

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF LINTON
GREENE COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
08/22/2014

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|--|----------------------------------|--|
| Clerk-Treasurer | B. Jack Shelton | 01-01-12 to 12-31-15 |
| Mayor | John A. Wilkes | 01-01-12 to 12-31-15 |
| President of the Board of Public Works | John A. Wilkes | 01-01-12 to 12-31-15 |
| President Pro Tempore of the Common Council | Wayne F. Markle Jathan Wright | 01-01-13 to 12-31-13 01-01-14 to 12-31-14 |
| General Manager of Utilities | Brent Slover | 01-01-13 to 12-31-14 |
| Superintendent of Water Utility | W. Jeffrey Lehman | 01-01-13 to 12-31-14 |
| Superintendent of Wastewater Utility | Timothy Turpen | 01-01-13 to 12-31-14 |
| Superintendent of Electric Utility | Nicholas House | 01-01-13 to 12-31-14 |
| Superintendent of Gas Utility | W. Jeffrey Lehman | 01-01-13 to 12-31-14 |
| Superintendent of Sanitation Utility | Timothy Turpen | 01-01-13 to 12-31-14 |



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Linton (City), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2013.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 30, 2014, on our consideration of the City'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 integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

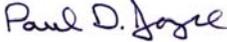
Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. 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 financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.


Paul D. Joyce, CPA
State Examiner

June 30, 2014



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, 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, the financial statement of the City of Linton (City), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated June 30, 2014, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 and 2013-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is 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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
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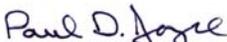
determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001.

City of Linton's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

June 30, 2014

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF LINTON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2013

