

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

AUDIT REPORT

OF

TOWN OF LINDEN

MONTGOMERY COUNTY, INDIANA

January 1, 2007 to December 31, 2008



FILED
11/30/2009

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	7, 11
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds	8, 12
Proprietary Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Funds.....	9, 13
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	10, 14
Notes to Financial Statements	15-21
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	22, 24
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances - Agency Fund	23, 25
Schedule of Long-Term Debt	26
Audit Results and Comments:	
Capital Asset Records	27
Overdrawn Fund Balances	27
Condition of Records	27
Hydrant Rental.....	27
Delinquent Wastewater Accounts.....	27-28
Utility Receipts Tax.....	28
Internal Controls over Financial Transactions and Reporting	28-29
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	32-33
Schedule of Expenditures of Federal Awards	34
Note to Schedule of Expenditures of Federal Awards.....	35
Schedule of Findings and Questioned Costs	36-39
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings	40
Corrective Action Plan.....	41
Exit Conference.....	42

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janet Heide Rebecca Saunders	03-04-04 to 12-31-07 01-01-08 to 12-31-11
President of the Town Council	Gary Fike Wade Bennett	01-01-07 to 12-31-07 01-01-08 to 12-31-09
Superintendent of Utilities	Julie Gregg	01-01-07 to 12-31-09
Utility Office Manager	Ladonna Dyer	01-01-07 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Linden (Town), as of and for the years ended December 31, 2007 and 2008, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2007 and 2008, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated September 28, 2009, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Town has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedules, as listed in the Table of Contents, and the Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

September 28, 2009



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Linden (Town), as of and for the years ended December 31, 2007 and 2008, which collectively comprise the Town's basic financial statements and have issued our report thereon dated September 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in item 2008-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 2008-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Town's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

September 28, 2009

TOWN OF LINDEN
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2007

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 135,751	\$ -	\$ -	\$ -	\$ (135,751)	\$ -	\$ (135,751)
Public safety	727	445	-	-	(282)	-	(282)
Highways and streets	57,941	-	25,057	3,416	(29,468)	-	(29,468)
Culture and recreation	6,829	-	-	-	(6,829)	-	(6,829)
Total governmental activities	201,248	445	25,057	3,416	(172,330)	-	(172,330)
Business-type activities:							
Wastewater Utility	474,982	150,541	-	338,093	-	13,652	13,652
Water Utility	611,139	232,000	-	584,164	-	205,025	205,025
Total business-type activities	1,086,121	382,541	-	922,257	-	218,677	218,677
Total primary government	\$ 1,287,369	\$ 382,986	\$ 25,057	\$ 925,673	(172,330)	218,677	46,347
General receipts:							
Property taxes					35,571	-	35,571
Intergovernmental					48,182	40,000	88,182
Other local sources					1,439	-	1,439
Grants and contributions not restricted to specific programs					20,000	-	20,000
Investment earnings					1,811	83,862	85,673
Total general receipts					107,003	123,862	230,865
Change in net assets					(65,327)	342,539	277,212
Net assets - beginning					143,312	2,099,854	2,243,166
Net assets - ending					\$ 77,985	\$ 2,442,393	\$ 2,520,378
<u>Assets</u>							
Cash and investments					\$ 41,821	\$ 102,684	\$ 144,505
Restricted assets:							
Cash and investments					36,164	2,339,709	2,375,873
Total assets					\$ 77,985	\$ 2,442,393	\$ 2,520,378
<u>Net Assets</u>							
Restricted for:							
Highways and streets					\$ 6,715	\$ -	\$ 6,715
Capital outlay					29,449	-	29,449
Debt service					-	2,269,618	2,269,618
Other purposes					-	70,091	70,091
Unrestricted					41,821	102,684	144,505
Total net assets					\$ 77,985	\$ 2,442,393	\$ 2,520,378

The notes to the financial statements are an integral part of this statement.

