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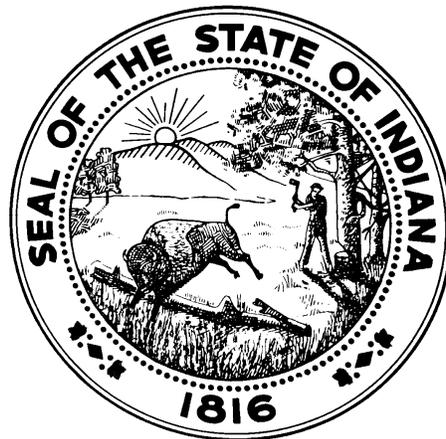
**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

ANNUAL FINANCIAL REPORT

2006

CITY OF GREENWOOD

JOHNSON COUNTY, INDIANA



**FILED**  
12/26/2007



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jeannine Myers	01-01-06 to 12-31-07
Mayor	Charles E. Henderson	01-01-06 to 12-31-07
President of the Board of Public Works and Safety	Charles E. Henderson	01-01-06 to 12-31-07
President of the Common Council	Ron Bates Keith R. Hardin	01-01-06 to 12-31-06 01-01-07 to 12-31-07



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE CITY OF GREENWOOD, JOHNSON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Greenwood (City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2006, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I. As discussed in Note I, the City has presented the business-type activities in a separately issued report.

In accordance with Government Auditing Standards, we have also issued a report dated July 10, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

The Schedules of Funding Progress and Schedule of Contributions From the Employer and Other Contributing Entities, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

July 10, 2007



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF GREENWOOD, JOHNSON COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Greenwood (City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the City's management, Board of Public Works and Safety, Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 10, 2007

CITY OF GREENWOOD  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipt and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Primary government:				
Governmental activities:				
General government	\$ 9,845,042	\$ 2,077,212	\$ -	\$ (7,767,830)
Public safety	13,058,163	1,025,119	508,149	(11,524,895)
Highways and streets	1,494,259	2,545	1,377,733	(113,981)
Economic development	1,643,043	281,927	205,511	(1,155,605)
Culture and recreation	1,837,433	638,308	114,579	(1,084,546)
Interest on long-term debt	616,020	-	-	(616,020)
	<u>\$ 28,493,960</u>	<u>\$ 4,025,111</u>	<u>\$ 2,205,972</u>	<u>(22,262,877)</u>
Total governmental activities				
General receipts:				
Property taxes				12,387,535
Other local sources				2,286,760
Bonds and loans				3,824,100
Grants and contributions not restricted to specific programs				6,277,108
Unrestricted investment earnings				653,602
				<u>25,429,105</u>
Total general receipts				
				3,166,228
Change in net assets				
				<u>17,138,880</u>
Net assets - beginning				
				<u>\$ 20,305,108</u>
Net assets - ending				
<u>Assets</u>				
Cash and investments				\$ 3,055,121
Cash with fiscal agent				71,857
Restricted assets:				
Cash and investments				17,178,130
				<u>20,305,108</u>
Total assets				
<u>Net Assets</u>				
Restricted for:				
Culture and recreation				\$ 438,075
Debt service				569,516
Other purposes				16,242,396
Unrestricted				3,055,121
				<u>20,305,108</u>
Total net assets				

The notes to the financial statements are an integral part of this statement.

