

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, 2008 to December 31, 2008



FILED
12/14/2009

TABLE OF CONTENTS

| <u>Description</u> | <u>Page</u> |
|---|-------------|
| Officials | 2 |
| Independent Accountant's Report..... | 3 |
| Financial Information: | |
| Schedule of Receipts, Disbursements, and Cash and Investment Balances | 4 |
| Notes to Financial Information | 5-6 |
| Supplementary Information: | |
| Schedule of Capital Assets..... | 7 |
| Schedule of Long-Term Debt | 8 |
| Examination Results and Comments: | |
| Appropriations..... | 9 |
| Compensation and Benefits | 9 |
| Service and Time Records | 9 |
| Overdrawn Cash Balances..... | 9-10 |
| Interest on Investments | 10 |
| Ordinances and Resolutions | 10 |
| Credit Cards..... | 10-11 |
| Errors on Claims..... | 11 |
| Cemetery Lot Sales | 12 |
| Investment Maturity Limitations..... | 12 |
| Delinquent Wastewater Accounts..... | 12 |
| Contracts | 13 |
| Temporary Transfer of Funds..... | 13 |
| Capital Asset Records | 13 |
| Exit Conference..... | 14 |

OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|-----------------------------|--|
| Mayor | Tom Jones | 01-01-08 to 12-31-11 |
| Clerk-Treasurer | B. Jack Shelton | 01-01-08 to 12-31-11 |
| President of the City Council | Nigel Lehman Charlie Cox | 01-01-08 to 12-31-08 01-01-09 to 12-31-09 |
| President of the Board of Public Works | Tom Jones | 01-01-08 to 12-31-11 |
| Utility Superintendent | Brent Slover | 01-01-08 to 12-31-09 |
| Superintendent of the Water Utility | Jeff Lehman | 01-01-08 to 12-31-09 |
| Superintendent of the Wastewater Utility | Timothy Turpen | 01-01-08 to 12-31-09 |
| Superintendent of the Sanitation Utility | Timothy Turpen | 01-01-08 to 12-31-09 |
| Superintendent of the Gas Utility | Jeff Lehman | 01-01-08 to 12-31-09 |
| Superintendent of the Electric Utility | Nicholas House | 01-01-08 to 12-31-09 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDIANAPOLIS, INDIANA 46204-2769

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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, 2008 to December 31, 2008. 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, 2008, 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 required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information; accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

