

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

EXAMINATION REPORT
OF
CITY OF GREENDALE
DEARBORN COUNTY, INDIANA
January 1, 2005 to December 31, 2005



FILED
01/22/2007

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OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|--|-----------------|----------------------|
| Clerk-Treasurer | Mary Jo Lynch | 01-01-04 to 12-31-07 |
| Mayor | Doug Hedrick | 01-01-04 to 12-31-07 |
| President of the Board of Public Works | Doug Hedrick | 01-01-04 to 12-31-07 |
| President of the Common Council | Doug Hedrick | 01-01-04 to 12-31-07 |
| City Manager | Steve Lampert | 01-01-05 to 12-31-06 |
| Utility Office Manager | Joyce Jackson | 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 GREENDALE, DEARBORN COUNTY, INDIANA

We have examined the financial information presented herein of the City of Greendale (City), for the period of January 1, 2005 to December 31, 2005. 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, 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

December 7, 2006

CITY OF GREENDALE
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 |
|--------------------------------------|-------------------------------------|----------------------|----------------------|-------------------------------------|
| Governmental Funds: | | | | |
| General | \$ 1,218,759 | \$ 3,156,852 | \$ 3,084,750 | \$ 1,290,861 |
| Riverboat | 4,881,614 | 3,274,685 | 2,803,958 | 5,352,341 |
| Motor Vehicle Highway | 261,064 | 341,612 | 319,569 | 283,107 |
| Local Road and Street | 69,408 | 32,909 | - | 102,317 |
| Park and Recreation | 1,912 | 11 | - | 1,923 |
| Park Donation | 1,567 | 3,735 | 4,836 | 466 |
| Law Enforcement Continuing Education | 9,872 | 4,002 | 3,724 | 10,150 |
| Police Grant Fund | 159 | - | - | 159 |
| K-9 Unit | 618 | - | - | 618 |
| Motorcycle | 177 | - | - | 177 |
| Operation Pullover | 175 | 1,975 | 2,125 | 25 |
| Cumulative Capital Improvement | 66,296 | 13,280 | 52,637 | 26,939 |
| Cumulative Capital Development | 306,488 | 73,864 | - | 380,352 |
| Fire Nonreverting | 44,926 | 22,485 | 41,672 | 25,739 |
| Law Enforcement Nonreverting | 9,527 | 500 | 500 | 9,527 |
| Greendale Greenway | 9,792 | 86 | - | 9,878 |
| Redevelopment | 213,268 | 147,342 | - | 360,610 |
| TIF Bond | 49,321 | - | 49,321 | - |
| Proprietary Funds: | | | | |
| Water Operating | 93,751 | 623,625 | 674,348 | 43,028 |
| Water Bond and Interest | 2,245 | 72,024 | 72,023 | 2,246 |
| Water Construction | 99,403 | 4,442 | 46 | 103,799 |
| Water Reserve | 75,610 | - | - | 75,610 |
| Water Customer Deposit | 725 | 2,675 | 2,175 | 1,225 |
| Sewage Operating | 494,545 | 870,645 | 1,288,125 | 77,065 |
| Sewage Debt Service Reserve | 75,000 | - | - | 75,000 |
| Sewage Improvement | 7,000 | 84,000 | - | 91,000 |
| Sewage Customer Deposits | 375 | 4,275 | 1,225 | 3,425 |
| Electric Operating | 635,732 | 6,084,785 | 6,028,423 | 692,094 |
| Electric Bond and Interest | 3,525 | 124,092 | 124,083 | 3,534 |
| Electric Debt Service | 132,640 | - | - | 132,640 |
| Electric Depreciation | 29,640 | - | - | 29,640 |
| Electric Construction | 124,479 | 6,685 | 405 | 130,759 |
| Electric Customer Deposits | 59,305 | 32,125 | 28,000 | 63,430 |
| Electric Reserve | 444,745 | 60,000 | - | 504,745 |
| Fiduciary Funds: | | | | |
| Police Pension | 47,969 | 8,388 | 3,455 | 52,902 |
| Payroll | - | 2,195,023 | 2,195,018 | 5 |
| Firehouse Escrow | 87,552 | 5,690 | 91,879 | 1,363 |
| Post-Closure Landfill | 166,877 | 2,560 | 15,000 | 154,437 |
| Landfill Reserve | 10,659 | 137,097 | 136,959 | 10,797 |
| Totals | <u>\$ 9,736,720</u> | <u>\$ 17,391,469</u> | <u>\$ 17,024,256</u> | <u>\$ 10,103,933</u> |

The accompanying notes are an integral part of the schedules.