CITY OF GREENWOOD  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2006

	General	TIF	Fire	Other Governmental Funds	Totals
<b>Receipts:</b>					
Taxes	\$ 3,795,963	\$ 1,983,294	\$ 3,056,826	\$ 3,551,452	\$ 12,387,535
Licenses and permits	283,664	-	-	-	283,664
Intergovernmental	5,609,101	21,516	422,153	2,430,309	8,483,079
Charges for services	113,553	-	12,000	1,250,881	1,376,434
Fines and forfeits	419,098	-	-	-	419,098
Other	<u>1,325,662</u>	<u>203,556</u>	<u>59,792</u>	<u>1,351,353</u>	<u>2,940,363</u>
<b>Total receipts</b>	<u>11,547,041</u>	<u>2,208,366</u>	<u>3,550,771</u>	<u>8,583,995</u>	<u>25,890,173</u>
<b>Disbursements:</b>					
General government	6,253,317	-	-	1,756,731	8,010,048
Public safety	4,847,723	-	3,609,881	3,910,354	12,367,958
Highways and streets	-	-	-	1,494,258	1,494,258
Culture and recreation	-	-	-	1,802,435	1,802,435
Urban redevelopment and housing	32,656	288,525	-	1,261,862	1,583,043
Debt service:					
Principal	134,312	60,000	-	590,894	785,206
Interest	<u>6,246</u>	<u>203,602</u>	<u>-</u>	<u>406,172</u>	<u>616,020</u>
<b>Total disbursements</b>	<u>11,274,254</u>	<u>552,127</u>	<u>3,609,881</u>	<u>11,222,706</u>	<u>26,658,968</u>
Excess (deficiency) of receipts over disbursements	<u>272,787</u>	<u>1,656,239</u>	<u>(59,110)</u>	<u>(2,638,711)</u>	<u>(768,795)</u>
<b>Other financing sources (uses):</b>					
Bond proceeds	-	-	-	3,824,100	3,824,100
Transfers in	8,721	-	-	115,082	123,803
Transfers out	<u>-</u>	<u>(102,514)</u>	<u>-</u>	<u>(21,289)</u>	<u>(123,803)</u>
<b>Total other financing sources (uses)</b>	<u>8,721</u>	<u>(102,514)</u>	<u>-</u>	<u>3,917,893</u>	<u>3,824,100</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	281,508	1,553,725	(59,110)	1,279,182	3,055,305
Cash and investment fund balance - beginning	<u>2,773,613</u>	<u>4,116,286</u>	<u>1,301,475</u>	<u>8,986,572</u>	<u>17,177,946</u>
Cash and investment fund balance - ending	<u>\$ 3,055,121</u>	<u>\$ 5,670,011</u>	<u>\$ 1,242,365</u>	<u>\$ 10,265,754</u>	<u>20,233,251</u>
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because:					
Internal services funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.					
					<u>71,857</u>
Net assets of governmental activities					<u>\$ 20,305,108</u>
<b><u>Cash and Investment Assets - December 31</u></b>					
Cash and investments	\$ 3,055,121	\$ -	\$ -	\$ -	\$ 3,055,121
Restricted assets:					
Cash and investments	<u>-</u>	<u>5,670,011</u>	<u>1,242,365</u>	<u>10,265,754</u>	<u>17,178,130</u>
<b>Total cash and investment assets - December 31</b>	<u>\$ 3,055,121</u>	<u>\$ 5,670,011</u>	<u>\$ 1,242,365</u>	<u>\$ 10,265,754</u>	<u>\$ 20,233,251</u>
<b><u>Cash and Investment Fund Balance - December 31</u></b>					
Restricted for:					
Culture and recreation	\$ -	\$ -	\$ -	\$ 438,077	\$ 438,077
Debt service	-	-	-	569,516	569,516
Other purposes	-	5,670,011	1,242,365	9,258,161	16,170,537
Unrestricted	<u>3,055,121</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,055,121</u>
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 3,055,121</u>	<u>\$ 5,670,011</u>	<u>\$ 1,242,365</u>	<u>\$ 10,265,754</u>	<u>\$ 20,233,251</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GREENWOOD  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUND  
As of and for the Year Ended December 31, 2006

	Internal Service Fund
Operating receipts:	
Employer and employee contributions	\$ 1,945,917
Operating disbursements:	
Insurance disbursements	1,834,994
Excess of operating receipts over operating disbursements	110,923
Cash and investment fund balance - beginning	(39,066)
Cash and investment fund balance - ending	\$ 71,857
<u>Cash and Investment Assets - December 31</u>	
Restricted assets:	
Cash and investments	\$ 71,857
<u>Cash and Investment Fund Balance - December 31</u>	
Restricted for:	
Other purposes	\$ 71,857

The notes to the financial statements are an integral part of this statement.

CITY OF GREENWOOD  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2006

	Pension Trust Fund	Agency Funds
Additions:		
Contributions:		
Employer	\$ 73,682	\$ -
Plan members	9,180	-
State	127,944	-
Total contributions	210,806	-
Investment earnings:		
Interest	12,947	-
Agency fund additions	-	16,150,545
Total additions	223,753	16,150,545
Deductions:		
Benefits	281,620	-
Agency fund deductions	-	15,862,622
Total deductions	281,620	15,862,622
Excess (deficiency) of total additions over total deductions	(57,867)	287,923
Cash and investment fund balance - beginning	296,197	235,682
Cash and investment fund balance - ending	\$ 238,330	\$ 523,605

The notes to the financial statements are an integral part of this statement.

CITY OF GREENWOOD  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, wastewater, sanitation, and urban redevelopment.

The City's financial reporting entity is composed of the following:

Primary Government: City of Greenwood

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Related Organizations

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City appoints the board members of the Redevelopment Commission and Economic Development Commission.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Business-type activities of the Aviation Commission and the Wastewater Utility are reported separately in a report dated June 28, 2007.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CITY OF GREENWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The TIF (tax increment financing) fund is used to account for property taxes levied on improvements to the various areas after the TIF district was established by the City.

The fire fund is used to account for the activities of the fire department. The major revenue is from property taxes levied.

The City reports the following major proprietary funds in a separate report dated June 28, 2007:

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

The aviation fund accounts for the operation of the airport.

Additionally, the City reports the following fund types:

The internal service fund accounts for health insurance coverage provided to other departments on a cost-reimbursement basis.

The pension trust fund accounts for the activities of the 1925 police pension fund, which accumulates resources for pension benefit payments.

Agency funds account for assets held by the City as an agent for employees, police departments, county and state government and other city funds and serve as control accounts for certain cash transactions during the time they are a liability to the City.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Wastewater Utility, Aviation Commission and City. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Internal service funds are used to account for activities provided to other departments or agencies primarily with the government.

