

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF LINTON

GREENE COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED
11/01/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jathan Wright Claudia Walker	01-01-19 to 02-28-22 03-01-22 to 12-31-23
Mayor	John A. Wilkes	01-01-19 to 12-31-23
President of the Board of Public Works	John A. Wilkes	01-01-19 to 12-31-23
President Pro Tempore of the Common Council	Tony Richards Jerry L. Ellett Linda D. Bedwell Tony Richards	01-01-19 to 12-31-19 01-01-20 to 12-31-20 01-01-21 to 12-31-21 01-01-22 to 12-31-23
General Manager of Utilities	Brent Slover	01-01-19 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to the audit report of the City of Linton (City), for the period from January 1, 2019 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with the Financial Statements Audit Report of the City, which provides our opinions on the City's financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

October 25, 2023

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CLERK-TREASURER
CITY OF LINTON

CLERK-TREASURER
CITY OF LINTON
AUDIT RESULTS AND COMMENTS

ACCOUNTING OF CRF FUNDING ADMINISTERED BY IFA

Condition and Context

The City did not properly account for the Coronavirus Relief Fund (CRF) in accordance with State Examiner Directive 2020-3 (Directive).

The City did not properly establish a separate CARES grant fund for the CRF grant that followed the uniform chart of accounts. The City established fund 2400, entitled IFA CARES Relief Act Reimb fund (CARES fund), for reimbursements received from the Indiana Finance Authority (IFA). However, fund number 2400 was not within the designated fund series for the grant.

The City did not account for CRF funds in accordance with the Directive. Reimbursements for non-payroll costs totaling \$14,424, and reimbursements for public health and safety costs totaling \$154,608, were receipted into the CARES fund in January 2021. As the disbursement activity related to these reimbursements occurred in 2020, the disbursements could not be reversed. The City claimed the money to the General fund (fund 100) in the amount of \$165,418, the Electric Operating Fund (fund 6301) in the amount of \$1,176, the Gas Operating Fund (fund 6401) in the amount of \$2,213, and the Water Operating fund (fund 6101) in the amount of \$225. All reimbursements should have been claimed to the General fund, which would have allowed the money to be expended for any general unit purpose.

Criteria

. . . In anticipation of several separate funds being necessary, the following fund numbering system should be followed: . . .

Cities/Towns: 150-175 . . .

(Accounting and Appropriations of COVID-19 Grants memo dated April 29, 2020 (updated September 29, 2020))

Transactions for other permitted costs reimbursed by IFA must be accounted for through one of the following prescribed frameworks.

Framework One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. Reimbursed disbursements originally incurred in another fund will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the fund cash balance and re-appropriate the fund in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the original fund, it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund.** . . .

CLERK-TREASURER
CITY OF LINTON
AUDIT RESULTS AND COMMENTS
(Continued)

Framework Two. If IFA has provided reimbursement based on unpaid invoices or purchase orders, then reimbursements received from IFA shall be receipted into the separate CARES grant fund. The expenditures to vendors will be made through the CARES grant fund and these expenditures must match the application made to IFA. If the actual invoice or invoices relating to a purchase order is less than the purchase order, then the difference in the money expended to the vendor and the amount received for the purchase order from IFA must be returned to IFA. The items on the invoice must match the items on the purchase order. All documentation must be maintained.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund.** . . .

Framework Three. If you have created a negative balance in your CARES fund based on expenditures made in anticipation of receipt of reimbursement for allowable expenditures where invoices have already been submitted to IFA then leave as is and receipt reimbursement when received, bringing the balance in the separate CARES grant fund to zero. Going forward, expend any anticipated allowable expenditures from a fund with an appropriation and follow framework one. If a negative balance in the CARES grant fund is not fully reimbursed, then the unreimbursed amount will require a reverse entry and posting of the expenditure to the general or other appropriate fund within an appropriated line item.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund.** . . .