TOWN OF LINDEN
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007

	General	Other Governmental Funds	Totals
Receipts:			
Taxes	\$ 21,538	\$ 14,033	\$ 35,571
Licenses and permits	-	210	210
Intergovernmental	38,013	38,642	76,655
Charges for services	-	10	10
Fines and forfeits	25	200	225
Other	3,250	20,000	23,250
	<u>62,826</u>	<u>73,095</u>	<u>135,921</u>
Total receipts			
Disbursements:			
General government	71,791	136	71,927
Public safety	-	727	727
Highways and streets	-	57,941	57,941
Culture and recreation	-	6,329	6,329
Capital outlay:			
General government	2,785	61,039	63,824
Culture and recreation	-	500	500
	<u>74,576</u>	<u>126,672</u>	<u>201,248</u>
Total disbursements			
Excess (deficiency) of receipts over disbursements	<u>(11,750)</u>	<u>(53,577)</u>	<u>(65,327)</u>
Cash and investment fund balance - beginning	<u>23,647</u>	<u>119,665</u>	<u>143,312</u>
Cash and investment fund balance - ending	<u>\$ 11,897</u>	<u>\$ 66,088</u>	<u>\$ 77,985</u>
<u>Cash and Investment Assets - Ending</u>			
Cash and investments	\$ 11,897	\$ 29,924	\$ 41,821
Restricted assets:			
Cash and investments	-	36,164	36,164
Total cash and investment assets - ending	<u>\$ 11,897</u>	<u>\$ 66,088</u>	<u>\$ 77,985</u>
<u>Cash and Investment Fund Balance - Ending</u>			
Restricted for:			
Highways and streets	\$ -	\$ 6,715	\$ 6,715
Capital outlay	-	29,449	29,449
Unrestricted	<u>11,897</u>	<u>29,924</u>	<u>41,821</u>
Total cash and investment fund balance - ending	<u>\$ 11,897</u>	<u>\$ 66,088</u>	<u>\$ 77,985</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF LINDEN
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As Of And For The Year December 31, 2007

	Wastewater Utility	Water Utility	Totals
Operating receipts:			
Metered/measured	\$ 150,541	\$ 215,947	\$ 366,488
Fire protection receipts	-	10,268	10,268
Miscellaneous	-	5,785	5,785
	<u>150,541</u>	<u>232,000</u>	<u>382,541</u>
Total operating receipts			
Operating disbursements:			
Salaries and wages	35,457	29,608	65,065
Employee pensions and benefits	5,397	8,530	13,927
Purchased power	-	17,286	17,286
Fuel for power production	596	-	596
Chemicals	1,141	2,385	3,526
Material and supplies	2,190	5,086	7,276
Contractual services	15,063	74,805	89,868
Insurance claims and expense	-	2,014	2,014
Equipment and capital improvements	324,212	431,947	756,159
Miscellaneous	27,350	19,660	47,010
	<u>411,406</u>	<u>591,321</u>	<u>1,002,727</u>
Total operating disbursements			
Excess (deficiency) of operating receipts over operating disbursements	<u>(260,865)</u>	<u>(359,321)</u>	<u>(620,186)</u>
Nonoperating receipts (disbursements):			
Intergovernmental	40,000	-	40,000
Investment income	3,102	80,760	83,862
Debt service of principal	(35,000)	-	(35,000)
Interest disbursements	(28,576)	(19,818)	(48,394)
	<u>(20,474)</u>	<u>60,942</u>	<u>40,468</u>
Total nonoperating receipts (disbursements)			
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	<u>(281,339)</u>	<u>(298,379)</u>	<u>(579,718)</u>
Capital contributions	338,093	584,164	922,257
Transfers in	74,000	6,600	80,600
Transfers out	(74,000)	(6,600)	(80,600)
	<u>56,754</u>	<u>285,785</u>	<u>342,539</u>
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out			
Cash and investment fund balance - beginning	<u>41,449</u>	<u>2,058,405</u>	<u>2,099,854</u>
Cash and investment fund balance - ending	<u>\$ 98,203</u>	<u>\$ 2,344,190</u>	<u>\$ 2,442,393</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 6,900	\$ 95,784	\$ 102,684
Restricted assets:			
Cash and investments	<u>91,303</u>	<u>2,248,406</u>	<u>2,339,709</u>
Total cash and investment assets - December 31	<u>\$ 98,203</u>	<u>\$ 2,344,190</u>	<u>\$ 2,442,393</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 63,480	\$ 2,206,138	\$ 2,269,618
Other purposes	27,823	42,268	70,091
Unrestricted	<u>6,900</u>	<u>95,784</u>	<u>102,684</u>
Total cash and investment fund balance - December 31	<u>\$ 98,203</u>	<u>\$ 2,344,190</u>	<u>\$ 2,442,393</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF LINDEN
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2007