CITY OF GREENWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

CITY OF GREENWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a

CITY OF GREENWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2006, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2006
Debt Service/Building Lease	\$ 76,813
Fire	41,324
Cumulative Capital Development	294,197
Cumulative Capital Improvement	<u>72,915</u>
Total	<u>\$ 485,249</u>

These disbursements were funded by greater than anticipated receipts and available fund balances.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

CITY OF GREENWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2006, were as follows:

Transfer From	Transfer To	2006
TIF	Other governmental	\$ 102,514
Other governmental	General Fund	8,721
Other governmental	Other governmental	12,568
Total		\$ 123,803

The City typically uses transfers for cash flow purposes as provided by various statutory provisions.

There were also interfund transfers between funds to close funds that have not had any activity for some years and for posting corrections.

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits

The City has chosen to establish a risk financing fund for risks associated with medical benefits. The risk financing fund is accounted for in the Health Self-Insurance Fund, an internal service fund,) where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$70,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions.

CITY OF GREENWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Holding Corporation

The City has entered into a capital lease with City of Greenwood Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the City. The lessor has been determined to be a related party of the City. Lease payments during the year totaled \$735,000.

C. Postemployment Benefits

In addition to the pension benefits described below, the City provides postemployment health benefits, as authorized Indiana Code 5-10-8, to all employees who retire from the City on or after attaining specified age with at least 25 years of service. Currently, eight retirees meet these eligibility requirements. The City provides the cost of these postemployment benefits that exceeds 50% of the monthly health insurance premium. Disbursements for those postemployment benefits include insurance premiums and benefit payments under the City's self-insurance plan and are recognized on a pay-as-you-go basis. Disbursements for postemployment benefits cannot be reasonably estimated.

D. Pension Plans

1. 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 the 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 member's 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. The 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

CITY OF GREENWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available.

b. 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. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>
Annual required contribution	\$ 338,308	\$ 408,100
Interest on net pension obligation	(7,338)	194,200
Adjustment to annual required contribution	<u>8,362</u>	<u>(211,700)</u>
Annual pension cost	339,332	390,600
Contributions made	<u>300,351</u>	<u>201,626</u>
Increase in net pension obligation	38,981	188,974
Net pension obligation, beginning of year	<u>(101,211)</u>	<u>2,876,508</u>
Net pension obligation, end of year	<u>\$ (62,230)</u>	<u>\$ 3,065,482</u>

CITY OF GREENWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	PERF	1925 Police Officers' Pension
Contribution rates:		
City	5.75%	432%
Plan members	3%	6%
Actuarial valuation date	07-01-06	01-01-06
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	30 years
Amortization period (from date)	07-01-97	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital

Actuarial Assumptions

Investment rate of return	7.25%	6%
Projected future salary increases:		
Total	5%	4%
Attributed to inflation	4%	4%
Attributed to merit/seniority	1%	0%
Cost-of-living adjustments	2%	2.75/4%*

\* 2.75% converted members; 4% nonconverted members

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 231,851	95%	\$ (103,995)
	06-30-05	266,242	99%	(101,211)
	06-30-06	339,332	113%	(62,230)
1925 Police Officers' Pension Plan	12-31-03	552,000	132%	2,416,625
	12-31-04	577,500	20%	2,876,508
	12-31-05	390,600	52%	3,065,482

Membership in the 1925 Police Officers' Pension Plan at January 1, 2006, was comprised of the following:

	1925 Police Officers' Pension
Retirees and beneficiaries currently receiving benefits	11
Current active employees	3

CITY OF GREENWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

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. The City's contributions to the plan for the years ending December 31, 2006, 2005, and 2004, were \$750,501, \$699,749, and \$660,882, respectively, equal to the required contributions for each year.

CITY OF GREENWOOD  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 3,248,996	\$ 3,927,090	\$ (678,094)	83%	\$ 4,785,036	(14%)
07-01-05	3,457,869	4,753,988	(1,296,119)	73%	5,032,112	(26%)
07-01-06	3,828,562	5,065,417	(1,236,855)	76%	5,335,140	(23%)

1925 Police Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-04	\$ 351,091	\$ 5,726,800	\$ (5,375,709)	6%	\$ 179,700	(2,991%)
01-01-05	376,606	5,159,400	(4,782,794)	7%	137,500	(3,478%)
01-01-06	296,198	5,290,200	(4,994,002)	6%	94,400	(5,290%)

CITY OF GREENWOOD  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS FROM THE  
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

1925 Police Officers' Pension Plan			
	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
1925 Police Officers' Pension Plan	12-31-00	\$ 559,800	16%
	12-31-01	602,600	12%
	12-31-02	587,600	28%
	12-31-03	669,000	109%
	12-31-04	699,400	17%
	12-31-05	408,100	49%

