

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

EXAMINATION REPORT  
OF  
TOWN OF LINDEN  
MONTGOMERY COUNTY, INDIANA  
January 1, 2009 to December 31, 2010



**FILED**  
07/21/2011



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rebecca Saunders	01-01-08 to 12-31-11
President of the Town Council	Wade Bennett	01-01-09 to 12-31-11
Utility Office Manager	Ladonna Dyer Janet Heide	01-01-09 to 12-31-10 01-01-11 to 12-31-11
Superintendent of Streets and Parks	Earl Heide	08-01-10 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial statements of the Town of Linden (Town), for the period of January 1, 2009 to December 31, 2010. The Town's management is responsible for the financial statements. 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2009 and 2010, on the basis of accounting described in Note 1.

The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis 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 financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town's management, the Town Council, 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

June 1, 2011

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FINANCIAL STATEMENT(S)

LINDEN CIVIL TOWN  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
General	\$ 45,987	\$ 91,533	\$ 84,426	\$ 53,094
Motor Vehicle Highway	26,361	40,109	33,651	32,819
Local Road and Street	9,959	3,060	11,887	1,132
Park & Recreation	22,587	7,101	21,224	8,464
Sanitation	-	33,023	32,072	951
Law Enforcement Continuing Education	1,765	1,598	1,533	1,830
Water MBE	25,000	-	-	25,000
Rainy Day	-	3,288	-	3,288
Cumulative Capital Improvement	8,558	2,147	8,500	2,205
Cumulative Capital Development	19,227	4,752	18,265	5,714
Payroll	10,945	112,205	120,356	2,794
Wastewater Operating	(57,409)	245,922	201,784	(13,271)
Wastewater Bond and Interest	22,949	-	-	22,949
Wastewater Depreciation	7,903	-	-	7,903
Wastewater Force Main	19,920	-	-	19,920
Wastewater Debt Reserve-105355	59,158	10,486	-	69,644
Wastewater SRF Trust 105328	2,122,805	13,901	-	2,136,706
Wastewater Sinking-105356	31,113	65,896	62,276	34,733
Wastewater DSR-105363	7,583	5,061	-	12,644
Water Operating	440,946	491,943	430,806	502,083
Water Depreciation	15,230	-	-	15,230
Water Customer Deposit	5,025	9,103	467	13,661
Water Debt Reserve 2000A-314908	41,177	51,596	50,356	42,417
Water Debt Reserve DSR 2000A-314909	23,670	10,567	-	34,237
Water Tower	2,038	-	-	2,038
Water Sinking SRF Linden B-105327	171,685	218,605	216,336	173,954
Totals	<u>\$ 3,084,182</u>	<u>\$ 1,421,896</u>	<u>\$ 1,293,939</u>	<u>\$ 3,212,139</u>

The notes to the financial statement(s) are an integral part of this statement.

TOWN OF LINDEN  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 53,094	\$ 114,933	\$ 114,992	\$ 53,035
Motor Vehicle Highway	32,819	31,385	35,494	28,710
Local Road and Street	1,132	3,129	-	4,261
Park and Recreation	8,464	1,992	4,103	6,353
Sanitation	951	31,271	30,170	2,052
Law Enforcement Continuing Education	1,830	611	1,801	640
Water MBE	25,000	-	-	25,000
Rainy Day	3,288	2,302	-	5,590
Cumulative Capital Improvement	2,205	2,049	-	4,254
Cumulative Capital Development	5,714	6,736	3,148	9,302
Payroll	2,794	101,198	99,430	4,562
Wastewater Operating	(13,271)	173,881	99,852	60,758
Wastewater Bond & Interest	22,949	-	3,394	19,555
Wastewater Depreciation	7,903	4,800	-	12,703
Wastewater Force Main	19,920	7,022	24,502	2,440
Wastewater Debt Reserve-105355	69,644	92	5,476	64,260
Wastewater SRF Trust 105328	2,136,706	2,957	-	2,139,663
Wastewater Sinking-105356	34,733	43,892	60,848	17,777
Wastewater DSR-105363	12,644	5,025	-	17,669
Water Operating	502,083	356,299	311,671	546,711
Water Depreciation	15,230	3,600	-	18,830
Water Customer Deposit	13,661	2,723	584	15,800
Water Debt Reserve 2000A-314908	42,417	51,652	50,857	43,212
Water Debt Reserve DSR 2000A-314909	34,237	10,453	-	44,690
Water Tower	2,038	3,000	-	5,038
Water Sinking SRF Linden B-105327	173,954	218,640	216,712	175,882
Totals	<u>\$ 3,212,139</u>	<u>\$ 1,179,642</u>	<u>\$ 1,063,034</u>	<u>\$ 3,328,747</u>