| Fund | Cash and Investments 01-01-13 | Receipts | Disbursements | Cash and Investments 12-31-13 |
|---------------------------|-------------------------------------|----------------------|----------------------|-------------------------------------|
| GENERAL | \$ 204,644 | \$ 2,534,864 | \$ 2,324,727 | \$ 414,781 |
| MVHF | 45,112 | 472,467 | 318,519 | 199,060 |
| LOCAL ROAD & STREET FUND | 50,995 | 21,876 | 55,433 | 17,438 |
| LAW ENFORCEMENT EDUCATION | 5,718 | 25,141 | 14,433 | 16,426 |
| GOLF COURSE | (17,038) | 401,876 | 406,199 | (21,361) |
| RAINY DAY FUND | 213,009 | - | - | 213,009 |
| CUMM CAPITAL IMPROVMENT | 95,164 | 14,531 | 5,310 | 104,385 |
| CUMM. CAPITAL DEVELOPMENT | 35,824 | 18,322 | 5,000 | 49,146 |
| POLICE DEPT-NEW EQUIP. | 2,006 | 16,137 | 7,503 | 10,640 |
| FIRE EQUIP FUND | 5,488 | 6,141 | 5,664 | 5,965 |
| POLICE PENSION FUND | 72,890 | 116,072 | 115,778 | 73,184 |
| FIRE PENSION FUND | 59,682 | 62,622 | 61,738 | 60,566 |
| CEMETERY FUND | 16,066 | 75,916 | 77,553 | 14,429 |
| NEW FIRE STATION FUND | (84,471) | 222,822 | 132,020 | 6,331 |
| SWIMMING POOL | 25,381 | 53,934 | 82,390 | (3,075) |
| HUMPHREY'S PARK | 9,072 | 39,822 | 47,793 | 1,101 |
| 5TH STREET PROJECT | 3,135 | - | 3,135 | - |
| POLICE RESERVES FUND | 2,167 | 75 | - | 2,242 |
| POLICE DARE PROGRAM | 850 | 3,000 | 1,883 | 1,967 |
| TRAILER PERMIT/INSPEC FUN | 2,047 | 900 | 1,079 | 1,868 |
| PAYROLL FUND | 41,684 | 4,565,047 | 4,591,213 | 15,518 |
| ELECTRIC OPERATING FUND | 1,321,294 | 7,742,700 | 7,240,056 | 1,823,938 |
| ELECTRIC METER DEPOSIT | 249,337 | 57,805 | 45,206 | 261,936 |
| ELECTRIC DEPRECIATION | 877,835 | 2,348 | 210,493 | 669,690 |
| IMPA GRANT | 207 | 2,781 | - | 2,988 |
| ELECTRIC CASH RESERVE | 242,895 | 100,000 | 100,000 | 242,895 |
| ELECTRIC IMPREST FUND | 2,200 | - | - | 2,200 |
| CDBG FUND | 20,326 | 342,966 | 363,292 | - |
| SANITATION OPERATING | 42,683 | 586,595 | 583,641 | 45,637 |
| SANITATION DEPRECIATION | 279,824 | 60,000 | 149,611 | 190,213 |
| SEWAGE OPERATING FUND | 211,875 | 1,264,848 | 1,157,100 | 319,623 |
| SEWAGE METER DEPOSITS | 17,530 | 7,745 | 5,760 | 19,515 |
| SEWAGE DEPRECIATION FUND | 70,547 | 228,000 | 69,476 | 229,071 |
| WASTEWATER BOND & IN FUND | - | 226,700 | 4,128 | 222,572 |
| WASTEWATER DEBT RESERVE | - | 41,393 | - | 41,393 |
| WASTEWATER CONSTRUCTION | - | 2,646,259 | 2,646,259 | - |
| SEWAGE CONSTRUCTION FUND | 104,511 | 6 | 104,517 | - |
| SEWAGE DEBT RESERVE | 135,773 | - | - | 135,773 |
| SEWAGE IMPREST FUND | 600 | - | - | 600 |
| WATER OPERATING | 337,828 | 1,298,990 | 1,423,233 | 213,585 |
| WATER METER DEPOSIT | 32,763 | 6,010 | 4,620 | 34,153 |
| WATER DEPRECIATION FUND | 134,547 | 140,000 | 170,732 | 103,815 |
| WATER CONSTRUCTION FUND | 89,633 | 39 | 58,000 | 31,672 |
| WATER BOND & INTEREST | 248,383 | 222,000 | 378,836 | 91,547 |
| WATER DEBT RESERVE | 170,478 | - | - | 170,478 |
| WATER IMPREST FUND | 1,000 | - | - | 1,000 |
| WATER EXPANSION FUND | 926 | - | - | 926 |
| GAS OPERATING FUND | 1,169,617 | 2,678,270 | 2,728,570 | 1,119,317 |
| GAS METER DEPOSIT FUND | 136,131 | 25,725 | 19,910 | 141,946 |
| GAS DEPRECIATION FUND | 170,114 | 225,000 | 322,093 | 73,021 |
| GAS BOND & INTEREST | 46,519 | - | - | 46,519 |
| GAS DEBT RESERVE FUND | 90,891 | - | - | 90,891 |
| GAS IMPREST FUND | 2,200 | - | - | 2,200 |
| Totals | <u>\$ 6,997,892</u> | <u>\$ 26,557,745</u> | <u>\$ 26,042,903</u> | <u>\$ 7,512,734</u> |

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

CITY OF LINTON
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor 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 presents the financial information for the City.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 statement. The aggregate receipts include 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 City.

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.

CITY OF LINTON
NOTES TO FINANCIAL STATEMENT
(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 statement. The aggregate disbursements include 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 City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

CITY OF LINTON
NOTES TO FINANCIAL STATEMENT
(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 City 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 City. 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 City. 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 City 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 City 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 City 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.

CITY OF LINTON
NOTES TO FINANCIAL STATEMENT
(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 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.

Note 5. Risk Management

The City 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 City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 Indiana Public Retirement System (INPRS) 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 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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:

Indiana Public Retirement System
1 North Capitol Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

CITY OF LINTON
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

C. 1937 Firefighters' Pension Plan

Plan Description

The 1937 Firefighters' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

CITY OF LINTON
NOTES TO FINANCIAL STATEMENT
(Continued)

D. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS 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:

Indiana Public Retirement System
1 North Capitol Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of each fund having more expenditures than receipts available to spend.

Note 8. Holding Corporation

The City has entered into a capital lease with Linton Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the City. The lessor has been determined to be a related party of the City. Lease payments during the year 2013 totaled \$132,000.

Note 9. Subsequent Events

The City was awarded a State Revolving Loan in the amount of \$873,000 for improvements to the Water Treatment Plant. Under the terms of the State Revolving Loan Fund, revenue bonds were purchased by the Bank of New York and the proceeds of which will be used to finance the improvements to the Water Utility. Funds will be loaned to the City as expenses accrue to the maximum amount allowed. As of June 30, 2014, there have not been any draw downs.