CITY OF GREENWOOD  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006

	Motor Vehicle Highway	Local Road and Street	Parks and Recreation	Law Enforcement Continuing Education	Rainy Day	Cumulative Capital Improvement - Cigarette Tax	Cumulative Capital Development
Receipts:							
Taxes	\$ 102,726	\$ -	\$ 1,027,095	\$ -	\$ -	\$ -	\$ 634,850
Intergovernmental	1,377,733	435,465	114,579	-	-	128,742	70,810
Charges for services	2,545	-	247,880	-	-	-	-
Other	33,855	8,338	17,373	31,145	11,267	25,497	67,561
<b>Total receipts</b>	<b>1,516,859</b>	<b>443,803</b>	<b>1,406,927</b>	<b>31,145</b>	<b>11,267</b>	<b>154,239</b>	<b>773,221</b>
Disbursements:							
General government	-	-	-	-	16,681	-	-
Public safety	-	-	-	26,575	-	-	-
Highways and streets	1,262,065	171,002	-	-	-	-	-
Culture and recreation	-	-	1,430,296	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	1,261,862
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>1,262,065</b>	<b>171,002</b>	<b>1,430,296</b>	<b>26,575</b>	<b>16,681</b>	<b>-</b>	<b>1,261,862</b>
Excess (deficiency) of receipts over disbursements	254,794	272,801	(23,369)	4,570	(5,414)	154,239	(488,641)
Other financing sources (uses):							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	254,794	272,801	(23,369)	4,570	(5,414)	154,239	(488,641)
Cash and investment fund balance - beginning	429,687	47,205	461,446	19,057	225,815	531,753	2,268,426
Cash and investment fund balance - ending	<u>\$ 684,481</u>	<u>\$ 320,006</u>	<u>\$ 438,077</u>	<u>\$ 23,627</u>	<u>\$ 220,401</u>	<u>\$ 685,992</u>	<u>\$ 1,779,785</u>
<b>Cash and Investment Assets - December 31</b>							
Restricted assets:							
Cash and investments	<u>\$ 684,481</u>	<u>\$ 320,006</u>	<u>\$ 438,077</u>	<u>\$ 23,627</u>	<u>\$ 220,401</u>	<u>\$ 685,992</u>	<u>\$ 1,779,785</u>
<b>Cash and Investment Fund Balance - December 31</b>							
Restricted for:							
Culture and recreation	\$ -	\$ -	\$ 438,077	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-	-	-
Other purposes	684,481	320,006	-	23,627	220,401	685,992	1,779,785
<b>Total cash and investment fund balance - December 31</b>	<b><u>\$ 684,481</u></b>	<b><u>\$ 320,006</u></b>	<b><u>\$ 438,077</u></b>	<b><u>\$ 23,627</u></b>	<b><u>\$ 220,401</u></b>	<b><u>\$ 685,992</u></b>	<b><u>\$ 1,779,785</u></b>

CITY OF GREENWOOD  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Administrative Fee	Adult Probation	Bond Proceeds	Brownfield Grant	Capital 2 Fire Station and Graham Road	Cumulative Capital Improvement Tax Levy	City Court Document Storage Fee
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 867,012	\$ -
Intergovernmental	-	-	-	-	-	96,705	-
Charges for services	-	603,555	-	-	-	-	6,473
Other	1,801	1,044	-	262	15,311	121,155	374
<b>Total receipts</b>	<b>1,801</b>	<b>604,599</b>	<b>-</b>	<b>262</b>	<b>15,311</b>	<b>1,084,872</b>	<b>6,847</b>
Disbursements:							
General government	-	-	-	-	-	1,643,295	-
Public safety	-	511,457	-	-	1,723,155	-	-
Highways and streets	-	-	-	-	61,191	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>511,457</b>	<b>-</b>	<b>-</b>	<b>1,784,346</b>	<b>1,643,295</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	1,801	93,142	-	262	(1,769,035)	(558,423)	6,847
Other financing sources (uses):							
Bond proceeds	-	-	-	-	2,340,000	-	-
Transfers in	-	12,568	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>12,568</b>	<b>-</b>	<b>-</b>	<b>2,340,000</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,801	105,710	-	262	570,965	(558,423)	6,847
Cash and investment fund balance - beginning	15,777	6,937	572	5,227	1,433,680	1,018,287	6,252
Cash and investment fund balance - ending	<u>\$ 17,578</u>	<u>\$ 112,647</u>	<u>\$ 572</u>	<u>\$ 5,489</u>	<u>\$ 2,004,645</u>	<u>\$ 459,864</u>	<u>\$ 13,099</u>
<b><u>Cash and Investment Assets - December 31</u></b>							
Restricted assets:							
Cash and investments	<u>\$ 17,578</u>	<u>\$ 112,647</u>	<u>\$ 572</u>	<u>\$ 5,489</u>	<u>\$ 2,004,645</u>	<u>\$ 459,864</u>	<u>\$ 13,099</u>
<b><u>Cash and Investment Fund Balance - December 31</u></b>							
Restricted for:							
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-	-	-
Other purposes	17,578	112,647	572	5,489	2,004,645	459,864	13,099
<b>Total cash and investment fund balance - December 31</b>	<b><u>\$ 17,578</u></b>	<b><u>\$ 112,647</u></b>	<b><u>\$ 572</u></b>	<b><u>\$ 5,489</u></b>	<b><u>\$ 2,004,645</u></b>	<b><u>\$ 459,864</u></b>	<b><u>\$ 13,099</u></b>