The notes to the financial statement(s) are an integral part of this statement.

TOWN OF LINDEN  
NOTES TO FINANCIAL STATEMENT(S)

**Note 1. 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 some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement(s) present(s) the financial information for the Town (primary government), and does not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government).

*B. Basis of Accounting*

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), 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 regulatory 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.

*C. Cash and Investments*

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

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF LINDEN  
NOTES TO FINANCIAL STATEMENT(S)  
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

TOWN OF LINDEN  
NOTES TO FINANCIAL STATEMENT(S)  
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

TOWN OF LINDEN  
NOTES TO FINANCIAL STATEMENT(S)  
(Continued)

**Note 4. *Deposits and Investments***

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. *Risk Management***

The Town may be 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; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement and replacement items purchased.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town of Linden's Annual Report(s) can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

TOWN OF LINDEN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road and Street	Park and Recreation	Sanitation	Law Enforcement Continuing Education	Water MBE
Cash and investments - beginning	\$ 53,094	\$ 32,819	\$ 1,132	\$ 8,464	\$ 951	\$ 1,830	\$ 25,000
Receipts:							
Taxes	43,770	4,671	-	1,589	-	-	-
Licenses and permits	-	-	-	-	-	590	-
Intergovernmental	40,691	8,223	3,129	403	-	-	-
Charges for services	3,000	-	-	-	31,271	-	-
Fines and forfeits	-	-	-	-	-	16	-
Utility fees	-	-	-	-	-	-	-
Other receipts	27,472	18,491	-	-	-	5	-
Total receipts	<u>114,933</u>	<u>31,385</u>	<u>3,129</u>	<u>1,992</u>	<u>31,271</u>	<u>611</u>	<u>-</u>
Disbursements:							
Personal services	28,628	16,882	-	663	-	-	-
Supplies	2,274	4,200	-	33	-	-	-
Other services and charges	35,463	14,412	-	3,407	30,170	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	9,298	-	-	-	-	1,801	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	39,329	-	-	-	-	-	-
Total disbursements	<u>114,992</u>	<u>35,494</u>	<u>-</u>	<u>4,103</u>	<u>30,170</u>	<u>1,801</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(59)</u>	<u>(4,109)</u>	<u>3,129</u>	<u>(2,111)</u>	<u>1,101</u>	<u>(1,190)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 53,035</u>	<u>\$ 28,710</u>	<u>\$ 4,261</u>	<u>\$ 6,353</u>	<u>\$ 2,052</u>	<u>\$ 640</u>	<u>\$ 25,000</u>

TOWN OF LINDEN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Rainy Day	Cumulative Capital Improvement	Cumulative Capital Development	Payroll	Wastewater Operating	Wastewater Bond and Interest	Wastewater Depreciation
Cash and investments - beginning	\$ 3,288	\$ 2,205	\$ 5,714	\$ 2,794	\$ (13,271)	\$ 22,949	\$ 7,903
Receipts:							
Taxes	-	-	5,733	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	2,302	2,049	1,003	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	160,681	-	-
Other receipts	-	-	-	101,198	13,200	-	4,800
Total receipts	<u>2,302</u>	<u>2,049</u>	<u>6,736</u>	<u>101,198</u>	<u>173,881</u>	<u>-</u>	<u>4,800</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	12,387	-	-
Capital outlay	-	-	3,148	-	-	-	-
Utility operating expenses	-	-	-	-	32,249	-	-
Other disbursements	-	-	-	99,430	55,216	3,394	-
Total disbursements	<u>-</u>	<u>-</u>	<u>3,148</u>	<u>99,430</u>	<u>99,852</u>	<u>3,394</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>2,302</u>	<u>2,049</u>	<u>3,588</u>	<u>1,768</u>	<u>74,029</u>	<u>(3,394)</u>	<u>4,800</u>
Cash and investments - ending	<u>\$ 5,590</u>	<u>\$ 4,254</u>	<u>\$ 9,302</u>	<u>\$ 4,562</u>	<u>\$ 60,758</u>	<u>\$ 19,555</u>	<u>\$ 12,703</u>