(State Examiner Directive 2020-3)

CAPITAL ASSETS

Condition and Context

The City had a detailed listing of capital assets; however, the listing had not been updated or maintained since 2019. In addition, the 2019 capital assets listing was materially different from what was reported in the Annual Financial Report via the Indiana Gateway for Government Units financial reporting system. Therefore, the Schedule of Capital Assets will not be presented as Other Information in the Financial Statements Audit Report of the City.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
CITY OF LINTON
AUDIT RESULTS AND COMMENTS
(Continued)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The City did not properly account for the distributions received from the State Motor Vehicle Highway Account for several years of the audit period. In 2019 and 2020, the City did not post the required 50 percent of the State Motor Vehicle Highway Account distributions, totaling \$219,229, to the MVHF Restricted fund. The City did not post 50 percent of any of the 2021 distributions received to the MVHF Restricted fund until December 2021. In 2022, the City allocated the December distribution in the amount of \$8,437, to the Local Road & Street Fund instead of the MVHF Restricted fund.

The amounts for 2019, 2020, and 2022 should be transferred to the MVHF Restricted fund in the current year to reflect the proper amount in the fund per State Examiner Directive 2018-2.

Criteria

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

The purpose of this Directive is to authorize and require . . . cities, and towns that receive distributions from the State Motor Vehicle Highway Account to **create a new sub-fund within the MVH Fund** to properly manage and account for the usage restrictions that were included in House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018. . . .

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted. . .

(State Examiner Directive 2018-2)

CLERK-TREASURER
CITY OF LINTON
EXIT CONFERENCE

The contents of this report were discussed on October 25, 2023, with Claudia Walker, Clerk-Treasurer; John A. Wilkes, Mayor and President of the Board of Public Works; Tony Richards, President Pro Tempore of the Common Council; Linda D. Bedwell, Common Council member; Jeffrey Sparks, Common Council member; and Jathan Wright, former Clerk-Treasurer.

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COMMON COUNCIL
CITY OF LINTON

COMMON COUNCIL
CITY OF LINTON
AUDIT RESULT AND COMMENT

EXPENDITURE OF UTILITY FUNDS FOR PAYROLL

The same comment also appeared in prior Reports B45720 and B53135.

Condition and Context

There were several employees that had shared responsibilities between the City and the Utilities. A review of payroll expenditures, made in accordance with the salary ordinance adopted by the Common Council, revealed that the City was not paying an adequate share of the employee's compensation. The positions and percentages of wages paid from City/Utility funds were as follows:

Position	Source of Payments	Percentage of Payroll by Source			
		2019	2020	2021	2022
Mayor	City Funds	4%	6%	6%	5%
	Utility Funds	96%	94%	94%	95%
Clerk-Treasurer	City Funds	4%	6%	6%	5%
	Utility Funds	96%	94%	94%	95%
Council member	City Funds	9%	9%	9%	8%
	Utility Funds	91%	91%	91%	92%
Secretary	City Funds	0%	3%	3%	3%
	Utility Funds	100%	97%	97%	97%
Utilities Controller	City Funds	0%	3%	3%	3%
	Utility Funds	100%	97%	97%	97%
Account Analyst	City Funds	0%	3%	3%	3%
	Utility Funds	100%	97%	97%	97%

Criteria

Indiana Code 8-1.5-3-11(d) states in part: "... transfers may not be made from any utility funds to the general fund except from the cash reserve fund."

COMMON COUNCIL
CITY OF LINTON
AUDIT RESULT AND COMMENT
(Continued)

Indiana Code 36-9-23-25 states in part:

"(a) Subject to section 37 of this chapter, the municipal legislative body shall, by ordinance, establish just and equitable fees for the services rendered by the sewage works, and provide the dates on which the fees are due.

(b) Just and equitable fees are the fees required to maintain the sewage works in the sound physical and financial condition necessary to render adequate and efficient service. The fees must be sufficient to:

- (1) pay all expenses incidental to the operation of the works, including legal expenses, maintenance costs, operating charges, repairs, lease rentals, and interest charges on bonds or other obligations;
- (2) provide the sinking fund required by section 21 of this chapter;
- (3) provide adequate money to be used as working capital; and
- (4) provide adequate money for improving and replacing the works. . . ."

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. Furthermore, utility funds should not be used to pay for personal items. The cost of shared employees and equipment between a city or town and its utilities or between utilities should be prorated in a rational manner.

Establishment of a Cash Reserve Fund permits transfer of surplus utility funds to the city or town general fund. After appropriation, such transferred funds may then be used for any legal general fund purpose.

(The Cities and Towns Bulletin and Uniform Compliance Guidelines, June 2016 Part One)

COMMON COUNCIL
CITY OF LINTON
EXIT CONFERENCE

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