CITY OF GREENWOOD  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	City Limit Sign Donation	DARE	Debt Service/ Building Lease	Drug Court Byrne Grant	EDC Donation	Employee Christmas Donation
Receipts:						
Taxes	\$ -	\$ -	\$ 683,511	\$ -	\$ -	\$ -
Intergovernmental	-	-	76,768	102,912	-	-
Charges for services	-	-	-	-	-	-
Other	33	5,383	7,089	940	395	-
<b>Total receipts</b>	<b>33</b>	<b>5,383</b>	<b>767,368</b>	<b>103,852</b>	<b>395</b>	<b>-</b>
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	5,183	-	115,344	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	535,894	-	-	-
Interest	-	-	374,224	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>5,183</b>	<b>910,118</b>	<b>115,344</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	33	200	(142,750)	(11,492)	395	-
Other financing sources (uses):						
Bond proceeds	-	-	-	-	-	-
Transfers in	-	-	102,514	-	-	-
Transfers out	-	-	-	(12,568)	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>102,514</b>	<b>(12,568)</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	33	200	(40,236)	(24,060)	395	-
Cash and investment fund balance - beginning	818	713	443,020	25,037	8,560	217
Cash and investment fund balance - ending	\$ 851	\$ 913	\$ 402,784	\$ 977	\$ 8,955	\$ 217
<b><u>Cash and Investment Assets - December 31</u></b>						
Restricted assets:						
Cash and investments	\$ 851	\$ 913	\$ 402,784	\$ 977	\$ 8,955	\$ 217
<b><u>Cash and Investment Fund Balance - December 31</u></b>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	402,784	-	-	-
Other purposes	851	913	-	977	8,955	217
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 851</b>	<b>\$ 913</b>	<b>\$ 402,784</b>	<b>\$ 977</b>	<b>\$ 8,955</b>	<b>\$ 217</b>

CITY OF GREENWOOD  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Fire Debt Service	Fire Prevention and Public Education	Fire Truck Bond Proceeds	GDP Property Room	Grant II Alpine	Greenwood City Flag
Receipts:						
Taxes	\$ 227,085	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	26,595	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Other	-	3,748	40,100	58,647	2,291	232
<b>Total receipts</b>	<b>253,680</b>	<b>3,748</b>	<b>40,100</b>	<b>58,647</b>	<b>2,291</b>	<b>232</b>
Disbursements:						
General government	-	-	-	-	-	33
Public safety	-	-	1,491,875	25,034	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	55,000	-	-	-	-	-
Interest	31,948	-	-	-	-	-
<b>Total disbursements</b>	<b>86,948</b>	<b>-</b>	<b>1,491,875</b>	<b>25,034</b>	<b>-</b>	<b>33</b>
Excess (deficiency) of receipts over disbursements	166,732	3,748	(1,451,775)	33,613	2,291	199
Other financing sources (uses):						
Bond proceeds	-	-	1,484,100	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>1,484,100</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	166,732	3,748	32,325	33,613	2,291	199
Cash and investment fund balance - beginning	-	9,878	15,000	81,743	44,916	1,039
Cash and investment fund balance - ending	<u>\$ 166,732</u>	<u>\$ 13,626</u>	<u>\$ 47,325</u>	<u>\$ 115,356</u>	<u>\$ 47,207</u>	<u>\$ 1,238</u>
<b><u>Cash and Investment Assets - December 31</u></b>						
Restricted assets:						
Cash and investments	<u>\$ 166,732</u>	<u>\$ 13,626</u>	<u>\$ 47,325</u>	<u>\$ 115,356</u>	<u>\$ 47,207</u>	<u>\$ 1,238</u>
<b><u>Cash and Investment Fund Balance - December 31</u></b>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	166,732	-	-	-	-	-
Other purposes	-	13,626	47,325	115,356	47,207	1,238
<b>Total cash and investment fund balance - December 31</b>	<b><u>\$ 166,732</u></b>	<b><u>\$ 13,626</u></b>	<b><u>\$ 47,325</u></b>	<b><u>\$ 115,356</u></b>	<b><u>\$ 47,207</u></b>	<b><u>\$ 1,238</u></b>