October 15, 2009

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, 2008

| | Cash and Investments 01-01-08 | Receipts | Disbursements | Cash and Investments 12-31-08 |
|--|-------------------------------------|----------------------|----------------------|-------------------------------------|
| Governmental Funds: | | | | |
| General | \$ 122,150 | \$ 1,922,291 | \$ 1,635,666 | \$ 408,776 |
| Motor Vehicle Highway | 142,601 | 627,458 | 408,976 | 361,083 |
| Local Road and Street | 100,272 | 22,944 | - | 123,216 |
| Park and Recreation | 23,172 | 169,316 | 108,258 | 84,230 |
| Law Enforcement Continuing Education | 2,254 | 4,746 | 1,562 | 5,438 |
| Cumulative Capital Improvement | 22,037 | 18,777 | - | 40,814 |
| Cumulative Capital Development | 116,855 | 35,719 | 14,541 | 138,034 |
| Cemetery | (27,892) | 78,962 | 62,500 | (11,430) |
| Fire Department Equipment | 21,977 | - | 2,890 | 19,087 |
| New Fire Station | 72,173 | 176,843 | 132,937 | 116,079 |
| Swimming Pool | 17,871 | 43,203 | 41,194 | 19,880 |
| Golf Course | (67,720) | 392,816 | 398,415 | (73,319) |
| Golf Course Capital Improvement | 1,800 | - | - | 1,800 |
| Rainy Day | 3,639 | 114,537 | - | 118,176 |
| Police Dept New Equipment | 1,644 | 11,384 | 3,139 | 9,889 |
| 4th Street Project | 53,947 | - | - | 53,947 |
| Police Dept Reserve Fund | 1,219 | 330 | 368 | 1,181 |
| Tom Wall Memorial Fire Department | 492 | - | - | 492 |
| Tom Wall Memorial Golf Course | 750 | - | - | 750 |
| Trailer Permit/Inspection | 1,215 | 525 | 562 | 1,178 |
| Home Rehab Grant | - | 178,500 | 178,490 | 10 |
| Major Moves Construction | 41,679 | 1,678 | - | 43,357 |
| Proprietary Funds: | | | | |
| Water Utility - Operating | 467,960 | 978,951 | 972,633 | 474,278 |
| Water Utility - Bond and Interest | 155,173 | 222,000 | 200,051 | 177,122 |
| Water Utility - Depreciation | 114,167 | 42,000 | 26,958 | 129,210 |
| Water Utility - Customer Deposit | 24,523 | 5,270 | 4,440 | 25,353 |
| Water Utility - Debt Reserve | 170,477 | - | - | 170,477 |
| Water Utility - Improvement | 926 | - | - | 926 |
| Wastewater Utility - Operating | 89,399 | 766,615 | 831,641 | 24,373 |
| Wastewater Utility - Bond and Interest | 223,796 | 288,313 | 306,790 | 205,319 |
| Wastewater Utility - Depreciation | 266,595 | 7,000 | 6,322 | 267,274 |
| Wastewater Utility - Customer Deposit | - | 6,420 | 1,305 | 5,115 |
| Wastewater Utility - Debt Reserve | 394,156 | 5,881 | - | 400,037 |
| Electric Utility - Operating | 11,943 | 6,059,466 | 6,128,623 | (57,214) |
| Electric Utility - Depreciation | 1,341,187 | - | 124,900 | 1,216,287 |
| Electric Utility - Customer Deposit | 162,055 | 48,445 | 37,253 | 173,248 |
| Electric Utility - Cash Reserve | 242,895 | - | - | 242,895 |
| Gas Utility - Operating | (36,956) | 3,568,714 | 3,844,947 | (313,189) |
| Gas Utility - Bond and Interest | 43,220 | 1,865 | - | 45,085 |
| Gas Utility - Depreciation | 377,909 | 54,100 | 11,122 | 420,887 |
| Gas Utility - Customer Deposit | 96,398 | 24,443 | 18,030 | 102,811 |
| Gas Utility - Debt Reserve | 89,367 | - | - | 89,367 |
| Sanitation Utility - Operating | 180,349 | 551,643 | 536,297 | 195,695 |
| Sanitation Utility - Depreciation | 70,824 | 24,000 | - | 94,824 |
| Miner Broadband | 78 | 11 | - | 89 |
| Fiduciary Funds: | | | | |
| Police Pension | 50,515 | 97,545 | 101,129 | 46,931 |
| Firefighters' Pension | 83,035 | 64,881 | 86,880 | 61,036 |
| Payroll | 93,950 | 3,948,602 | 3,948,321 | 94,231 |
| Totals | <u>\$ 5,366,076</u> | <u>\$ 20,566,196</u> | <u>\$ 20,177,139</u> | <u>\$ 5,755,133</u> |

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

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, electric, gas, water, wastewater, sanitation, broadband internet, and general administrative 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. 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.

CITY OF LINTON

TOM JONES, MAYOR

CITY HALL
86 SOUTH MAIN STREET
LINTON, INDIANA 47441

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FAX 812-847-2456

CITY OF LINTON SUPPLEMENTARY INFORMATION SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2008

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.

| <u>Primary Government</u> | <u>Ending Balance</u> |
|--|---------------------------|
| Governmental activities: | |
| Capital assets, not being depreciated: | |
| Land | \$ 616,645 |
| Buildings | 697,797 |
| Improvements other than buildings | 271,709 |
| Machinery and equipment | <u>2,614,811</u> |
| Total governmental activities, capital assets not being depreciated | <u>\$ 4,200,962</u> |

- 7 -



"The Biggest Little City In Indiana"

CITY OF LINTON

TOM JONES, MAYOR

CITY HALL
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CITY OF LINTON
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2008