TOWN OF LINDEN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Wastewater Force Main	Wastewater Debt Reserve 105355	Wastewater SRF Trust 105328	Wastewater Sinking 105356	Wastewater DSR 105363	Water Operating	Water Depreciation
Cash and investments - beginning	\$ 19,920	\$ 69,644	\$ 2,136,706	\$ 34,733	\$ 12,644	\$ 502,083	\$ 15,230
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	334,590	-
Other receipts	7,022	92	2,957	43,892	5,025	21,709	3,600
Total receipts	7,022	92	2,957	43,892	5,025	356,299	3,600
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	24,502	-	-	60,848	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	5,476	-	-	-	260,434	-
Other disbursements	-	-	-	-	-	51,237	-
Total disbursements	24,502	5,476	-	60,848	-	311,671	-
Excess (deficiency) of receipts over disbursements	(17,480)	(5,384)	2,957	(16,956)	5,025	44,628	3,600
Cash and investments - ending	\$ 2,440	\$ 64,260	\$ 2,139,663	\$ 17,777	\$ 17,669	\$ 546,711	\$ 18,830

TOWN OF LINDEN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Water Customer Deposit	Water Debt Reserve 2000A-314908	Water Debt Reserve DSR 2000A-314909	Water Tower	Water Sinking SRF Linden B-105327	Totals
Cash and investments - beginning	\$ 13,661	\$ 42,417	\$ 34,237	\$ 2,038	\$ 173,954	\$ 3,212,139
Receipts:						
Taxes	-	-	-	-	-	55,763
Licenses and permits	-	-	-	-	-	590
Intergovernmental	-	-	-	-	-	57,800
Charges for services	-	-	-	-	-	34,271
Fines and forfeits	-	-	-	-	-	16
Utility fees	-	-	-	-	-	495,271
Other receipts	2,723	51,652	10,453	3,000	218,640	535,931
Total receipts	<u>2,723</u>	<u>51,652</u>	<u>10,453</u>	<u>3,000</u>	<u>218,640</u>	<u>1,179,642</u>
Disbursements:						
Personal services	-	-	-	-	-	46,173
Supplies	-	-	-	-	-	6,507
Other services and charges	-	-	-	-	-	83,452
Debt service - principal and interest	-	50,857	-	-	89,712	238,306
Capital outlay	-	-	-	-	-	14,247
Utility operating expenses	-	-	-	-	127,000	425,159
Other disbursements	584	-	-	-	-	249,190
Total disbursements	<u>584</u>	<u>50,857</u>	<u>-</u>	<u>-</u>	<u>216,712</u>	<u>1,063,034</u>
Excess (deficiency) of receipts over disbursements	<u>2,139</u>	<u>795</u>	<u>10,453</u>	<u>3,000</u>	<u>1,928</u>	<u>116,608</u>
Cash and investments - ending	<u>\$ 15,800</u>	<u>\$ 43,212</u>	<u>\$ 44,690</u>	<u>\$ 5,038</u>	<u>\$ 175,882</u>	<u>\$ 3,328,747</u>

TOWN OF LINDEN  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2010

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Water Utility:		
Revenue bonds:		
SRF Improvement Revenue Bond B	\$ 3,030,000	\$ 216,971
SRF Improvement Revenue Bond A	<u>709,251</u>	<u>51,119</u>
Total Water Utility	<u>3,739,251</u>	<u>268,090</u>
Wastewater Utility:		
Revenue bonds:		
SRF Improvement Sinking 2000	595,000	58,993
SRF Improvement Debt Service	<u>141,000</u>	<u>21,611</u>
Total Wastewater Utility	<u>736,000</u>	<u>80,604</u>
Total business-type activities debt	<u>\$ 4,475,251</u>	<u>\$ 348,694</u>

