

B37746

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

EXAMINATION REPORT

OF

CITY OF LINTON

GREENE COUNTY, INDIANA

January 1, 2009 to December 31, 2009



**FILED**  
11/08/2010



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Accountant's Report.....	3
Financial Information:	
Schedule of Receipts, Disbursements, and Cash and Investment Balances .....	4
Notes to Financial Information .....	5-6
Supplementary Information:	
Schedule of Capital Assets.....	7
Schedule of Long-Term Debt .....	8
Examination Results and Comments:	
Overdrawn Cash Balances .....	9
Appropriations.....	9
Errors on Claims .....	9-10
Timely Collections.....	10
Credit Cards.....	10-11
Contracts .....	11
Temporary Transfer of Funds .....	11
Compensation and Benefits .....	11-12
Capital Asset Records .....	12
Ordinances and Resolutions .....	12
Interest on Investments .....	12
Service and Time Records .....	12
Accounts Receivable .....	13
Delinquent Wastewater Accounts.....	13
Exit Conference.....	14

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Mayor	Tom Jones	01-01-08 to 12-31-11
Clerk-Treasurer	B. Jack Shelton	01-01-08 to 12-31-11
President of the City Council	Charlie Cox Jerry Ellett	01-01-09 to 12-31-09 01-01-10 to 12-31-10
President of the Board of Public Works	Tom Jones	01-01-08 to 12-31-11
Utility Superintendent	Brent Slover	01-01-09 to 12-31-10
Superintendent of the Water Utility	Jeff Lehman	01-01-09 to 12-31-10
Superintendent of the Wastewater Utility	Timothy Turpen	01-01-09 to 12-31-10
Superintendent of Sanitation Utility	Timothy Turpen	01-01-09 to 12-31-10
Superintendent of Gas Utility	Jeff Lehman	01-01-09 to 12-31-10
Superintendent of Electric Utility	Nicholas House	01-01-09 to 12-31-10



**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](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF LINTON, GREENE COUNTY, INDIANA

We have examined the financial information presented herein of the City of Linton (City), for the period of January 1, 2009 to December 31, 2009. 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, 2009, 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

August 10, 2010

CITY OF LINTON  
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, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 408,776	\$ 1,867,812	\$ 1,743,900	\$ 532,688
Motor Vehicle Highway	361,083	352,968	436,699	277,352
Local Road and Street	123,216	22,032	65,867	79,381
Park and Recreation	84,231	145,963	102,231	127,963
Law Enforcement Continuing Education	5,438	5,161	4,629	5,970
Cumulative Capital Improvement	40,814	17,705	4,763	53,756
Cumulative Capital Development	138,034	14,460	45,000	107,494
Cemetery	(11,430)	67,247	111,145	(55,328)
Fire Department Equipment	19,087	200,503	214,320	5,270
New Fire Station Fund	116,079	102,190	203,075	15,194
Swimming Pool	19,880	48,802	53,415	15,267
Golf Course	(73,319)	423,045	419,506	(69,780)
Golf Course Capital Improvement	1,800	-	-	1,800
Rainy Day	118,176	19,250	-	137,426
Police Dept New Equipment	9,889	12,280	14,990	7,179
5th Street Project	53,947	-	18,309	35,638
Police Dept Reserve Fund	1,181	700	1,644	237
Tom Wall Memorial Fire Department	492	-	492	-
Tom Wall Memorial Golf Course	750	-	-	750
Trailer Permit/Inspection	1,178	960	1,107	1,031
Home Rehab Grant	10	73,911	73,911	10
Major Moves Construction	43,357	-	-	43,357
Proprietary Funds:				
Water Utility - Operating	474,278	1,198,950	1,254,506	418,722
Water Utility - Bond and Interest	177,122	222,000	201,094	198,028
Water Utility - Depreciation	129,209	42,000	-	171,209
Water Utility - Customer Deposit	25,353	6,710	3,715	28,348
Water Utility - Debt Reserve	170,478	-	-	170,478
Water Utility - Improvement	926	-	-	926
Wastewater Utility - Operating	24,373	944,855	926,407	42,821
Wastewater Utility - Bond and Interest	205,319	281,940	260,440	226,819
Wastewater Utility - Depreciation	267,274	-	-	267,274
Wastewater Utility - Customer Deposit	5,115	7,610	3,050	9,675
Wastewater Utility - Debt Reserve	400,037	1,074	-	401,111
Electric Utility - Operating	(57,214)	6,917,303	6,923,396	(63,307)
Electric Utility - Depreciation	1,216,287	519,941	600,813	1,135,415
Electric Utility - Customer Deposit	173,247	64,077	34,095	203,229
Electric Utility - Cash Reserve	242,895	-	-	242,895
Gas Utility - Operating	(313,189)	3,641,137	2,888,034	439,914
Gas Utility - Bond and Interest	45,085	923	-	46,008
Gas Utility - Depreciation	420,887	20	15,505	405,402
Gas Utility - Customer Deposit	102,811	29,245	17,170	114,886
Gas Utility - Debt Reserve	89,367	937	-	90,304
Sanitation Utility - Operating	195,695	585,011	630,627	150,079
Sanitation Utility - Depreciation	94,824	45,000	100,000	39,824
Miner Broadband	89	18	-	107
Fiduciary Funds:				
Police Pension	46,931	155,626	104,605	97,952
Firefighters' Pension	61,035	98,049	91,728	67,356
Payroll	94,230	4,210,564	4,200,372	104,422
Totals	<u>\$ 5,755,133</u>	<u>\$ 22,347,979</u>	<u>\$ 21,770,560</u>	<u>\$ 6,332,552</u>