CITY OF GREENWOOD  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	History Book	Independent Engineer	Late Fee	Paid Insurance	Park District Bond Proceeds	Police Equipment and Training
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Other	1,048	54,429	-	70,113	-	1,759
<b>Total receipts</b>	<b>1,048</b>	<b>54,429</b>	<b>-</b>	<b>70,113</b>	<b>-</b>	<b>1,759</b>
Disbursements:						
General government	-	28,673	-	68,049	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	785	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>28,673</b>	<b>-</b>	<b>68,049</b>	<b>785</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	1,048	25,756	-	2,064	(785)	1,759
Other financing sources (uses):						
Bond proceeds	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(8,721)	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(8,721)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,048	25,756	(8,721)	2,064	(785)	1,759
Cash and investment fund balance - beginning	10,249	194,228	8,721	103,902	47,008	36,104
Cash and investment fund balance - ending	\$ 11,297	\$ 219,984	\$ -	\$ 105,966	\$ 46,223	\$ 37,863
<b>Cash and Investment Assets - December 31</b>						
Restricted assets:						
Cash and investments	\$ 11,297	\$ 219,984	\$ -	\$ 105,966	\$ 46,223	\$ 37,863
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-	-
Other purposes	11,297	219,984	-	105,966	46,223	37,863
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 11,297</b>	<b>\$ 219,984</b>	<b>\$ -</b>	<b>\$ 105,966</b>	<b>\$ 46,223</b>	<b>\$ 37,863</b>

CITY OF GREENWOOD  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Police Lab Fees	Police Seizure and Forfeiture	Restitution	Restricted Donation	Siren Donations	SNR Sidewalks
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Other	6,335	2,239	3,035	693	70	2,489
<b>Total receipts</b>	<b>6,335</b>	<b>2,239</b>	<b>3,035</b>	<b>693</b>	<b>70</b>	<b>2,489</b>
Disbursements:						
General government	-	-	-	-	-	-
Public safety	6,961	-	-	-	4,770	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
<b>Total disbursements</b>	<b>6,961</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,770</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	(626)	2,239	3,035	693	(4,700)	2,489
Other financing sources (uses):						
Bond proceeds	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(626)	2,239	3,035	693	(4,700)	2,489
Cash and investment fund balance - beginning	4,007	45,477	59,696	14,682	5,515	48,977
Cash and investment fund balance - ending	\$ 3,381	\$ 47,716	\$ 62,731	\$ 15,375	\$ 815	\$ 51,466
<b>Cash and Investment Assets - December 31</b>						
Restricted assets:						
Cash and investments	\$ 3,381	\$ 47,716	\$ 62,731	\$ 15,375	\$ 815	\$ 51,466
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-	-
Other purposes	3,381	47,716	62,731	15,375	815	51,466
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 3,381</b>	<b>\$ 47,716</b>	<b>\$ 62,731</b>	<b>\$ 15,375</b>	<b>\$ 815</b>	<b>\$ 51,466</b>

CITY OF GREENWOOD  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	SNR Worthsville Road Capital Improvement	SNR Impact	SNR Parks	Tracy Ditch	VIN Inspection	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ 9,173	\$ -	\$ 3,551,452
Intergovernmental	-	-	-	-	-	2,430,309
Charges for services	-	390,428	-	-	-	1,250,881
Other	337,298	72,057	344,402	1,545	-	1,351,353
Total receipts	337,298	462,485	344,402	10,718	-	8,583,995
Disbursements:						
General government	-	-	-	-	-	1,756,731
Public safety	-	-	-	-	-	3,910,354
Highways and streets	-	-	-	-	-	1,494,258
Culture and recreation	-	78,305	293,049	-	-	1,802,435
Urban redevelopment and housing	-	-	-	-	-	1,261,862
Debt service:						
Principal	-	-	-	-	-	590,894
Interest	-	-	-	-	-	406,172
Total disbursements	-	78,305	293,049	-	-	11,222,706
Excess (deficiency) of receipts over disbursements	337,298	384,180	51,353	10,718	-	(2,638,711)
Other financing sources (uses):						
Bond proceeds	-	-	-	-	-	3,824,100
Transfers in	-	-	-	-	-	115,082
Transfers out	-	-	-	-	-	(21,289)
Total other financing sources (uses)	-	-	-	-	-	3,917,893
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	337,298	384,180	51,353	10,718	-	1,279,182
Cash and investment fund balance - beginning	-	1,201,248	77,467	28,154	75	8,986,572
Cash and investment fund balance - ending	\$ 337,298	\$ 1,585,428	\$ 128,820	\$ 38,872	\$ 75	\$ 10,265,754
<u>Cash and Investment Assets - December 31</u>						
Restricted assets:						
Cash and investments	\$ 337,298	\$ 1,585,428	\$ 128,820	\$ 38,872	\$ 75	\$ 10,265,754
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 438,077
Debt service	-	-	-	-	-	569,516
Other purposes	337,298	1,585,428	128,820	38,872	75	9,258,161
Total cash and investment fund balance - December 31	\$ 337,298	\$ 1,585,428	\$ 128,820	\$ 38,872	\$ 75	\$ 10,265,754

