

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT
OF
CITY OF ELWOOD
MADISON COUNTY, INDIANA
January 1, 2005 to December 31, 2005



FILED
08/09/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sandra R. Brewer	01-01-04 to 12-31-07
Mayor	Hon. W. Merrill Taylor	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Hon. W. Merrill Taylor	01-01-04 to 12-31-07
President of the Common Council	James E. Davis	01-01-05 to 12-31-06
Utility Office Manager	Rose Frye	01-01-05 to 12-31-06



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF ELWOOD, MADISON COUNTY, INDIANA

We have examined the schedule of receipts, disbursements, and cash and investment balances of the City of Elwood (City), for the period of January 1, 2005 to December 31, 2005. The City's management is responsible for the schedule. 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 schedule of receipts, disbursements, and cash and investment balances 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 schedule referred to above presents fairly, in all material respects, the cash transactions of the City for the year ended December 31, 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

July 17, 2006

CITY OF ELWOOD
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, 2005

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 1,427,639	\$ 3,888,364	\$ 4,393,879	\$ 922,124
Motor Vehicle Highway	232,965	764,487	792,237	205,215
Local Road and Street	264,560	100,231	283,934	80,857
Park and Recreation	227,437	183,655	183,401	227,691
Law Enforcement Continuing Education	6,756	3,648	4,952	5,452
Riverboat	122,925	61,443	-	184,368
Cumulative Capital Improvement	18,168	30,100	48,268	-
Cumulative Capital Development	233,343	241,070	204,526	269,887
Economic Development Income Tax	-	4,379	-	4,379
Municipal Complex Lease Fund	489,311	407,889	749,210	147,990
K-9 Restricted Donation Fund	3,232	545	53	3,724
Economic Development Project	160,000	-	74,113	85,887
Park Department Restricted Donations	2,643	9,247	10,000	1,890
City Building Restricted Donations	18	-	18	-
Probation Restricted Donations	725	79	483	321
Police Department Restricted Donations	1,211	69	298	982
Traffic Enforcement Grant	570	12,267	12,231	606
Clerks Record Perpetuation Fund	41,150	22,300	12,645	50,805
Economic Development Fund	455	-	-	455
Adult Probation Services	30,191	263,264	217,081	76,374
Fire Department Restricted Donations	1,296	777	-	2,073
Elwood Grant	50,211	29,327	60,345	19,193
Industrial Development Grant	12	-	-	12
CPTF Grant Police Department	791	-	722	69
Madison County Community Foundation Grants	65	-	65	-
IN Housing Community Development Authority Grant	-	22,500	22,500	-
IN Criminal Justice Institute Grant	1,391	-	1,346	45
FEMA Disaster	1,982	44,733	900	45,815
Proprietary Funds:				
Water Utility - Operating	765,444	1,306,895	1,229,951	842,388
Water Utility - Bond and Interest	-	-	-	-
Water Utility - Depreciation	243,469	-	-	243,469
Water Utility - Customer Deposit	117,878	19,590	14,449	123,019
Water Cash Reserve Fund	-	150,000	150,000	-
Wastewater Utility - Operating	76,841	1,737,300	1,795,596	18,545
Nonreverting Insurance	462	1,092,284	1,083,502	9,244
Nonreverting Insurance - Pension	70,224	5,317	925	74,616
Self-Insurance Plan	48,500	-	-	48,500
Fiduciary Funds:				
Court Costs Due County	-	44,942	44,942	-
User Fee Law Enforcement Continuing Education	6,179	6,425	6,642	5,962
City Court	199,250	720,904	736,773	183,381
Police Officers' Pension	390,053	300,928	301,373	389,608
Firefighters' Pension	326,275	293,995	289,497	330,773
Payroll	67,911	1,139,442	1,147,395	59,958
Totals	<u>\$ 5,631,533</u>	<u>\$ 12,908,396</u>	<u>\$ 13,874,252</u>	<u>\$ 4,665,677</u>

The accompanying notes are an integral part of the schedules.

CITY OF ELWOOD
NOTES TO SCHEDULE

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, water, wastewater, urban redevelopment and housing 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 Town 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 ELWOOD
NOTES TO SCHEDULE
(Continued)

Note 6. Pension Plans

Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. 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.

b. 1925 Police Officers' Pension Plan

Plan Description

The primary government contributes to the 1925 Police Officers' Pension Plan which 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 and Annual Pension Cost

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

CITY OF ELWOOD
NOTES TO SCHEDULE
(Continued)

c. 1937 Firefighters' Pension Plan

Plan Description

The primary government contributes to the 1937 Firefighters' Pension Plan which 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 and Annual Pension Cost

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

Note 7. Long-Term Debt

The City has entered into various debts such as a capital lease for the municipal building, a capital lease for sewer projects, a state revolving loan for a sewer project, a loan for a sanitation truck and a capital lease for three police vehicles. The outstanding principal at December 31, 2005, was \$7,568,039, \$340,606, \$54,814, \$52,723, and \$40,326 respectively.

CITY OF ELWOOD
EXAMINATION RESULT AND COMMENT

CAPITAL ASSET RECORDS

The City records capital asset additions and disposals on a capital asset ledger using prescribed City and Town Form 211. The activity on the ledger is difficult to quantify or verify because there are no recent inventories. Disposals are not properly removed from the ledger. Instead, adjustments are made in the capital asset ledger, removing the values of disposed assets from the cumulative totals. The disposal reduction adjustments are sometimes carried into the cumulative capital asset balance individually and sometimes there is a single reduction adjustment made for the disposal of several capital assets. Therefore, verifying that the capital assets which have been disposed of have been properly subtracted from the cumulative capital asset totals (as compiled by the City) is not practical.

The Water and Wastewater Utilities also record capital asset activity on capital asset ledgers using prescribed City and Town Form 211. There are no disposals recorded in the Water and Wastewater capital asset ledgers.

There were also some assets owned by the City which we discovered were not recorded in the City's capital asset ledger.

The City's capital asset ledger is arranged primarily by City department with each department carrying a separate balance. The capital assets included on the various department pages in the ledger were recently inventoried but most of the items on the inventory do not include values, tag numbers or other information which could be used to uniquely identify the assets. The City's inventory does not include totals.

The items on the Utilities' capital asset ledgers have not been recently inventoried and many of the items on the Utilities' ledgers do not include tag numbers or other information which could be used to uniquely identify the assets.

Neither the City or the Utilities have adopted a comprehensive capital asset policy complete with asset capitalization thresholds for the various asset classes.

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. 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)

The governing body should establish a capitalization policy that sets a dollar amount as a threshold to be used in determining which items will be recorded. (Cities and Towns Bulletin and Uniform Compliance Guidelines, December 2004)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF ELWOOD
EXIT CONFERENCE

The contents of this report were discussed on July 17, 2006, with Sandra R. Brewer, Clerk-Treasurer; and W. Merrill Taylor, Mayor. The officials concurred with our finding.