

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

EXAMINATION REPORT  
OF  
CITY OF AUBURN  
DEKALB COUNTY, INDIANA  
January 1, 2006 to December 31, 2006



**FILED**  
09/28/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Patricia M. Miller	01-01-04 to 12-31-07
Mayor	Norman E. Yoder	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Norman E. Yoder	01-01-04 to 12-31-07
President of the Common Council	Richard Crawford David Painter	01-01-06 to 02-21-06 02-22-06 to 12-31-07



**STATE OF INDIANA**  
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STATE BOARD OF ACCOUNTS  
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF AUBURN, DEKALB COUNTY, INDIANA

We have examined the financial information presented herein of the City of Auburn (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.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

August 13, 2007

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

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
<b>Governmental Funds:</b>				
General	\$ 1,997,848	\$ 4,016,095	\$ 5,271,918	\$ 742,025
Motor Vehicle Highway	438,337	944,226	1,412,760	(30,197)
Local Road and Street	88,774	74,085	53,708	109,151
Park and Recreation	293,097	286,282	562,476	16,903
Law Enforcement Continuing Education	4,681	12,910	6,968	10,623
Rainy Day	81,256	-	-	81,256
Donation	76,183	85,684	102,034	59,833
Cumulative Capital Improvement	125,893	49,720	-	175,613
Cumulative Capital Development	1,358,748	182,575	59,686	1,481,637
County Economic Development Income Tax	1,557,550	531,268	340,547	1,748,271
Park Nonreverting	105,609	41,871	36,257	111,223
Rieke Park Construction	232,102	52,198	278,069	6,231
State/Federal Grant	400	-	400	-
Fire Living Quarters	281	1,489	1,546	224
Fire Station Building Corporation Lease	111,501	171,898	294,895	(11,496)
Computer Building Corporation Lease	63,540	-	-	63,540
Information Technology Maintenance	-	75,861	963	74,898
Auburn Drive Project	34,218	-	-	34,218
Police Department Local Grants	1,172	-	-	1,172
Drug Enforcement Grant	15,051	36,676	40,631	11,096
DUI Grant	-	4,000	4,000	-
ISTEA/ACD Museum Grant	3,755	-	-	3,755
Tower UDAG Project	17,280	-	-	17,280
Multi-County Drug Task Force	51,367	18,077	26,778	42,666
Local Law Enforcement Block Grant	162	-	-	162
General Improvement	41,859	-	-	41,859
Industrial Sewer Revolving	78,346	-	-	78,346
Tax Incremental Financing	4,127,052	1,061,773	215,279	4,973,546
CEDIT Debt Service Reserve	271,170	-	-	271,170
Summerset Ridge Water Main Reimbursement	-	5,547	5,547	-
Summerset Ridge Sewer Main Reimbursement	-	5,547	5,547	-
Levy Excess	322,223	345,637	322,223	345,637
<b>Proprietary Funds:</b>				
Water Utility - Operating	1,047,030	2,960,640	3,076,551	931,119
Water Utility - Bond and Interest	1,658	426,000	422,327	5,331
Water Utility - Depreciation	1,135,740	265,559	137,148	1,264,151
Water Utility - Customer Deposit	42,015	23,649	18,445	47,219
Water Utility - Construction	535,788	22,321	143,269	414,840
Water Utility - Debt Service Reserve	542,085	-	-	542,085
Water Utility - Cash Reserve	-	81,000	81,000	-
Wastewater Utility - Operating	2,202,050	3,809,337	3,615,689	2,395,698
Wastewater Utility - Bond and Interest	78,999	244,800	244,455	79,344
Wastewater Utility - Depreciation	946,241	509,182	231,453	1,223,970
Wastewater Utility - Customer Deposit	19,448	10,326	7,491	22,283
Wastewater Utility - Improvement	901,198	72,000	-	973,198
Wastewater Utility - Debt Service Reserve	765,720	-	-	765,720
Wastewater Utility - Cash Reserve	14,700	171,000	165,000	20,700
Electric Utility - Operating	4,441,322	27,760,295	27,301,685	4,899,932
Electric Utility - Bond and Interest	720	-	-	720
Electric Utility - Depreciation	4,269,160	1,500,000	2,364,431	3,404,729
Electric Utility - Customer Deposit	60,144	35,476	24,274	71,346
Electric Utility - Cash Reserve	139,517	199,800	115,000	224,317
Self-Insurance	1,369,816	792,025	692,314	1,469,527
<b>Fiduciary Funds:</b>				
Police Officers' Pension	203,506	30,406	56,037	177,875
Flex	824	37,660	31,629	6,855
Cobra Administration	4,837	4,585	9,422	-
Payroll	-	11,120,467	11,120,467	-
<b>Totals</b>	<b>\$ 30,221,973</b>	<b>\$ 58,079,947</b>	<b>\$ 58,900,319</b>	<b>\$ 29,401,601</b>