The City has entered into the following debt:

| Description of Debt | Ending Principal Balance | Principal and Interest Due Within One Year |
|--------------------------------------|--------------------------------|---|
| Governmental Activities: | | |
| Capital lease: | | |
| Lawn Mowers | \$ 18,054 | \$ 6,616 |
| Note payable | 85,000 | 30,000 |
| Bonds payable: | | |
| General obligation bonds: | | |
| Fire Station | <u>1,505,000</u> | <u>127,050</u> |
| Total governmental activities debt | <u>\$ 1,608,054</u> | <u>\$ 163,666</u> |
| Business-type Activities: | | |
| Water Utility | | |
| Revenue bonds: | | |
| Refunding Bonds of 2007 | <u>2,155,000</u> | <u>203,250</u> |
| Total Water Utility | <u>2,155,000</u> | <u>203,250</u> |
| Wastewater Utility | | |
| Revenue bonds: | | |
| 1995 Wastewater Improvement | <u>1,340,000</u> | <u>260,440</u> |
| Total Wastewater Utility | <u>1,340,000</u> | <u>260,440</u> |
| Total business-type activities debt: | <u>\$ 3,495,000</u> | <u>\$ 463,690</u> |

- 8 -



"The Biggest Little City In Indiana"

CITY OF LINTON
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

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

| <u>Fund</u> | <u>Year</u> | <u>Excess Amount Expended</u> |
|---------------------------|-------------|---------------------------------------|
| General | 2008 | \$ 8,455.26 |
| Cemetery | 2008 | 7,073.80 |
| Golf Course | 2008 | 105,007.41 |
| Fire Department Equipment | 2008 | 2,890.37 |

IC 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 prior reports.

COMPENSATION AND BENEFITS

Compensation and benefits paid from Utilities funds for the Deputy Clerk-Treasurer and the Internet employees were not included on the salary ordinance or resolution.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SERVICE AND TIME RECORDS

Employee time, attendance, or service records were not maintained for Cemetery or Electric Superintendents. A similar comment was included in prior reports. The Personnel Policy 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 ordinances, resolutions and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES

The cash balance of the Golf Course Fund, Cemetery Fund, Electric Utility - Operating Fund, and Gas Utility - Operating Fund were overdrawn at December 31, 2008. A similar comment appeared in prior reports.

CITY OF LINTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

INTEREST ON INVESTMENTS

Interest earned on some investments was automatically added to the principal and not recorded in the records in some instances.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ORDINANCES AND RESOLUTIONS

The Utilities have an ordinance concerning meter deposits. However, they did not charge according to the ordinance in 2 out of 11 customer deposits tested.

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)

CREDIT CARDS

The City and Utility employees and officials are using credit cards to purchase items without an approved credit card policy.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the Board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.

CITY OF LINTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

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

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the examination period:

- (1) Claims were not adequately itemized.
- (2) Claims or invoices were not accompanied by evidence in support of the receipt of goods or services.
- (3) Claims were not always certified by the Clerk-Treasurer as to the invoice or bill being true and correct.
- (4) Claims did not show authorization to purchase.

A similar comment appeared in prior reports.

IC 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

CITY OF LINTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

CEMETERY LOT SALES

The City has an ordinance concerning cost of cemetery lots. However, the Cemetery Manager did not always charge the amount per 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)

INVESTMENT MATURITY LIMITATIONS

The Gas Utility purchased an investment which had a stated maturity in excess of two years. This has been stated in prior reports.

IC 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."

DELINQUENT WASTEWATER ACCOUNTS

As stated in prior reports, 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.

IC 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. . . ."

CITY OF LINTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONTRACTS

As stated in prior audit reports, 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)

TEMPORARY TRANSFER OF FUNDS

As stated in prior reports, 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, 2008.

IC 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."

CAPITAL ASSET RECORDS

As stated in prior reports, Utility detailed capital asset records did not agree with the balances in the various Utility ledgers.

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

CITY OF LINTON
EXIT CONFERENCE

The contents of this report were discussed on October 15, 2009, with Tom Jones, Mayor; Linda Bedwell, Council member; Jerry Ellett, Council member; B. Jack Shelton, Clerk-Treasurer; Brent Slover, Utility Superintendent; and David Sisk, Controller. The officials concurred with our findings.