

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

EXAMINATION REPORT

OF

CITY OF LINTON

GREENE COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED
05/29/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	B. Jack Shelton	01-01-04 to 12-31-07
Mayor	Tom Jones	01-01-04 to 12-31-07
President of the Common Council	Jerry Ellett Tony Richards	01-01-06 to 12-31-06 01-01-07 to 12-31-07
Superintendent of Utilities	Brent Slover	01-01-06 to 12-31-07
Superintendent of Water Utility	Jeff Lehman	01-01-06 to 12-31-07
Superintendent of Wastewater Utility	Timothy Turpen	01-01-06 to 12-31-07
Superintendent of Sanitation Utility	Timothy Turpen	01-01-06 to 12-31-07
Superintendent of Gas Utility	Jeff Lehman	01-01-06 to 12-31-07
Superintendent of Electric Utility	Nicholas House	01-01-06 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the City of Linton (City), for the period of January 1, 2006 to December 31, 2006. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

April 24, 2007

CITY OF LINTON
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 321,170	\$ 1,263,044	\$ 1,477,237	\$ 106,977
Motor Vehicle Highway	95,795	393,934	448,567	41,162
Local Road and Street	56,311	24,022	619	79,714
Park and Recreation	88,654	71,625	121,293	38,986
Law Enforcement Continuing Education	3,157	3,127	2,044	4,240
Cumulative Capital Improvement	17,387	20,628	15,259	22,756
Cumulative Capital Development	98,171	48,250	59,589	86,832
Cemetery	13,463	54,980	80,985	(12,542)
Fire Department Equipment	1,977	-	-	1,977
New Fire Station Fund	67,632	85,027	81,345	71,314
Ron Sparks Memorial Fund	44	-	44	-
Swimming Pool	20,433	33,339	32,215	21,557
Golf Course	12,062	400,779	441,908	(29,067)
Golf Course Capital Improvement	1,800	-	-	1,800
Glenburn Grant	-	95,205	94,005	1,200
Police Department New Equipment	100	4,078	-	4,178
4th Street Project	73,755	164,890	197,872	40,773
Police Reserve Fund	75	543	100	518
Tom Wall Memorial/Fire Department	-	2,185	-	2,185
Tom Wall Memorial/Golf Course	-	750	-	750
Trailer Permit/Inspection	685	710	435	960
New Police Station	-	223,325	250,647	(27,322)
Linton Comprehensive Planning Grant	-	30,000	30,000	-
Major Moves Construction	-	39,600	-	39,600
Proprietary Funds:				
Water Utility - Operating	369,200	991,277	980,922	379,555
Water Utility - Bond and Interest	25,067	222,000	216,892	30,175
Water Utility - Depreciation	41,451	40,900	4,259	78,092
Water Utility - Customer Deposit	23,148	4,905	3,895	24,158
Water Utility - Debt Reserve	223,000	-	-	223,000
Water Utility - Improvement	926	-	-	926
Wastewater Utility - Operating	366,024	771,959	889,763	248,220
Wastewater Utility - Bond and Interest	252,777	293,134	50,932	494,979
Wastewater Utility - Depreciation	246,801	42,000	-	288,801
Wastewater Utility - Debt Reserve	369,200	8,131	-	377,331
Electric Utility - Operating	655,751	5,721,733	6,090,393	287,091
Electric Utility - Depreciation	1,207,135	255,500	254,911	1,207,724
Electric Utility - Customer Deposit	152,185	39,890	33,700	158,375
Electric Utility - Cash Reserve	224,000	120,000	150,000	194,000
Gas Utility - Operating	(156,898)	3,544,623	3,360,163	27,562
Gas Utility - Bond and Interest	40,438	1,860	-	42,298
Gas Utility - Depreciation	416,283	-	34,337	381,946
Gas Utility - Customer Deposit	89,795	21,020	17,610	93,205
Gas Utility - Debt Reserve	88,429	-	-	88,429
Sanitation Utility - Operating	126,555	557,394	553,829	130,120
Sanitation Utility - Depreciation	39,824	12,000	-	51,824
Miner Broadband	385	43,101	96	43,390
Fiduciary Funds:				
Police Pension	103,097	77,560	102,072	78,585
Firefighters' Pension	135,132	55,988	81,000	110,120
Payroll	69,807	3,654,573	3,656,913	67,467
Totals	<u>\$ 5,982,183</u>	<u>\$ 19,439,589</u>	<u>\$ 19,815,851</u>	<u>\$ 5,605,921</u>

The accompanying notes are an integral part of the schedules.