	<u>Agency Funds</u>
Cash and investment fund balance - ending	<u>\$ 508</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF LINDEN
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2008

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals
					Governmental Activities	Business-Type Activities	
Primary government:							
Governmental activities:							
General government	\$ 78,775	\$ -	\$ -	\$ -	\$ (78,775)	\$ -	\$ (78,775)
Public safety	636	680	-	-	44	-	44
Highways and streets	34,974	-	18,804	3,243	(12,927)	-	(12,927)
Culture and recreation	3,586	-	-	-	(3,586)	-	(3,586)
Principal and interest on indebtedness	42,350	-	-	-	(42,350)	-	(42,350)
Total governmental activities	160,321	680	18,804	3,243	(137,594)	-	(137,594)
Business-type activities:							
Wastewater Utility	211,138	193,790	-	-	-	(17,348)	(17,348)
Water Utility	289,393	742,028	-	-	-	452,635	452,635
Total business-type activities	500,531	935,818	-	-	-	435,287	435,287
Total primary government	\$ 660,852	\$ 936,498	\$ 18,804	\$ 3,243	(137,594)	435,287	297,693
General receipts:							
Property taxes					104,367	-	104,367
Intergovernmental					61,123	-	61,123
Other local sources					25,609	-	25,609
Grants and contributions not restricted to specific programs					1,030	-	1,030
Investment earnings					1,929	61,114	63,043
Total general receipts					194,058	61,114	255,172
Change in net assets					56,464	496,401	552,865
Net assets - beginning					77,985	2,442,393	2,520,378
Net assets - ending					\$ 134,449	\$ 2,938,794	\$ 3,073,243
<u>Assets</u>							
Cash and investments					\$ 96,705	\$ 415,601	\$ 512,306
Restricted assets:							
Cash and investments					37,744	2,523,193	2,560,937
Total assets					\$ 134,449	\$ 2,938,794	\$ 3,073,243
<u>Net Assets</u>							
Restricted for:							
Highways and streets					\$ 9,958	\$ -	\$ 9,958
Capital outlay					27,786	-	27,786
Debt service					-	2,480,140	2,480,140
Other purposes					-	43,053	43,053
Unrestricted					96,705	415,601	512,306
Total net assets					\$ 134,449	\$ 2,938,794	\$ 3,073,243

The notes to the financial statements are an integral part of this statement.

TOWN OF LINDEN
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2008

	General	Other Governmental Funds	Totals
Receipts:			
Taxes	\$ 62,345	\$ 42,022	\$ 104,367
Licenses and permits	-	460	460
Intergovernmental	43,470	39,700	83,170
Charges for services	-	5	5
Fines and forfeits	125	90	215
Other	3,020	30	3,050
	<hr/>	<hr/>	<hr/>
Total receipts	108,960	82,307	191,267
	<hr/>	<hr/>	<hr/>
Disbursements:			
General government	65,579	-	65,579
Public safety	-	636	636
Highways and streets	-	34,974	34,974
Culture and recreation	-	3,586	3,586
Debt service:			
Principal	4,827	7,703	12,530
Interest	29,820	-	29,820
Capital outlay:			
General government	-	13,196	13,196
	<hr/>	<hr/>	<hr/>
Total disbursements	100,226	60,095	160,321
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of receipts over disbursements	8,734	22,212	30,946
	<hr/>	<hr/>	<hr/>
Other financing sources (uses):			
Other receipts	25,356	162	25,518
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	25,356	162	25,518
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	34,090	22,374	56,464
	<hr/>	<hr/>	<hr/>
Cash and investment fund balance - beginning	11,897	66,088	77,985
	<hr/>	<hr/>	<hr/>
Cash and investment fund balance - ending	\$ 45,987	\$ 88,462	\$ 134,449
	<hr/>	<hr/>	<hr/>
<u>Cash and Investment Assets - Ending</u>			
Cash and investments	\$ 45,987	\$ 50,718	\$ 96,705
Restricted assets:			
Cash and investments	-	37,744	37,744
	<hr/>	<hr/>	<hr/>
Total cash and investment assets - ending	\$ 45,987	\$ 88,462	\$ 134,449
	<hr/>	<hr/>	<hr/>
<u>Cash and Investment Fund Balance - Ending</u>			
Restricted for:			
Highways and streets	\$ -	\$ 9,958	\$ 9,958
Capital outlay	-	27,786	27,786
Unrestricted	45,987	50,718	96,705
	<hr/>	<hr/>	<hr/>
Total cash and investment fund balance - ending	\$ 45,987	\$ 88,462	\$ 134,449
	<hr/>	<hr/>	<hr/>