SUPPLEMENTARY INFORMATION - UNAUDITED

For additional financial information, the City's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF LINTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

| | GENERAL | MVHF | LOCAL ROAD & STREET FUND | LAW ENFORCEMENT EDUCATION | GOLF COURSE | RAINY DAY FUND |
|--|-------------------|-------------------|--------------------------------------|---------------------------------|--------------------|----------------------|
| Cash and investments - beginning | \$ 204,644 | \$ 45,112 | \$ 50,995 | \$ 5,718 | \$ (17,038) | \$ 213,009 |
| Receipts: | | | | | | |
| Taxes | 608,301 | 265,059 | - | - | 13,673 | - |
| Licenses and permits | - | - | - | 5,000 | - | - |
| Intergovernmental | 813,139 | 199,115 | 21,876 | - | - | - |
| Charges for services | 456,102 | - | - | 356 | 384,020 | - |
| Fines and forfeits | 115,069 | - | - | 19,785 | - | - |
| Utility fees | - | - | - | - | - | - |
| Other receipts | 542,253 | 8,293 | - | - | 4,183 | - |
| Total receipts | <u>2,534,864</u> | <u>472,467</u> | <u>21,876</u> | <u>25,141</u> | <u>401,876</u> | <u>-</u> |
| Disbursements: | | | | | | |
| Personal services | 1,398,239 | 215,589 | - | - | 155,885 | - |
| Supplies | 164,313 | 71,594 | - | 14,433 | 184,332 | - |
| Other services and charges | 186,689 | 26,336 | 55,433 | - | 65,982 | - |
| Debt service - principal and interest | - | - | - | - | - | - |
| Capital outlay | 29,459 | 5,000 | - | - | - | - |
| Utility operating expenses | - | - | - | - | - | - |
| Other disbursements | 546,027 | - | - | - | - | - |
| Total disbursements | <u>2,324,727</u> | <u>318,519</u> | <u>55,433</u> | <u>14,433</u> | <u>406,199</u> | <u>-</u> |
| Excess (deficiency) of receipts over disbursements | <u>210,137</u> | <u>153,948</u> | <u>(33,557)</u> | <u>10,708</u> | <u>(4,323)</u> | <u>-</u> |
| Cash and investments - ending | <u>\$ 414,781</u> | <u>\$ 199,060</u> | <u>\$ 17,438</u> | <u>\$ 16,426</u> | <u>\$ (21,361)</u> | <u>\$ 213,009</u> |

CITY OF LINTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

| | CUMM CAPITAL IMPROVMENT | CUMM. CAPITAL DEVELOPMENT | POLICE DEPT-NEW EQUIP. | FIRE EQUIP FUND | POLICE PENSION FUND | FIRE PENSION FUND |
|--|-------------------------------|---------------------------------|------------------------------|-----------------------|---------------------------|-------------------------|
| Cash and investments - beginning | \$ 95,164 | \$ 35,824 | \$ 2,006 | \$ 5,488 | \$ 72,890 | \$ 59,682 |
| Receipts: | | | | | | |
| Taxes | - | 15,908 | - | - | - | - |
| Licenses and permits | - | - | 4,515 | - | - | - |
| Intergovernmental | 14,531 | 2,414 | - | - | - | - |
| Charges for services | - | - | - | - | 116,072 | 62,622 |
| Fines and forfeits | - | - | - | - | - | - |
| Utility fees | - | - | - | - | - | - |
| Other receipts | - | - | 11,622 | 6,141 | - | - |
| Total receipts | <u>14,531</u> | <u>18,322</u> | <u>16,137</u> | <u>6,141</u> | <u>116,072</u> | <u>62,622</u> |
| Disbursements: | | | | | | |
| Personal services | - | - | - | - | 115,778 | 61,738 |
| Supplies | - | - | - | - | - | - |
| Other services and charges | - | - | - | - | - | - |
| Debt service - principal and interest | - | - | - | - | - | - |
| Capital outlay | 5,310 | 5,000 | - | - | - | - |
| Utility operating expenses | - | - | - | - | - | - |
| Other disbursements | - | - | 7,503 | 5,664 | - | - |
| Total disbursements | <u>5,310</u> | <u>5,000</u> | <u>7,503</u> | <u>5,664</u> | <u>115,778</u> | <u>61,738</u> |
| Excess (deficiency) of receipts over disbursements | <u>9,221</u> | <u>13,322</u> | <u>8,634</u> | <u>477</u> | <u>294</u> | <u>884</u> |
| Cash and investments - ending | <u>\$ 104,385</u> | <u>\$ 49,146</u> | <u>\$ 10,640</u> | <u>\$ 5,965</u> | <u>\$ 73,184</u> | <u>\$ 60,566</u> |