CITY OF GREENWOOD  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2006

	<u>Payroll</u>	<u>Levy Excess</u>	<u>City Court</u>	<u>User Fees</u>	<u>Totals</u>
Additions:					
Agency fund additions	\$ 14,974,603	\$ 103,118	\$ 1,061,094	\$ 11,730	\$ 16,150,545
Deductions:					
Agency fund deductions	<u>14,812,194</u>	<u>-</u>	<u>1,035,855</u>	<u>14,573</u>	<u>15,862,622</u>
Excess (deficiency) of total additions over total deductions	162,409	103,118	25,239	(2,843)	287,923
Cash and investment fund balance - beginning	<u>25,343</u>	<u>(255)</u>	<u>169,214</u>	<u>41,380</u>	<u>235,682</u>
Cash and investment fund balance - ending	<u>\$ 187,752</u>	<u>\$ 102,863</u>	<u>\$ 194,453</u>	<u>\$ 38,537</u>	<u>\$ 523,605</u>

CITY OF GREENWOOD  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Building Corporation Lease of 1992	\$ 3,990,703	\$ 456,972
Seventeen Police Vehicles, 2006	321,746	64,655
Court Video Equipment Lease 2004	15,111	15,111
Court Video Equipment Lease 2006	12,177	6,769
Bonds payable:		
General obligation bonds:		
Eastside Redevelopment District Bonds, 2001	4,145,000	85,000
Park District, 2005	1,900,000	70,000
Fire Truck and Equipment, 2006	1,445,000	115,000
Revenue bonds:		
Fire Station/Graham Road Redevelopment District Bonds, 2005	<u>4,000,000</u>	<u>335,000</u>
Total governmental activities long-term debt	<u>\$ 15,829,737</u>	<u>\$ 1,148,507</u>

CITY OF GREENWOOD  
OTHER REPORT

The annual report presented herein was prepared in addition to another official report prepared for the individual City office listed below:

Aviation Commission and Wastewater Utility

CITY OF GREENWOOD  
AUDIT RESULTS AND COMMENTS

RECEIPTS

As reported in previous reports of the City, written receipts did not always identify the classification of the money received, (i.e., cash, check, or money order); therefore, we were unable to determine if funds were deposited in the same form received. All receipts should be clearly marked as to the method of payment of the money received.

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

ERRORS ON CLAIMS

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

- (1) City Form 201 (Accounts Payable Voucher) was not prepared for all disbursements. Demand checks are the only disbursements in which a City Form 201 is prepared. Purchase Orders are being used in lieu of City Form 201.
- (2) Claims were not adequately itemized. Proper itemization of Wastewater refunds was not attached to claims.
- (3) All claims did not have Board approval. Demand checks are not always included in the claim docket for the Board to sign. Payroll disbursements were not approved by the Board.
- (4) Claims or invoices did not reflect evidence to support the receipt of goods or services. Purchase Orders are used in lieu of City Form 201. The Purchase Order does not document the evidence to support that goods or services have been received.

Indiana Code 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 GREENWOOD  
AUDIT RESULTS AND COMMENTS  
(Continued)

TRAVEL POLICY

The City's travel policy states that officers and employees may be paid a per diem when traveling on City business. The per diem rate is to be paid in accordance with Internal Revenue Code. Currently, officers and employees are paid a per diem that is not in accordance with Internal Revenue Code. The per diem amount is paid whether or not meals are provided as part of the cost of registration.

When traveling outside the local unit's boundaries on official business, officers and employees may also be reimbursed for meals, lodging, and incidental expenses as defined in the travel policy. The claim for reimbursement should be supported by itemized receipts from hotels, restaurants, and taxi cabs used by the officer or employee while traveling on official business. It is permissible for the legislative body of the local unit or the board or commission having the authority to approve claims to adopt an ordinance or resolution establishing a reasonable per diem rate intended to cover travel expenses other than hotel and mileage costs and the officer or employee may be reimbursed on the basis of such a per diem rate in lieu of submitting receipts. If a fixed per diem rate is established by policy, the policy should clearly indicate which type of expenses, in addition to meals, are included in the rate and which related expenses are to be reimbursed on the basis of actual receipts being submitted by the officer or employee. The policy should also define the local unit's boundaries for purposes of reimbursing travel; i.e., outside a 50-mile radius of the office, outside of the county, etc. The policy should cover a proportionate reduction in the per diem rate when meals are provided by an outside party. (Cities and Towns Bulletin, September 2004)

TEMPORARY LOANS

As reported in previous reports of the City, a temporary loan of \$250,000 was made in 1998, from the Cumulative Capital Improvement Tax Levy Fund to the Fire Fund, that has not been repaid. A second loan was made on June 16, 2003, from the Cumulative Capital Improvement Tax Levy Fund to the Fire Fund, in the amount of \$500,000 per Resolution 03-16. Although the Resolution states that the loan is to be repaid by December 31, 2003, as of the date of this report, this loan is still outstanding.

Indiana Code 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.

CITY OF GREENWOOD  
AUDIT RESULTS AND COMMENTS  
(Continued)

(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."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were presented for audit; however, there were differences noted that have been identified, but correcting entries were not posted to the ledger. Audit adjusting entries were presented to management and were posted.

