	9,000	13,619
Cash Reserve Fund	40,000	296	136	40,160
Fiduciary Funds:				
Payroll Deduction	115	14,961	14,762	314
FICA	-	85,654	92,121	(6,467)
Federal Withholding Tax	-	80,968	80,968	-
State Withholding Tax	-	26,564	26,584	(20)
County Withholding Tax	-	10,521	10,521	-
Garnishment	282	16,744	16,130	896
77 Police and Fire Fund	(45)	6,439	4,697	1,697
Police Pension	155,908	14,746	23,561	147,093
User Fee	5,378	105,306	105,555	5,129
Police Department	1	790	790	1
City Court	21,741	745,735	745,722	21,754
Totals	<u>\$ 3,215,137</u>	<u>\$ 5,375,786</u>	<u>\$ 4,910,518</u>	<u>\$ 3,680,405</u>

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

CITY OF BUTLER  
NOTES TO FINANCIAL INFORMATION

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.

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.

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 BUTLER  
NOTES TO FINANCIAL INFORMATION  
(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.

CITY OF BUTLER  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

The City has intered into the following long-term debt:

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Office copier	\$ 3,811	\$ 3,811
Notes and loans payable (Cemetary Mortgage)	16,363	16,363
Total governmental activities long-term debt	\$ 20,174	\$ 20,174
Business-type Activities:		
Water Utility		
Revenue bonds:		
2006 Waterworks Improvements	810,000	25,000
Total Water Utility	810,000	25,000
Wastewater Utility		
Revenue bonds:		
1996 Wastewater expansion	1,810,000	95,000
2000 Wastewater expansion	1,455,000	70,000
Notes and loans payable	10,346	1,600
Total Wastewater Utility	3,275,346	166,600
Total business-type activities long-term debt:	\$ 4,105,520	\$ 211,774

CITY OF BUTLER  
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

The 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	2006	\$ 521
Local Road and Street	2006	7,449

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 General Fund and Local Road and Street Fund were overdrawn by: \$74,471 and \$6,561 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)

CHECKS DID NOT AGREE TO PAYROLL REPORTS

When performing the Payroll Test, we encountered two instances where the check amount did not agree with the City's Payroll Reports. The Check Register did not accurately reflect the checks issued. Final payroll reports were printed before the checks were issued and the printed check numbers didn't agree with the payroll reports.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF BUTLER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

RATE ORDINANCE

The City of Butler has not passed an ordinance setting the fee amounts for its Police Department.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS

The City's computerized receipts and disbursements did not agree with the City prepared Annual City's and Town Financial Report.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES AND INTEREST

Penalties and interest totaling \$1,461.94 were paid to the Internal Revenue Service for the period ending September 30, 2006.

Officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employer. (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 September 6, 2007, with Floyd C. Coburn, Mayor; and Angela M. Eck, Clerk-Treasurer.