CITY OF LINTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

| | CEMETERY FUND | NEW FIRE STATION FUND | SWIMMING POOL | HUMPHREY'S PARK | 5TH STREET PROJECT | POLICE RESERVES FUND |
|--|------------------|--------------------------------|-------------------|--------------------|--------------------------|----------------------------|
| Cash and investments - beginning | \$ 16,066 | \$ (84,471) | \$ 25,381 | \$ 9,072 | \$ 3,135 | \$ 2,167 |
| Receipts: | | | | | | |
| Taxes | 5,007 | 222,822 | - | 2,504 | - | - |
| Licenses and permits | - | - | - | 1,805 | - | - |
| Intergovernmental | 609 | - | - | 304 | - | - |
| Charges for services | 70,300 | - | 40,381 | 31,428 | - | - |
| Fines and forfeits | - | - | - | - | - | - |
| Utility fees | - | - | - | - | - | - |
| Other receipts | - | - | 13,553 | 3,781 | - | 75 |
| Total receipts | <u>75,916</u> | <u>222,822</u> | <u>53,934</u> | <u>39,822</u> | <u>-</u> | <u>75</u> |
| Disbursements: | | | | | | |
| Personal services | 34,742 | - | 29,066 | - | - | - |
| Supplies | 35,004 | - | 16,949 | 13,385 | - | - |
| Other services and charges | 7,807 | 20 | 3,505 | 34,408 | - | - |
| Debt service - principal and interest | - | 132,000 | - | - | - | - |
| Capital outlay | - | - | 32,870 | - | - | - |
| Utility operating expenses | - | - | - | - | - | - |
| Other disbursements | - | - | - | - | 3,135 | - |
| Total disbursements | <u>77,553</u> | <u>132,020</u> | <u>82,390</u> | <u>47,793</u> | <u>3,135</u> | <u>-</u> |
| Excess (deficiency) of receipts over disbursements | <u>(1,637)</u> | <u>90,802</u> | <u>(28,456)</u> | <u>(7,971)</u> | <u>(3,135)</u> | <u>75</u> |
| Cash and investments - ending | <u>\$ 14,429</u> | <u>\$ 6,331</u> | <u>\$ (3,075)</u> | <u>\$ 1,101</u> | <u>\$ -</u> | <u>\$ 2,242</u> |

CITY OF LINTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

| | POLICE DARE PROGRAM | TRAILER PERMIT/INSPEC FUN | PAYROLL FUND | ELECTRIC OPERATING FUND | ELECTRIC METER DEPOSIT | ELECTRIC DEPRECIATION |
|--|---------------------------|---------------------------------|------------------|-------------------------------|------------------------------|--------------------------|
| Cash and investments - beginning | \$ 850 | \$ 2,047 | \$ 41,684 | \$ 1,321,294 | \$ 249,337 | \$ 877,835 |
| Receipts: | | | | | | |
| Taxes | - | - | - | - | - | - |
| Licenses and permits | - | 900 | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - |
| Utility fees | - | - | - | 7,550,008 | - | - |
| Other receipts | 3,000 | - | 4,565,047 | 192,692 | 57,805 | 2,348 |
| Total receipts | <u>3,000</u> | <u>900</u> | <u>4,565,047</u> | <u>7,742,700</u> | <u>57,805</u> | <u>2,348</u> |
| Disbursements: | | | | | | |
| Personal services | - | - | - | - | - | - |
| Supplies | - | - | - | - | - | - |
| Other services and charges | - | - | - | - | - | - |
| Debt service - principal and interest | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - |
| Utility operating expenses | - | - | - | 7,240,056 | 45,206 | 210,493 |
| Other disbursements | 1,883 | 1,079 | 4,591,213 | - | - | - |
| Total disbursements | <u>1,883</u> | <u>1,079</u> | <u>4,591,213</u> | <u>7,240,056</u> | <u>45,206</u> | <u>210,493</u> |
| Excess (deficiency) of receipts over disbursements | <u>1,117</u> | <u>(179)</u> | <u>(26,166)</u> | <u>502,644</u> | <u>12,599</u> | <u>(208,145)</u> |
| Cash and investments - ending | <u>\$ 1,967</u> | <u>\$ 1,868</u> | <u>\$ 15,518</u> | <u>\$ 1,823,938</u> | <u>\$ 261,936</u> | <u>\$ 669,690</u> |