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

CITY OF AUBURN  
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: general administrative services, public safety, highways and streets, culture and recreation, public improvements, planning and zoning, urban redevelopment and housing, electric, water, and wastewater services.

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

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

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 AUBURN  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

CITY OF AUBURN  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
For The Year Ended December 31, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 1,454,996
Infrastructure	17,371,529
Buildings	2,831,418
Improvements other than buildings	1,339,148
Machinery and equipment	8,529,680
Construction in progress	<u>2,214,434</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 33,741,205</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 735,068
Construction in progress	240,826
Capital assets, being depreciated:	
Buildings	3,525,707
Improvements other than buildings	12,564,672
Machinery and equipment	1,224,852
Transportation equipment	<u>264,415</u>
Total Water Utility capital assets	<u>18,555,540</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	377,757
Construction in progress	393,758
Capital assets, being depreciated:	
Buildings	6,274,660
Improvements other than buildings	23,000,946
Machinery and equipment	10,360,208
Transportation equipment	<u>306,119</u>
Total Wastewater Utility capital assets	<u>40,713,448</u>
Electric Utility:	
Capital assets, not being depreciated:	
Land	701,589
Construction in progress	2,093,501
Capital assets, being depreciated:	
Buildings	3,043,262
Improvements other than buildings	26,214,267
Machinery and equipment	2,510,325
Transportation equipment	<u>1,486,803</u>
Total Electric Utility capital assets	<u>36,049,747</u>
Total business-type activities capital assets	<u>\$ 95,318,735</u>

CITY OF AUBURN  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 For The Year Ended December 31, 2006

The City has entered into the following long-term debt:

Description of Debt	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>		
Capital leases:		
Fire station	\$ 1,400,000	\$ 210,000
Police copier	7,232	3,432
Park tractor	9,119	9,119
Loan payable (Auburn EDIT SRF)	<u>2,525,000</u>	<u>175,000</u>
<b>Total governmental activities long-term debt</b>	<u><u>\$ 3,941,351</u></u>	<u><u>\$ 397,551</u></u>
<b>Business-type Activities:</b>		
Water Utility		
Capital lease:		
Copier	\$ 3,794	\$ 2,472
Revenue bonds:		
1993 Improvement	145,000	95,000
2000 Improvement	<u>3,490,000</u>	<u>135,000</u>
<b>Total Water Utility</b>	<u>3,638,794</u>	<u>232,472</u>
Wastewater Utility		
Capital lease:		
Copier	3,794	2,472
State Revolving Fund Loan payable	<u>6,285,000</u>	<u>535,000</u>
<b>Total Wastewater Utility</b>	<u>6,288,794</u>	<u>537,472</u>
Electric Utility:		
Capital lease:		
Copier	<u>3,794</u>	<u>2,472</u>
<b>Total business-type activities long-term debt:</b>	<u><u>\$ 9,931,382</u></u>	<u><u>\$ 772,416</u></u>

CITY OF AUBURN  
EXAMINATION RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The cash balances of the Motor Vehicle Highway Fund and Fire Station Building Corporation Fund were overdrawn as of December 31, 2006. The overdrawn balances were the result of December 2006 property tax distributions not being distributed by the County Auditor until January 2007.

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)

CITY OF AUBURN  
EXIT CONFERENCE

The contents of this report were discussed on August 13, 2007, with Patricia M. Miller, Clerk-Treasurer; and Norman E. Yoder, Mayor. The officials concurred with our finding.