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

CITY OF LINTON  
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, health and social services, culture and recreation, highways and streets, public improvements, electric, gas, water, wastewater, sanitation, broadband internet 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 LINTON  
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 LINTON  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended December 31, 2009

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>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 616,645
Buildings	719,297
Improvements other than buildings	271,709
Machinery and equipment	<u>2,857,376</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 4,465,027</u>

CITY OF LINTON  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2009

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Lawn Mowers	\$ 12,573	\$ 6,616
Note Payable	55,000	30,000
Lease Rental on Fire Station	<u>2,018,000</u>	<u>137,000</u>
Total governmental activities debt	<u>\$ 2,085,573</u>	<u>\$ 173,616</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
Revenue Bonds of 2007	<u>\$ 2,040,000</u>	<u>\$ 206,563</u>
Total Water Utility	<u>2,040,000</u>	<u>206,563</u>
Wastewater Utility:		
Revenue bonds:		
1995 Wastewater Improvement	<u>1,150,000</u>	<u>260,750</u>
Total Wastewater Utility	<u>1,150,000</u>	<u>260,750</u>
Total business-type activities debt	<u>\$ 3,190,000</u>	<u>\$ 467,313</u>

CITY OF LINTON  
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The cash balance of the Golf Course Fund, Cemetery Fund, and Electric Utility Operating Fund were overdrawn in 2009. A similar comment appeared in prior reports.

The cash 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)

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>
Fire Debt	2009	\$ 76,025
Swimming Pool	2009	2,746
Golf Course	2009	202,252
Cemetery	2009	78,208
Cumulative Capital Development	2009	5,000

IC 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."

A similar comment appeared in prior reports.

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

Claims or invoices did not have evidence to support receipt of goods or services.

A similar comment appeared in prior reports.

IC 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;

CITY OF LINTON  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

TIMELY COLLECTIONS (Applies to Cemetery)

Receipts were turned over to the Clerk-Treasurer up to 29 days after the receipt date.

All collections made by any department or person connected with a city or town shall be turned in to the Clerk-Treasurer or Controller as least weekly. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns)

CREDIT CARDS

The City and Utility employees and officials are using credit cards to purchase items without an approved credit card policy. A similar comment appeared in prior reports.

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.
- (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.

CITY OF LINTON  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

(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)

CONTRACTS

As stated in prior reports, the City has not entered into a contract with the custodian of Sunset Park.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TEMPORARY TRANSFER OF FUNDS

As stated in prior reports, a temporary transfer of \$36,000 was made in 2005 from the General Fund to the Golf Course Fund and not repaid by December 31, 2005. The loan has not been repaid as of December 31, 2009.

IC 36-1-8-4 concerning temporary transfer states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

COMPENSATION AND BENEFITS

Compensation and benefits paid from the Utilities for the Internet Employees were not included on the salary ordinance or resolution. A similar comment appeared in prior reports.

CITY OF LINTON  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS (Applies to Utilities)

As stated in prior reports, the Utility detailed capital asset records did not agree with the balances in the various Utility ledgers. The Utilities record capital asset additions, but disposals are not being recorded in its records.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ORDINANCES AND RESOLUTIONS (Applies to Utilities)

The Utilities have an ordinance concerning meter deposits. However, they did not charge according to the ordinance in 2 out of 12 customer deposits tested. A similar comment was appeared in prior reports.

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)

INTEREST ON INVESTMENTS

Interest earned on some investments was automatically added to the principal and not recorded in the records.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SERVICE AND TIME RECORDS

Employee time, attendance, or service records were not maintained for the Cemetery Superintendent. A similar comment was included in prior reports. The Personnel Policy adopted in August 2005 states in part: ". . . employees should accurately record the time they begin and end their work, as well as the beginning and ending of each meal period." In addition, not all time cards were approved by the department head.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. Each governmental unit is responsible for complying with ordinances, resolutions and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF LINTON  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

ACCOUNTS RECEIVABLE (Applies to Electric and Gas Utilities)

The detailed accounts receivable report does not reconcile with the Accounts Receivable amount recorded on the general ledger.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DELINQUENT WASTEWATER ACCOUNTS (Applies to Wastewater Utility)

As stated in prior reports, 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:

(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; and

(C) the amount of the delinquent fees, together with the penalty; or

(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 . . ."

CITY OF LINTON  
EXIT CONFERENCE

The contents of this report were discussed on August 10, 2010, with Tom Jones, Mayor; B. Jack Shelton, Clerk-Treasurer; and Jerry Ellett, President of the City Council. The officials concurred with our findings.