CITY OF LINTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

| | IMPA GRANT | ELECTRIC CASH RESERVE | ELECTRIC IMPREST FUND | CDBG FUND | SANITATION OPERATING | SANITATION DEPRECIATION |
|--|---------------|-----------------------------|-----------------------------|--------------|-------------------------|----------------------------|
| Cash and investments - beginning | \$ 207 | \$ 242,895 | \$ 2,200 | \$ 20,326 | \$ 42,683 | \$ 279,824 |
| Receipts: | | | | | | |
| Taxes | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - |
| Utility fees | - | - | - | - | - | - |
| Other receipts | 2,781 | 100,000 | - | 342,966 | 586,595 | 60,000 |
| Total receipts | 2,781 | 100,000 | - | 342,966 | 586,595 | 60,000 |
| Disbursements: | | | | | | |
| Personal services | - | - | - | - | - | - |
| Supplies | - | - | - | - | - | - |
| Other services and charges | - | - | - | - | - | - |
| Debt service - principal and interest | - | - | - | - | - | - |
| Capital outlay | - | - | - | 342,960 | - | - |
| Utility operating expenses | - | 100,000 | - | - | - | - |
| Other disbursements | - | - | - | 20,332 | 583,641 | 149,611 |
| Total disbursements | - | 100,000 | - | 363,292 | 583,641 | 149,611 |
| Excess (deficiency) of receipts over disbursements | 2,781 | - | - | (20,326) | 2,954 | (89,611) |
| Cash and investments - ending | \$ 2,988 | \$ 242,895 | \$ 2,200 | \$ - | \$ 45,637 | \$ 190,213 |

CITY OF LINTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

| | SEWAGE OPERATING FUND | SEWAGE METER DEPOSITS | SEWAGE DEPRECIATION FUND | WASTEWATER BOND & IN FUND | WASTWATER DEBT RESERVE | WASTEWATER CONSTRUCTION |
|--|-----------------------------|-----------------------------|--------------------------------|---------------------------------------|------------------------------|----------------------------|
| Cash and investments - beginning | \$ 211,875 | \$ 17,530 | \$ 70,547 | \$ - | \$ - | \$ - |
| Receipts: | | | | | | |
| Taxes | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - |
| Utility fees | 1,251,808 | - | - | - | - | - |
| Other receipts | 13,040 | 7,745 | 228,000 | 226,700 | 41,393 | 2,646,259 |
| Total receipts | <u>1,264,848</u> | <u>7,745</u> | <u>228,000</u> | <u>226,700</u> | <u>41,393</u> | <u>2,646,259</u> |
| Disbursements: | | | | | | |
| Personal services | - | - | - | - | - | - |
| Supplies | - | - | - | - | - | - |
| Other services and charges | - | - | - | - | - | - |
| Debt service - principal and interest | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | 2,646,259 |
| Utility operating expenses | 1,157,100 | 5,760 | 69,476 | 4,128 | - | - |
| Other disbursements | - | - | - | - | - | - |
| Total disbursements | <u>1,157,100</u> | <u>5,760</u> | <u>69,476</u> | <u>4,128</u> | <u>-</u> | <u>2,646,259</u> |
| Excess (deficiency) of receipts over disbursements | <u>107,748</u> | <u>1,985</u> | <u>158,524</u> | <u>222,572</u> | <u>41,393</u> | <u>-</u> |
| Cash and investments - ending | <u>\$ 319,623</u> | <u>\$ 19,515</u> | <u>\$ 229,071</u> | <u>\$ 222,572</u> | <u>\$ 41,393</u> | <u>\$ -</u> |

