

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

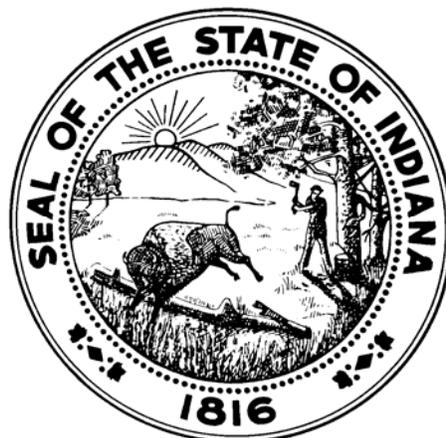
EXAMINATION REPORT

OF

CITY OF SHELBYVILLE

SHELBY COUNTY, INDIANA

January 1, 2005 to December 31, 2005



**FILED**  
12/27/2006



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rodney Meyerholtz	01-01-04 to 12-31-07
Mayor	Scott Furgeson	01-01-04 to 12-31-07
President of the Board of Public Works	Scott Furgeson	01-01-04 to 12-31-07
President of the Common Council	Rob Nolley Jeff Sponsel	01-01-05 to 12-31-05 01-01-06 to 12-31-06
Superintendent of Wastewater Utility	Bradley Fix	01-01-05 to 12-31-06
Utility Office Manager	Sharon Bernard	01-01-05 to 12-31-06



**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 SHELBYVILLE, SHELBY COUNTY, INDIANA

We have examined the schedule of receipts, disbursements, and cash and investment balances of the City of Shelbyville (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

November 2, 2006

CITY OF SHELBYVILLE  
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, 2005

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
<b>Governmental Funds:</b>				
General	\$ 120,089	\$ 13,998,691	\$ 11,710,323	\$ 2,408,457
Motor Vehicle Highway	281,265	555,010	564,839	271,436
Local Road and Street	19,678	77,697	75,585	21,790
Parks and Recreation	1,803	1,090,029	1,035,498	56,334
Law Enforcement Continuing Education	35,642	14,695	47,704	2,633
Riverboat Fund	5	113,194	-	113,199
Rainy Day Fund	183,424	-	-	183,424
Donation	59,832	31,189	27,716	63,305
Aviation	1,007	216,044	209,769	7,282
Nonreverting Park Operating	286,370	202,434	163,906	324,898
Industrial Development	129	-	-	129
Nonreverting Police Training	2,343	420	2,460	303
Economic Development Commission	2,114	1,500	1,075	2,539
Nonreverting Animal Shelter	16,595	19,823	8,802	27,616
Water and Light	119	432,961	387,591	45,489
Nonreverting Nuisance	31,995	24,436	19,485	36,946
DARE	1,557	9,620	5,043	6,134
Senior Citizens	107	-	-	107
Barrett Law	4,853	-	-	4,853
Arson Investigation	10	-	-	10
Nonreverting Aquatic Center	213,481	142,229	103,829	251,881
Drunk Driving Enforcement	5,388	17,146	16,821	5,713
Nonreverting Plat Review Fee	24,276	25,312	9,504	40,084
Nonreverting Sanitary Sewer	5,000	-	-	5,000
Nonreverting MAP	553	45	-	598
Nonreverting Sister City	4	-	-	4
Nonreverting Unsafe Building	1,072	-	28	1,044
Nonreverting Build Indiana	405	-	-	405
IDGF-97-447 Fairland Road	25,314	-	-	25,314
Fiber Technology	53,480	103,715	23,861	133,334
CDBG-LOF 88-016	1,526	-	-	1,526
Drug Free Community	299	-	290	9
EDIT	2,150,566	911,994	1,055,225	2,007,335
Low Income Housing	924	-	-	924
Blue River Park BAN	18,103	-	16,018	2,085
Police Auction	2,459	1,208	-	3,667
Cumulative Capital Improvement	149,407	55,492	88,985	115,914
Cumulative Capital Development	572,410	724,472	734,997	561,885
Capital Ambulance	12,146	10,000	-	22,146
EDIT Bond Construction	447,947	15,410	14	463,343
Cumulative Thoroughfare	817,365	391,778	233,538	975,605
Aviation Development	533,927	670,478	678,969	525,436
Park Development	126,544	87,707	156,625	57,626
Community Economic Development	56,662	597,687	169,922	484,427
Pool Construction	4,453	38	350	4,141
Progress Parkway Construction	3,933,462	82,200	2,050,750	1,964,912
Redevelopment Authority "A"	-	1,604,848	1,451,281	153,567
Redevelopment Authority "B"	-	1,696,284	943,720	752,564
River Road Construction	-	6,942,534	4,868,602	2,073,932
Fire Station Construction	-	681,121	666,815	14,306
Lee Boulevard Construction	-	250,168	138,701	111,467
Park District Bond	-	3,421,709	1,838,624	1,583,085
Pool Debt Service	3,804	213,231	194,783	22,252
EDIT Bond	6,244	194,454	194,575	6,123
EDIT Debt Service Reserve	208,489	7,190	-	215,679
<b>Proprietary Funds:</b>				
Stormwater Utility - Operating	494,151	914,341	601,070	807,422
Stormwater Utility - Bond and Interest	792	311,944	309,885	2,851
Stormwater Utility - Depreciation	277,525	186,016	11,022	452,519
Stormwater Utility - Construction	1,118,587	2,078,750	347,472	2,849,865
Wastewater Utility - Operating	2,977,201	5,278,182	6,765,907	1,489,476
Wastewater Utility - Bond and Interest	69,719	683,706	677,224	76,201
Wastewater Utility - Depreciation	244,584	382,594	-	627,178
Wastewater Utility - Construction	4,012	-	500	3,512
Wastewater Utility - Improvement	1,916,954	342,329	-	2,259,283
Wastewater Utility - PERF	98	1,404	1,460	42
Employee Benefit	9,460	193	9,105	548
Health Insurance	86,228	1,567,395	1,521,202	132,421
<b>Fiduciary Funds:</b>				
Police Officers' Pension	302,104	286,384	427,152	161,336
Firefighters' Pension	231,717	225,971	392,530	65,158
Animal Shelter Endowment	26,100	-	-	26,100
Annie Kent Trust	1,199	20	-	1,219
PERF	2,156	7,739	8,061	1,834
Indiana Police Pension	17,137	90,747	96,681	11,203
Indiana Firefighters Pension	27,943	139,356	145,842	21,457
TIF - Kroger	228,131	314,369	72,006	470,494
TIF - Wal-Mart	-	220,872	-	220,872
Insurance	87,865	349,733	240,234	197,364
Payroll	60,357	10,216,445	10,209,586	67,216
<b>Totals</b>	<b>\$ 18,608,667</b>	<b>\$ 59,234,683</b>	<b>\$ 51,733,562</b>	<b>\$ 26,109,788</b>