The notes to the financial statements are an integral part of this statement.

TOWN OF LINDEN
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As Of And For The Year December 31, 2008

	Wastewater Utility	Water Utility	Totals
Operating receipts:			
Metered/measured	\$ 193,790	\$ 739,508	\$ 933,298
Miscellaneous	-	2,520	2,520
	<u>193,790</u>	<u>742,028</u>	<u>935,818</u>
Total operating receipts			
Operating disbursements:			
Salaries and wages	-	26,806	26,806
Employee pensions and benefits	36,191	5,000	41,191
Purchased power	27,348	36,514	63,862
Chemicals	288	1,687	1,975
Material and supplies	4,881	8,137	13,018
Contractual services	27,054	32,138	59,192
Transportation	2,886	-	2,886
Insurance claims and expense	14,163	279	14,442
Miscellaneous	19,553	64,632	84,185
	<u>132,364</u>	<u>175,193</u>	<u>307,557</u>
Total operating disbursements			
Excess (deficiency) of operating receipts over operating disbursements	<u>61,426</u>	<u>566,835</u>	<u>628,261</u>
Nonoperating receipts (disbursements):			
Investment income	10,362	50,752	61,114
Debt service of principal	(55,000)	-	(55,000)
Interest disbursements	(23,774)	(114,200)	(137,974)
	<u>(68,412)</u>	<u>(63,448)</u>	<u>(131,860)</u>
Total nonoperating receipts (disbursements)			
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	(6,986)	503,387	496,401
Transfers in	55,328	219,891	275,219
Transfers out	(55,328)	(219,891)	(275,219)
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	(6,986)	503,387	496,401
Cash and investment fund balance - beginning	<u>98,203</u>	<u>2,344,190</u>	<u>2,442,393</u>
Cash and investment fund balance - ending	<u>\$ 91,217</u>	<u>\$ 2,847,577</u>	<u>\$ 2,938,794</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ (57,408)	\$ 473,009	\$ 415,601
Restricted assets:			
Cash and investments	<u>148,625</u>	<u>2,374,568</u>	<u>2,523,193</u>
Total cash and investment assets - December 31	<u>\$ 91,217</u>	<u>\$ 2,847,577</u>	<u>\$ 2,938,794</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 120,802	\$ 2,359,338	\$ 2,480,140
Other purposes	27,823	15,230	43,053
Unrestricted	<u>(57,408)</u>	<u>473,009</u>	<u>415,601</u>
Total cash and investment fund balance - December 31	<u>\$ 91,217</u>	<u>\$ 2,847,577</u>	<u>\$ 2,938,794</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF LINDEN
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2008

	<u>Agency Funds</u>
Cash and investment fund balance - ending	<u>\$ 10,945</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF LINDEN
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

The Town's financial reporting entity is composed of the following:

Primary Government: Town of Linden

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental fund:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

Additionally, the Town reports the following fund types:

Agency funds account for assets held by the Town as an agent for taxing agencies.