CITY OF LINTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

| | SEWAGE CONSTRUCTION FUND | SEWAGE DEBT RESERVE | SEWAGE IMPREST FUND | WATER OPERATING | WATER METER DEPOSIT | WATER DEPRECIATION FUND |
|--|--------------------------------|---------------------------|---------------------------|--------------------|---------------------------|-------------------------------|
| Cash and investments - beginning | \$ 104,511 | \$ 135,773 | \$ 600 | \$ 337,828 | \$ 32,763 | \$ 134,547 |
| Receipts: | | | | | | |
| Taxes | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - |
| Utility fees | - | - | - | 1,156,580 | - | - |
| Other receipts | 6 | - | - | 142,410 | 6,010 | 140,000 |
| Total receipts | <u>6</u> | <u>-</u> | <u>-</u> | <u>1,298,990</u> | <u>6,010</u> | <u>140,000</u> |
| Disbursements: | | | | | | |
| Personal services | - | - | - | 309,459 | - | - |
| Supplies | - | - | - | - | - | - |
| Other services and charges | - | - | - | - | - | - |
| Debt service - principal and interest | - | - | - | - | - | - |
| Capital outlay | 104,517 | - | - | - | - | - |
| Utility operating expenses | - | - | - | 1,105,111 | 4,620 | 170,732 |
| Other disbursements | - | - | - | 8,663 | - | - |
| Total disbursements | <u>104,517</u> | <u>-</u> | <u>-</u> | <u>1,423,233</u> | <u>4,620</u> | <u>170,732</u> |
| Excess (deficiency) of receipts over disbursements | <u>(104,511)</u> | <u>-</u> | <u>-</u> | <u>(124,243)</u> | <u>1,390</u> | <u>(30,732)</u> |
| Cash and investments - ending | <u>\$ -</u> | <u>\$ 135,773</u> | <u>\$ 600</u> | <u>\$ 213,585</u> | <u>\$ 34,153</u> | <u>\$ 103,815</u> |

CITY OF LINTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

| | WATER CONSTRUCTION FUND | WATER BOND & INTEREST | WATER DEBT RESERVE | WATER IMPREST FUND | WATER EXPANSION FUND | GAS OPERATING FUND |
|--|-------------------------------|--------------------------------|--------------------------|--------------------------|----------------------------|--------------------------|
| Cash and investments - beginning | \$ 89,633 | \$ 248,383 | \$ 170,478 | \$ 1,000 | \$ 926 | \$ 1,169,617 |
| Receipts: | | | | | | |
| Taxes | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - |
| Utility fees | - | - | - | - | - | 2,629,874 |
| Other receipts | 39 | 222,000 | - | - | - | 48,396 |
| Total receipts | <u>39</u> | <u>222,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,678,270</u> |
| Disbursements: | | | | | | |
| Personal services | - | - | - | - | - | - |
| Supplies | - | - | - | - | - | - |
| Other services and charges | - | - | - | - | - | - |
| Debt service - principal and interest | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - |
| Utility operating expenses | 58,000 | 378,836 | - | - | - | 2,728,570 |
| Other disbursements | - | - | - | - | - | - |
| Total disbursements | <u>58,000</u> | <u>378,836</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,728,570</u> |
| Excess (deficiency) of receipts over disbursements | <u>(57,961)</u> | <u>(156,836)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(50,300)</u> |
| Cash and investments - ending | <u>\$ 31,672</u> | <u>\$ 91,547</u> | <u>\$ 170,478</u> | <u>\$ 1,000</u> | <u>\$ 926</u> | <u>\$ 1,119,317</u> |

CITY OF LINTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

| | GAS METER DEPOSIT FUND | GAS DEPRECIATION FUND | GAS BOND & INTEREST | GAS DEBT RESERVE FUND | GAS IMPREST FUND | Totals |
|--|---------------------------------|-----------------------------|------------------------------|--------------------------------|------------------------|--------------|
| Cash and investments - beginning | \$ 136,131 | \$ 170,114 | \$ 46,519 | \$ 90,891 | \$ 2,200 | \$ 6,997,892 |
| Receipts: | | | | | | |
| Taxes | - | - | - | - | - | 1,133,274 |
| Licenses and permits | - | - | - | - | - | 12,220 |
| Intergovernmental | - | - | - | - | - | 1,051,988 |
| Charges for services | - | - | - | - | - | 1,161,281 |
| Fines and forfeits | - | - | - | - | - | 134,854 |
| Utility fees | - | - | - | - | - | 12,588,270 |
| Other receipts | 25,725 | 225,000 | - | - | - | 10,475,858 |
| Total receipts | 25,725 | 225,000 | - | - | - | 26,557,745 |
| Disbursements: | | | | | | |
| Personal services | - | - | - | - | - | 2,320,496 |
| Supplies | - | - | - | - | - | 500,010 |
| Other services and charges | - | - | - | - | - | 380,180 |
| Debt service - principal and interest | - | - | - | - | - | 132,000 |
| Capital outlay | - | - | - | - | - | 3,171,375 |
| Utility operating expenses | 19,910 | 322,093 | - | - | - | 13,620,091 |
| Other disbursements | - | - | - | - | - | 5,918,751 |
| Total disbursements | 19,910 | 322,093 | - | - | - | 26,042,903 |
| Excess (deficiency) of receipts over disbursements | 5,815 | (97,093) | - | - | - | 514,842 |
| Cash and investments - ending | \$ 141,946 | \$ 73,021 | \$ 46,519 | \$ 90,891 | \$ 2,200 | \$ 7,512,734 |