CITY OF LINTON
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, health and social services, culture and recreation, highways and streets, public improvements, general administrative services, electric, gas, water, wastewater, sanitation and broadband internet.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF LINTON
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

Note 7. Long-Term Debt

The City has entered into various debts such as bonds for water construction, bonds for wastewater construction, bonds for construction of a fire station, a loan for the golf course, and a capital lease for a lawn mower. The outstanding principal at December 31, 2006, was \$2,175,000, \$1,975,000, \$1,625,000, \$147,500, and \$1,145, respectively.

CITY OF LINTON
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS (Applies to City)

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

<u>Fund</u>	<u>Excess Amount Expended</u>
General Fund – Attorney	\$ 773
Motor Vehicle Highway	83,042
Park and Recreation	21,444
Golf Course	104,559
Cemetery	13,086
Cumulative Capital Development	589

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."

A similar comment appeared in a prior report.

CAPITAL ASSET RECORDS (Applies to Utilities)

Detailed capital asset records did not agree with the balances in the ledger.

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

CONTRACTS (Applies to City)

As stated in prior audit reports, the most recent being Report B27253, the City has not entered into a contract with the Custodian of Sunset Park.

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

CITY OF LINTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

DEPOSITS (Applies to Cemetery)

In numerous instances, receipts were deposited later than the next business day.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

DELINQUENT WASTEWATER ACCOUNTS

As stated in prior audit reports, the most recent being Report B27253, delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

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

(1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

(A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;

(B) a description of the premises, as shown by the records of the county auditor; and

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

(2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

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

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

INVESTMENT MATURITY LIMITATIONS (Applies to Gas Utility)

As stated in prior Report B27253, the Gas Utility unit purchased certain investments which have a stated maturity in excess of two years.

Indiana Code 5-13-9-5.6 states: "Investments made under IC 5-13-9 must have a stated final maturity of not more than two years after the date of purchase or entry into a repurchase agreement."

CITY OF LINTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

ORDINANCES AND RESOLUTIONS

The City of Linton has an ordinance concerning Meter Deposits. However, the Utility Office did not always charge the amount set in the ordinance.

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)

OVERDRAWN CASH BALANCES

The Golf Course Fund, Cemetery Fund, and New Police Station Fund were overdrawn as of December 31, 2006.

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)

PENALTIES, INTEREST AND OTHER CHARGES

It was noted during the audit of payroll that the Indiana Department of Revenue assessed a penalty on the City for turning in 2004 W-2's past the due date of February 28, 2005. The penalty was assessed to the City on October 3, 2005.

Penalties totaling \$1,960 were paid to the Indiana Department of Revenue on January 1, 2006, for the period ending December 31, 2004.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPT ISSUANCE (Applies to Cemetery)

In some instances receipts were not issued or recorded for the sale of cemetery plots.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF LINTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

SERVICE AND TIME RECORDS

Employee time, attendance, or service records were not maintained for Gas, Water, and Electric superintendents. A similar comment was contained in the prior Report B27253. The Personnel Policy Handbook adopted in August 2005 states in part: ". . . employees should accurately record the time they begin and end their work, as well as the beginning and ending of each meal period."

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

TEMPORARY TRANSFER OF FUNDS

A temporary transfer of \$36,000 was made in 2005 from the General Fund to the Golf Course Fund and not repaid by December 31, 2005. The loan has not been repaid as of December 31, 2006.

Indiana Code 36-1-8-4 concerning temporary transfer states, in part:

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

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

CITY OF LINTON
EXIT CONFERENCE

The contents of this report were discussed on April 24, 2007, with Tom Jones, Mayor; B. Jack Shelton, Clerk-Treasurer; Brent Slover, Superintendent of Utilities; and Tony Richards, President of Common Council.