TOWN OF LINDEN  
EXAMINATION RESULT(S) AND COMMENT(S)

***MOTOR VEHICLE HIGHWAY LAW ENFORCEMENT EXPENDITURES***

In 2009 and 2010, the Town over-expended the 15 percent of receipts limitation for expenditures of the Motor Vehicle Highway Fund for law enforcement purposes by \$12,589.88 and \$12,620.49, respectively. This represented 83 percent and 84 percent of the respective year's Motor Vehicle Highway Fund's State distributions, regarding expenditure limitations for Motor Vehicle Highway distributions. All Motor Vehicle Highway expenditures for law enforcement were for the Marshal's salary.

Indiana Code 8-14-1-5(b)(1) states: "For cities and towns with a population of less than five thousand (5,000), no more than fifteen percent (15) may be spent for law enforcement purposes."

***CASH RESERVE FUND***

Payments in Lieu of Taxes to the General Fund were not established through a Cash Reserve Fund in the Water Utility. Monthly payments are being made from the Operating Fund to the General Fund.

A cash reserve fund shall be established by ordinance and carried on the records of the utility or utilities. The fund shall be used to account for "monthly contributions or transfers . . . of surplus earnings of the utility or utilities." [IC 8-1.5-3-11 (a)] (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***HYDRANT RENTAL RECEIVABLE (PAYABLE)***

The Town of Linden owes the Linden Water Utility hydrant rental of \$7,373.25, \$7,537.10, and \$2994.10, for the years 2008, 2009, and 2010, respectively, pursuant to Rate Ordinance 2007-10 passed by the Town 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)

***APPROVAL OF FORMS***

The Town of Linden was using the following forms which had not been approved for use in lieu of prescribed forms:

Excel worksheets for detail of receipts, detail of disbursements, and appropriation balances.

Vendor and payroll checks printed through the Greentree payroll program.

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)

TOWN OF LINDEN  
EXAMINATION RESULT(S) AND COMMENT(S)  
(Continued)

**PRESCRIBED FORMS**

The following prescribed or approved forms were not always in use:

- Ledger of Receipts, Disbursements, and Balances - Form 208
- Ledger of Appropriations, Encumbrances, Disbursements, and Balances - Form 209
- Capital Asset Ledger - Form 211

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)

**APPROPRIATIONS**

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Park and Recreation	2010	<u>\$ 1,766</u>

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

**COMPENSATION AND BENEFITS**

Starting August 1, 2010, Earl Heide took over the positions of Park Superintendent, Street Superintendent, Assistant Water Superintendent, and Assistant Wastewater Superintendent with an annual salary of \$34,000. This was \$3,145 more as an annualized salary than the salary ordinance in effect provided for those positions. Although this salary amount was noted in the July 26, 2010, Board minutes, the salary ordinance was not amended. Officials plan to amend the 2010 salary ordinance, retroactively.

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)

**ANNUAL REPORT**

The annual reports for 2009 and 2010 were filed late. The 2009 report filed had numerous errors and did not accurately reflect the receipts and disbursements of the individual funds of the Town. As a result of these errors, the combining schedule for 2009 could not be extracted from the report and accordingly is not presented.

TOWN OF LINDEN  
EXAMINATION RESULT(S) AND COMMENT(S)  
(Continued)

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

***CAPITAL ASSET RECORDS***

The Town does not maintain sufficient detailed records of capital assets for its governmental funds or its 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 CASH BALANCE***

The cash balance of the Wastewater Operating Fund was overdrawn in 2009 by \$13,270.58.

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)

TOWN OF LINDEN  
EXIT CONFERENCE

The contents of this report were discussed on June 1, 2011, with Rebecca Saunders, Clerk-Treasurer, and Wade Bennett, President of the Town Council.