TOWN OF LINDEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town and the Utilities. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and in 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

TOWN OF LINDEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the Town's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

TOWN OF LINDEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/

TOWN OF LINDEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

The Town's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

At December 31, 2007 and 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2007	2008
Wastewater Utility - Operating	\$ -	\$ (57,408)

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision.

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the Town to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the Town to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

TOWN OF LINDEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Town and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the Town may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the Town's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

IV. Other Information

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Rate Structure – Enterprise Funds

Water Utility

The current rate structure was approved by the Council on October 18, 2007.

Wastewater Utility

The current rate structure was approved by the Town Council on May 3, 2007.

TOWN OF LINDEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Purchase And Sale Of Property at 105 North Main Street, Linden, Indiana

On April 12, 2007, the Town entered into an installment real estate contract with JB Rental to buy improved real estate commonly known as 105 North Main Street, Linden, Indiana. The contract indicates the Town is to pay \$24,999 and any ditch assessments or property taxes payable with the second installment 2008 and thereafter. The Town received a donation of \$20,000 from the Town's engineering consultant Ken Smith of Municipal Civil Corporation which was designated for the purchase and/or renovation of this building. The Town paid \$41,139.00 to three contractors for plumbing improvements and other improvements to the building. The Town decided to sell the property at 105 North Main Street for \$40,000.00 to WCI Farms on March 25, 2008. The Town realized a net loss of \$27,426.70 on the sale of the building.

TOWN OF LINDEN
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007

	Motor Vehicle Highway	Local Road And Street	Donations	Law Enforcement Continuing Ed	Parks And Recreation	Police Grant	Cumulative Capital Development	Cumulative Capital Improvement	Totals
Receipts:									
Taxes	\$ 7,945	\$ -	\$ -	\$ -	\$ 3,519	\$ -	\$ 2,569	\$ -	\$ 14,033
Licenses and permits	-	-	-	210	-	-	-	-	210
Intergovernmental	31,598	3,416	-	-	676	-	493	2,459	38,642
Charges for services	-	-	-	10	-	-	-	-	10
Fines and forfeits	-	-	-	200	-	-	-	-	200
Other	-	-	20,000	-	-	-	-	-	20,000
Total receipts	39,543	3,416	20,000	420	4,195	-	3,062	2,459	73,095
Disbursements:									
General government	-	-	-	-	-	136	-	-	136
Public safety	-	-	-	727	-	-	-	-	727
Highways and streets	57,941	-	-	-	-	-	-	-	57,941
Culture and recreation	-	-	-	-	6,329	-	-	-	6,329
Capital outlay:									
General government	-	-	20,000	-	-	-	23,539	17,500	61,039
Culture and recreation	-	-	-	-	500	-	-	-	500
Total disbursements	57,941	-	20,000	727	6,829	136	23,539	17,500	126,672
Excess (deficiency) of receipts over disbursements	(18,398)	3,416	-	(307)	(2,634)	(136)	(20,477)	(15,041)	(53,577)
Cash and investment fund balance - beginning	25,785	3,299	-	2,153	23,325	136	43,644	21,323	119,665
Cash and investment fund balance - ending	\$ 7,387	\$ 6,715	\$ -	\$ 1,846	\$ 20,691	\$ -	\$ 23,167	\$ 6,282	\$ 66,088
Cash and Investment Assets - Ending									
Cash and investments	\$ 7,387	\$ -	\$ -	\$ 1,846	\$ 20,691	\$ -	\$ -	\$ -	\$ 29,924
Restricted assets:									
Cash and investments	-	6,715	-	-	-	-	23,167	6,282	36,164
Total cash and investment assets - ending	\$ 7,387	\$ 6,715	\$ -	\$ 1,846	\$ 20,691	\$ -	\$ 23,167	\$ 6,282	\$ 66,088
Cash and Investment Fund Balance - Ending									
Restricted for:									
Highways and streets	\$ -	\$ 6,715	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,715
Capital outlay	-	-	-	-	-	-	23,167	6,282	29,449
Unrestricted	7,387	-	-	1,846	20,691	-	-	-	29,924
Total cash and investment fund balance - ending	\$ 7,387	\$ 6,715	\$ -	\$ 1,846	\$ 20,691	\$ -	\$ 23,167	\$ 6,282	\$ 66,088