CITY OF LINTON
SCHEDULE OF LEASES AND DEBT
December 31, 2013

| Lessor | Purpose | Annual Lease Payment | Lease Beginning Date | Lease Ending Date |
|--------------------------------|------------------|----------------------------|----------------------------|-------------------------|
| Governmental activities: | | | | |
| Bloomfield State Bank | Police equipment | \$ 26,740 | 05-22-13 | 06-13-15 |
| PNC Equipment Finance | Golf carts | 32,371 | 10-01-12 | 10-31-17 |
| Linton Building Corporation | New fire station | <u>1,479,000</u> | 01-01-07 | 01-01-25 |
| Total governmental activities | | <u>1,538,111</u> | | |
| Total of annual lease payments | | <u>\$ 1,538,111</u> | | |

| Type | Description of Debt Purpose | Ending Principal Balance | Principal and Interest Due Within One Year |
|---------------|------------------------------------|--------------------------------|---|
| Wastewater: | | | |
| Revenue bonds | Wastewater utility 2013 SRF loan | \$ 2,646,259 | \$ - |
| Water: | | | |
| Revenue bonds | Water utility 2007 refunding bonds | <u>1,375,000</u> | <u>28,918</u> |
| Totals | | <u>\$ 4,021,259</u> | <u>\$ 28,918</u> |

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Linton's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 noncompliance 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 City'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

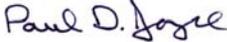
Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

June 30, 2014

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were prepared by management of the City. The schedule and notes are presented as intended by the City.

CITY OF LINTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

| Federal Grantor Agency Cluster Title/Program Title/Project Title | Pass-Through Entity or Direct Grant | Federal CFDA Number | Pass-Through Entity (or Other) Identifying Number | Total Federal Awards Expended |
|--|--|---------------------------|--|-------------------------------------|
| <u>Department of Agriculture</u> | | | | |
| Cooperative Forestry Assistance Tree Replacement | IDNR | 10.664 | 300FR100VFA2012 | \$ 2,727 |
| Total - Department of Agriculture | | | | <u>2,727</u> |
| <u>Department of Housing and Urban Development</u> | | | | |
| CDBG - State-Administered CDBG Cluster Community Development Block Grants/States Program and Non-Entitlement Grants In Hawaii Housing Project | In Office of Community and Rural Affairs | 14.228 | CF-12-117 | 342,960 |
| Total - CDBG - State Administered CDBG Cluster | | | | <u>342,960</u> |
| Total - Department of Housing and Urban Development | | | | <u>342,960</u> |
| <u>Department of Justice</u> | | | | |
| Public Safety Partnership And Community Policing Grants Cops Grant | Direct Grant | 16.710 | 2009RKWX0341 | 24,692 |
| Total - Department of Justice | | | | <u>24,692</u> |
| <u>Department of Transportation</u> | | | | |
| Highway Planning and Construction Cluster Highway Planing And Construction Safe Rts To School | INDOT | 20.205 | 8001173703 | 24,844 |
| Total - Highway Planning and Construction Cluster | | | | <u>24,844</u> |
| Highway Safety Cluster State and Community Highway Safety Operation Pullover | INDOT | 20.600 | GRANT #1222 | 3,985 |
| Total - Highway Safety Cluster | | | | <u>3,985</u> |
| Total - Department of Transportation | | | | <u>28,829</u> |
| <u>Environmental Protection Agency</u> | | | | |
| Capitalization Grants For Clean Water State Revolving Funds Wastewater Plant Improvements | In Finance Authority | 66.458 | WW10062801 | 905,725 |
| Total - Environmental Protection Agency | | | | <u>905,725</u> |
| Total federal awards expended | | | | <u>\$ 1,304,933</u> |