CITY OF GREENDALE
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, highways and streets, sanitation, culture and recreation, public improvements, planning and zoning, general administrative services, electric, water, wastewater, and economic development.

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 GREENDALE
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

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.

1925 Police Officers' Pension Plan

Plan Description

The City 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 GREENDALE
NOTES TO FINANCIAL INFORMATION
(Continued)

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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 Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF.

Note 7. Long-Term Debt

The City has entered into various debts with outstanding principal at December 31, 2005, as follows:

| | |
|--|------------|
| Redevelopment District Tax Increment Revenue Bonds | \$ 425,000 |
| Electric Utility 1998 Improvement Revenue Bonds | 1,205,000 |
| Water Utility 1996 Improvement Revenue Bonds | 645,000 |
| Lawrenceburg Bond Bank-Firehouse Loan | 1,350,000 |
| Lawrenceburg Bond Bank-Fire Truck Loan | 466,854 |

Note 8. Subsequent Event

In 2006, the City accepted bids for renovations to the Greendale Police Department building. The project cost is approximately \$1,700,000, and will be funded by a loan from the Lawrenceburg Bond Bank.

CITY OF GREENDALE
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS - CITY (Applies to Clerk-Treasurer)

The City has not adopted a formal capital asset policy and detailed capital asset records prepared by the City are incomplete.

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)

CAPITAL ASSET RECORDS - UTILITIES (Applies to Electric, Water and Wastewater Utilities)

The Utilities have not adopted formal capital asset policies and do not maintain sufficient detailed records of capital assets for Utility Plant in Service accounts.

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)

SEPARATE BANK ACCOUNTS (Applies to Electric and Water Utilities)

The operating funds of both the Electric Utility and the Water Utility are deposited and held in the same bank account.

Bond Ordinance 1998-4, in regards to the electric revenue bonds, and Bond Ordinance 12-1996, in regards to Water Utility revenue bonds, both state: ". . . The amounts in . . . all . . . funds and accounts created pursuant to this Ordinance shall be kept in separate bank accounts apart from all other bank accounts of the City. . . ."

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)

DELINQUENT WASTEWATER ACCOUNTS (Applies to Wastewater Utility)

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:

CITY OF GREENDALE
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (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.
 - (C) The amount of the delinquent fees, together with the penalty.
- (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."

CABIN RENTAL (Applies to Park Board and Clerk-Treasurer)

The Parks Department rents a cabin to the public. The rental agreement requires renters to employ security personnel when alcohol is served. The agreement states: "All security personnel are to be secured and approved through the Chief of Police of the City of Greendale, Indiana." The Greendale Chief of Police has been assigning off-duty or reserve Greendale police officers to the respective events. The renters have paid security fees directly to the assigned officers. These procedures were adopted years ago and have not been changed. We noted the following items regarding the City's procedures for cabin rental:

- (1) There was no evidence presented for examination to show that the security fees paid were approved by the Park Board.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

- (2) The security fees were not remitted to the Clerk-Treasurer.

Indiana Code 36-10-3-22 requires a park and recreation department to deposit monies it receives with the city fiscal officer at least once a month. However, it is our audit position that this provision does not relieve the park and recreation department from making daily deposits in a city depository before turning the monies over to the city fiscal officer. (Cities and Towns Bulletin and Uniform Compliance Guidelines, March 1999)

All financial transactions pertaining to the governmental unit should be recorded in the records of the government unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

- (3) Since the renter was paying the police officer or reserve officer directly, the time worked was not being processed and reported through the City payroll system. This compensation was not included on the salary ordinance.

CITY OF GREENDALE
EXAMINATION RESULTS AND COMMENTS

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)

ERRORS ON CLAIMS (Applies to Clerk-Treasurer)

Of the claims tested, 80% of the claims or invoices did not reflect approval by the person receiving the goods or services.

Indiana Code C 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: . . .

- (2) the invoice or bill is approved by the officer or person receiving the goods and services . . ."

CITY OF GREENDALE
EXIT CONFERENCE

The contents of this report were discussed on December 7, 2006, with Doug Hedrick, Mayor; Mary Joy Lynch, Clerk-Treasurer; Steve Lampert, City Manager; and Joyce Jackson, Utility Office Manager. The officials concurred with our findings.