TOWN OF LINDEN
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUND
 For The Year Ended December 31, 2007

	Payroll
Additions:	
Agency fund additions	\$ 159,022
Deductions:	
Agency fund deductions	159,330
Excess (deficiency) of total additions over total deductions	(308)
Cash and investment fund balance - beginning	816
Cash and investment fund balance - ending	\$ 508

TOWN OF LINDEN
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008

	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Ed	Parks And Recreation	Cumulative Capital Development	Cumulative Capital Improvement	Totals
Receipts:							
Taxes	\$ 23,186	\$ -	\$ -	\$ 11,127	\$ 7,709	\$ -	\$ 42,022
Licenses and permits	-	-	460	-	-	-	460
Intergovernmental	30,763	3,243	-	2,032	1,386	2,276	39,700
Charges for services	-	-	5	-	-	-	5
Fines and forfeits	-	-	90	-	-	-	90
Other	-	-	-	30	-	-	30
Total receipts	53,949	3,243	555	13,189	9,095	2,276	82,307
Disbursements:							
Public safety	-	-	636	-	-	-	636
Highways and streets	34,974	-	-	-	-	-	34,974
Culture and recreation	-	-	-	3,586	-	-	3,586
Debt service:							
Principal	-	-	-	7,703	-	-	7,703
Capital outlay:							
General government	-	-	-	-	13,196	-	13,196
Total disbursements	34,974	-	636	11,289	13,196	-	60,095
Excess (deficiency) of receipts over disbursements	18,975	3,243	(81)	1,900	(4,101)	2,276	22,212
Other financing sources (uses):							
Other receipts	-	-	-	-	162	-	162
Total other financing sources (uses)	-	-	-	-	162	-	162
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	18,975	3,243	(81)	1,900	(3,939)	2,276	22,374
Cash and investment fund balance - beginning	7,387	6,715	1,846	20,691	23,167	6,282	66,088
Cash and investment fund balance - ending	\$ 26,362	\$ 9,958	\$ 1,765	\$ 22,591	\$ 19,228	\$ 8,558	\$ 88,462
Cash and Investment Assets - Ending							
Cash and investments	\$ 26,362	\$ -	\$ 1,765	\$ 22,591	\$ -	\$ -	\$ 50,718
Restricted assets:							
Cash and investments	-	9,958	-	-	19,228	8,558	37,744
Total cash and investment assets - ending	\$ 26,362	\$ 9,958	\$ 1,765	\$ 22,591	\$ 19,228	\$ 8,558	\$ 88,462
Cash and Investment Fund Balance - Ending							
Restricted for:							
Highways and streets	\$ -	\$ 9,958	\$ -	\$ -	\$ -	\$ -	\$ 9,958
Capital outlay	-	-	-	-	19,228	8,558	27,786
Unrestricted	26,362	-	1,765	22,591	-	-	50,718
Total cash and investment fund balance - ending	\$ 26,362	\$ 9,958	\$ 1,765	\$ 22,591	\$ 19,228	\$ 8,558	\$ 88,462

TOWN OF LINDEN
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUND
 For The Year Ended December 31, 2008

	Payroll
Additions:	
Agency fund additions	\$ 149,194
Deductions:	
Agency fund deductions	138,757
Excess (deficiency) of total additions over total deductions	10,437
Cash and investment fund balance - beginning	508
Cash and investment fund balance - ending	\$ 10,945

TOWN OF LINDEN
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
2007 Dodge Police Car	\$ 8,048	\$ 3,111
Business-type activities:		
Wastewater Utility:		
Revenue bonds:		
Sewage Works Revenue Bonds of 2000	635,000	62,225
Sewage Works Revenue Bonds of 2007	<u>174,000</u>	<u>20,333</u>
Total Wastewater Utility	<u>809,000</u>	<u>82,558</u>
Water Utility:		
State Revolving Loan Fund Series A	775,000	39,888
State Revolving Loan Fund Series B	<u>4,638,000</u>	<u>221,560</u>
Total Water Utility	<u>5,413,000</u>	<u>261,448</u>
Total business-type activities debt:	<u>\$ 6,222,000</u>	<u>\$ 344,006</u>

TOWN OF LINDEN
AUDIT 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 reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. 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)

OVERDRAWN FUND BALANCES

The Wastewater Utility Operating Fund was overdrawn at December 31, 2008.