The accompanying notes are an integral part of the schedules.

CITY OF SHELBYVILLE  
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, culture and recreation, public improvements, planning and zoning, urban redevelopment and housing, stormwater, wastewater, 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.

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 SHELBYVILLE  
 NOTES TO SCHEDULE  
 (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

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding at year end are as follows:

Purpose	Interest Rates	Principal Amount
1998 Park district bonds	4.1% to 4.5%	\$ 625,000
2005 Park district bonds	4.55%	4,520,000
2004 Progress parkway bonds	4.14%	4,715,000

CITY OF SHELBYVILLE  
NOTES TO SCHEDULE  
(Continued)

Revenue Bonds

The City issues bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Principal Amount
1999 Sewage works revenue bonds	5.2% to 5.4%	\$ 5,855,000
2001 EDIT bonds	5.0% to 5.75%	2,020,000
2003 Storm water revenue bonds	2.75% to 4.8%	3,265,000

Capital Leases

The City has entered into various capital leases for improvements and equipment. The capital leases still in effect are as follows:

Purpose	Principal Amount
Sewer improvements	\$ 510,464
Street sweeper and vactor truck	193,385
Kroger TIF infrastructure	620,000
Wal-Mart TIF infrastructure	1,995,000
Fire station improvements	5,640,000
Fire truck	244,359

Notes and Loans Payable

The City has entered into various loans. The loans outstanding at year end are as follows:

Purpose	Principal Amount
Bausback farm and T-hangar	\$ 573,772
Runnebohm hangar loan	418,283
Porter pool house	533,578

Note 8. Subsequent Events

On March 6, 2006, the City issued \$7,015,000 in sewage works revenue bonds to finance the early refunding of the 1999 sewage works revenue bonds.

On November 2, 2006, the City issued \$2,600,000 in park revenue bonds for development of the new park area.

CITY OF SHELBYVILLE  
EXAMINATION RESULTS AND COMMENTS

INTERNAL CONTROLS – PARK AND RECREATION DEPARTMENT

As stated in the prior Report B26227, controls for receipts generated by the Park are insufficient.

Numerous people are involved in issuing receipts, not all of which have access to the computer to issue a computer generated receipt. Some people use a temporary generic receipt, which is entered in the computer system at a later date. It appears that, on occasion, receipts are either not issued at all, or not entered in the system.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

As stated in the prior Report B26227, information presented for examination indicates the City does not maintain a complete set of capital asset records. A detailed listing of capital asset disposals by department was not maintained. The City does not designate whether the recorded cost is historical or estimated for all capital assets included in their schedule. Capital asset records are not on the prescribed City and Town Form 211, Capital Assets Ledger. The City has contracted with a private company to inventory and value all capital assets, including infrastructure, of the City in 2007.

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)

DEPOSITS - ANIMAL SHELTER

As stated in the prior Report B26227, 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."

CONDITION OF RECORDS - PAYROLL WITHHOLDING FUND

As stated in the prior Report B26227, financial records presented for examination were incomplete and not reflective of the activity of the Payroll Withholding Fund. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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 SHELBYVILLE  
EXIT CONFERENCE

The contents of this report were discussed on November 2, 2006, with Scott Furgeson, Mayor; Rodney Meyerholtz, Clerk-Treasurer; and Carol Fowler, Deputy Clerk-Treasurer.