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF LINTON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Note 2. Loans Outstanding

The City had the following loan balances, with continuing federal compliance requirements, outstanding at December 31, 2013. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

| Program Title | Federal CFDA Number | 2013 |
|---|---------------------------|-------------------|
| Capitalization Grants For Clean Water State Revolving Funds | 66.458 | \$ <u>905,725</u> |

CITY OF LINTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

| | |
|--|--|
| Type of auditor's report issued: | Adverse as to GAAP; Unmodified as to Regulatory Basis |
| Internal control over financial reporting: | |
| Material weaknesses identified? | yes |
| Significant deficiencies identified? | none reported |
| Noncompliance material to financial statement noted? | yes |

Federal Awards:

| | |
|--|---------------|
| Internal control over major programs: | |
| Material weaknesses identified? | no |
| Significant deficiencies identified? | none reported |
| Type of auditor's report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | no |

Identification of Major Programs:

| CFDA Number | Name of Federal Program or Cluster |
|----------------|---|
| 66.458 | CDBG – State-Administered CDBG Cluster Capitalization Grants for Clean 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 2013-001 - INTERNAL CONTROLS OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

CITY OF LINTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

During the audit of the SEFA, we noted that seven federal grants, with a total of \$1,280,089 in expenditures, had not been reported. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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 objectives, 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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

CITY OF LINTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

***FINDING 2013-002 - INTERNAL CONTROLS OVER
FINANCIAL TRANSACTIONS AND REPORTING***

We noted several deficiencies in the internal control system of the City 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 City to reduce risks to the achievement of financial reporting objectives. The City has not separated incompatible activities related to receipts, utility billings and collections, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. Adequate internal controls were not present to detect the following deficiency: Time cards were often not approved by the supervisor.

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 objectives, 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

No matters are reportable.

AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the City. The document is presented as intended by the City.

CITY OF LINTON

JACK SHELTON, CLERK-TREASURER

86 SOUTH MAIN STREET
LINTON, INDIANA 47441
(812) 847-7014

June 27, 2014

FEDERAL FINDING 2013-001: *INTERNAL CONTROLS OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)*

Auditee Contact Person: B. Jack Shelton

Title of Contact Person: Clerk-Treasurer

Phone: 812-847-7014

Expected Completion Date: By next Federal Grant or next audit period

Corrective Action Plan:

We, the City, will implement new procedures requiring all information, including applications, pertaining to federal grants be filed with the Clerk-Treasurer's office thus insuring that all information necessary for the complete and accurate preparation of the SEFA will be available. Accordingly, we will review all such information such as the number of grants, dollar amount of awards, and amount of expenditures so that the Schedule of Expenditures of Federal Awards may be properly compiled, filed, and monitored under the authority of the Clerk-Treasurer.

In addition, prior to the submission of the SEFA, we will utilize the services of a professional consultant to review the proposed submission for potential errors and omissions.

Finally, prior to the submission of the SEFA, we will ask also a Council member to review the proposed submission to insure that it is materially correct in relation to the financial statement.

Respectfully,



B. Jack Shelton
Clerk-Treasurer



CITY OF LINTON

JACK SHELTON, CLERK-TREASURER

86 SOUTH MAIN STREET
LINTON, INDIANA 47441
(812) 847-7014

June 27, 2014

FEDERAL FINDING 2013-002: *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*

Auditee Contact Person: B. Jack Shelton

Title of Contact Person: Clerk-Treasurer

Phone: 812-847-7014

Expected Completion Date: By next Federal Grant or next audit period

Corrective Action Plan:

1. Deputy Clerk-Treasurer will (is now doing so) review each month, for all funds, the monthly bank reconciliations and compare the same to reported amounts presented in the financial statement to insure their correctness. Additionally, the Clerk-Treasurer will (is now doing so) present to the Council, each month, for their review and acceptance, both a complete Fund Report detailing each city fund and its current balance, and a year-to-date Appropriation Report of all appropriated accounts.
2. The proper authority will take steps to ensure that time cards are properly reviewed for their correctness and approved accordingly by the respective supervisors.

Respectfully,



B. Jack Shelton
Clerk-Treasurer



OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the City. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.