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)

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping, were present during our period of audit:

There were a considerable number of posting errors. These errors included deposits not receipted to the correct fund and disbursements not posted to the correct fund.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

HYDRANT RENTAL

The Town of Linden owes the Water Utility hydrant rental of \$7,373.25 for the year 2008 pursuant to Rate Ordinance 2007-10 passed by the Council on October 18, 2007.

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)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

IC 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

TOWN OF LINDEN
AUDIT RESULTS AND COMMENTS
(Continued)

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.
 - (B) A description of the premises, as shown by the records of the county auditor.
 - (C) The amount of the delinquent fees, together with the penalty.
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

UTILITY RECEIPTS TAX

The Water Utility did not pay the full amount of Utility Receipts Tax to the Indiana Department of Revenue for the year 2008. The unit omitted sales to the local ethanol plant from the Utility Receipts Tax Return. The unit plans to file an amended 2008 Utility Receipts Tax Return in 2009.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to achievement of financial reporting objectives. The Town has not separated incompatible activities related to disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.
2. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statements and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of reliable

TOWN OF LINDEN
AUDIT RESULTS AND COMMENTS
(Continued)

financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.

3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Town of Linden (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2008. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

As described in item 2008-2 in the accompanying Schedule of Findings and Questioned Costs, the Town did not comply with requirements regarding Equipment and Real Property Management that are applicable to its Community Development Block Grant State Program and Capitalization Grants for Drinking Water State Revolving Funds. Compliance with such requirements is necessary, in our opinion, for the Town to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town complied in all material respects with the requirements referred to above that are applicable to each of its other major federal programs for the years ended December 31, 2007 and 2008.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in a Town's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in Finding 2008-2 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider Finding 2008-2 to be a material weakness.

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, Town Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

September 28, 2009

TOWN OF LINDEN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2007 and 2008

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-07	Total Federal Awards Expended 12-31-08
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Office of Community and Rural Affairs Community Development Block Grants States Program	14.228	CF-06-114	\$ 525,000	\$ -
Total for program			<u>525,000</u>	<u>-</u>
Total for federal grantor agency			<u>525,000</u>	<u>-</u>
<u>U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</u>				
Pass-Through Indiana Finance Authority Capitalization Grants for Drinking Water State Revolving Funds	66.458	DW 060891 01 DW 060891 02	200,734 <u>1,116,680</u>	- <u>-</u>
Total for program			<u>1,317,414</u>	<u>-</u>
Total for federal grantor agency			<u>1,317,414</u>	<u>-</u>
Total federal awards expended			<u>\$ 1,842,414</u>	<u>\$ -</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF LINDEN
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Linden (Town) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of Towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF LINDEN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grants States Program
66.458	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2008-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to achievement of financial reporting objectives. The Town has not separated incompatible activities related to disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

TOWN OF LINDEN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statements and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.
3. Monitoring of Controls: Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Section III – Federal Award Findings and Questioned Costs

FINDING 2008-2, INTERNAL CONTROL MATERIAL WEAKNESS/
EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants States Program
CFDA Number: 14.228
Federal Award Number: CF-06-114
Pass-Through Entity: Indiana Office of Community and Rural Affairs

Federal Agency: U.S. Environmental Protection Agency
Federal Program: Capitalization Grants for Drinking Water State Revolving Funds
CFDA Number: 66.468
Federal Award Numbers: DW 06089101 and DW 06089102
Pass-Through Entity: Indiana Finance Authority

The Town of Linden and enterprise funds (Water and Wastewater Utilities) do not maintain records for construction-in-progress, equipment, or property purchased with Federal monies. Also, there is no system to provide separate identification for items acquired with Federal and non-Federal funds. Without adequate records, periodic physical inventories cannot be compared to property records.

TOWN OF LINDEN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The Town and Utilities' capital asset records do not exist. There are no records to adequately document additions, deletions, or construction-in-progress. During 2006, 2007, and 2008, approximately \$525,000 from the CDBG program and \$5,413,000 from the SRF loan were used to pay for construction, which should be accounted for as construction-in-progress in the unit's capital asset records.

Pursuant to 40 CFR 30.34 (and 24 CFR 84.34)(f)(1) through (3): "(f) The recipient's property management standards for equipment acquired with Federal funds and federally-owned equipment shall include all of the following.

- (1) Equipment records shall be maintained accurately and shall include the following information.
 - (i) A description of the equipment.
 - (ii) Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number.
 - (iii) Source of the equipment, including the award number.
 - (iv) Whether title vests in the recipient or the Federal Government.
 - (v) Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost.
 - (vi) Information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government).
 - (vii) Location and condition of the equipment and the date the information was reported.
 - (viii) Unit acquisition cost.
 - (ix) Ultimate disposition data, including date of disposal and sales price or the method used to Determine current fair market value where a recipient compensates EPA (HUD)for its share.
- (2) Equipment owned by the Federal Government shall be identified to indicate Federal ownership.
- (3) A physical inventory of equipment shall be taken and results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment."

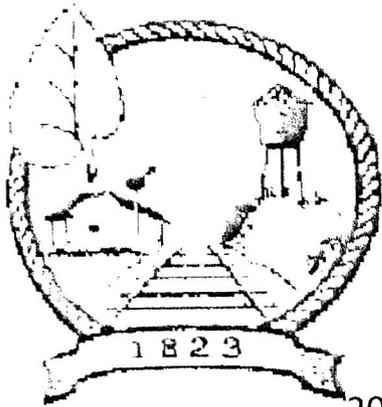
Failure to maintain detailed and accurate equipment and property records and to reconcile physical inventory could result in assets being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time.

TOWN OF LINDEN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

We recommended that the Town of Linden design and properly monitor procedures that would ensure accurate detailed capital asset records are maintained and that inventories of property and equipment and construction-in-progress are conducted every year and reconciled to the detailed capital asset ledger. Any significant differences should be investigated and the appropriate adjustments made to the records. Also, any assets acquired with Federal Funds must be designated as such so that they are not disposed of improperly.

TOWN OF LINDEN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



Town of Linden

Town Board Council

302 E. Water St., P.O. Box 352 Linden, IN 47955 Phone: 765-339-4065 Fax: 765-339-7831

Billing Office 765-339-1321

Water/Wastewater Superintendent 765-336-1022

Council President
Wade Bennett

Councilman
Byron Fugate

Councilman
Tom Lewellen

Clerk/Treasurer
Rebecca Saunders

2007 – 2008 Federal A133 Audit Corrective Action Plan

CORRECTIVE ACTION PLAN

Finding No. 2008-1

Auditee Contact Person: Rebecca J. Saunders
Title of Contact Person: Clerk/Treasurer
Phone Number: 765-339-4065
Expected Completion Date: 12/31/09

Corrective Action Planned:

The Clerk/Treasurer, Rebecca Saunders has reviewed these findings with appropriate personnel to ensure the findings are adequately resolved.

Finding No. 2008-2

Auditee Contact Person: Rebecca J. Saunders
Title of Contact Person: Clerk/Treasurer
Phone Number: 765-339-4065
Expected Completion Date: 12/31/09

Corrective Action Planned:

The Clerk/Treasurer, Rebecca Saunders is currently in the process of compiling Capital Asset Records and will maintain said records in compliance with requirements

Rebecca J. Saunders
Rebecca J. Saunders

Clerk/Treasurer

Town of Linden

rjsaunders@tds.net

09-14-09

TOWN OF LINDEN
EXIT CONFERENCE

The contents of this report were discussed on September 28, 2009, with Rebecca Saunders, Clerk-Treasurer; and Wade Bennett, President of the Town Council. The officials concurred with our audit findings.