Depository reconciliations of the Payroll Fund balances to the bank account balances were presented for audit; however, they were incorrect. The Payroll Fund balance did not reconcile to the bank for each month of the audit period. The difference varied each month.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

APPROVAL OF FORMS

As reported in previous reports of the City, the City was using the GEMS accounting software for all financial and payroll reports which had not been approved for use in lieu of prescribed forms.

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)

PAYROLL WITHHOLDING DETAIL

As reported in previous reports of the City, the payroll withholding subsidiary ledger does not reconcile with the control amount recorded on the general ledger.

At all times, the manual and 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)

CITY OF GREENWOOD  
AUDIT RESULTS AND COMMENTS  
(Continued)

APPROPRIATIONS

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

Fund	Year	Excess Amount Expended
Debt Service/Building Lease	2006	\$ 76,813
Fire	2006	41,324
Cumulative Capital Tax Levy	2006	72,915
Cumulative Capital Development	2006	294,197

Indiana Code 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."

CAPITAL ASSET RECORDS

As reported in previous reports of the City, Capital asset records were presented; however, they were 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)

REPAYMENTS AND TRANSFERS

As reported in previous reports of the City, the City collects a Late Payment Fee authorized by Indiana Code 33-19-6-20. The total fees for the year ending December 31, 2003, amounting to \$26,997, were deposited to the General Fund as authorized by Indiana Code 33-19-7-4. On December 5, 2003, \$20,000 of that amount was transferred to the Adult Probation Fund. On November 17, 2003, an ordinance was established to authorize a transfer of monies from one major budget classification in a department to another major classification within another department. The ordinance specified that \$20,000 be transferred from the General Fund to the Post Conviction Services Department Fund (Adult Probation). The transfer was made between two different funds and not within a department or major budget classification as stated in the ordinance. No authorization exists to transfer monies between funds. The Adult Probation Fund was asked to reimburse the General Fund in the amount of \$20,000. As of the date of this report, no reimbursement has been made.

Indiana Code 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.

CITY OF GREENWOOD  
AUDIT RESULTS AND COMMENTS  
(Continued)

(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."

Payments or transfers which are not authorized by statute, ordinance, resolution, or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CHARITABLE WORK

The City allows employees to work for charitable organizations on City time without a written policy. We noted where one employee earned 24.08 hours of compensatory time in a pay period and 45.83 hours of compensatory time in the next pay period for time worked at a fundraiser for a charitable organization.

Indiana Code 35-44-2-4(f) states in part: "an employee of a governmental entity who voluntarily performs services:

(1) that do not:

(A) promote religion;

(B) attempt to influence legislation or governmental policy; or

(C) attempt to influence elections to public office;

(2) for the benefit of:

(A) another governmental entity; or

(B) an organization that is exempt from federal income taxation under Section 501(c)(3) of the Internal revenue Code;

CITY OF GREENWOOD  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (3) with the approval of the employee's supervisor; and
- (4) in compliance with a policy or regulation that:
  - (A) is in writing;
  - (B) is issued by the executive officer of the governmental entity; and
  - (C) contains a limitation on the total time during any calendar year that the employee may spend performing the services during normal hours of employment.

is considered to be performing duties related to the operation of the governmental entity."

PUBLIC WORKS PROJECT CHANGE ORDERS

The City entered into a Public Works contract for a street overlay project. The original amount of the contract was \$1,048,835. As of the date of this report, the cost of work performed totaled \$2,142,464, which is a 104% increase over the original contract amount. Streets not included in the original bid specifications were repaved.

The City entered into a Public Works contract for Valle Vista Reconstruction Project Phase 2. The original amount of the contract was \$1,422,493. As of the date of this report, the cost of work performed totaled \$2,156,183, which is a 51% increase above the original contract amount. The City Engineer stated that the road construction contractor encountered circumstances that could not have been reasonably foreseen; however, this was not presented to the Board of Public Works for further consideration.

No evidence was presented for audit to prove change orders were prepared or approved for either project.

Indiana Code 36-1-12-18 states:

"(a) If, in the course of the construction, reconstruction, or repair of a public work project, it becomes necessary to change or alter the original specifications, a change order may be issued to add, delete, or change an item or items in the original contract. The change order becomes an addendum to the contract and must be approved and signed by the board and the contractor.

(b) If a licensed architect or engineer is assigned to the public work project, the change order must be prepared by that person.

(c) A change order may not be issued before commencement of the actual construction, reconstruction, or repairs except in the case of an emergency. In that case, the board must make a declaration, and the board's minutes must show the nature of the emergency.

(d) The total of all change orders issued that increase the scope of the project may not exceed twenty percent (20%) of the amount of the original contract. A change order issued as a result of circumstances that could not have been reasonably foreseen does not increase the scope of the project.

CITY OF GREENWOOD  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (e) All change orders must be directly related to the original public work project.
- (f) If additional units of materials included in the original contract are needed, the cost of these units in the change order must be the same as those shown in the original contract.

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF GREENWOOD, JOHNSON COUNTY, INDIANA

### Compliance

We have audited the compliance of the City of Greenwood (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2006. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2006-1.

### Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2006-1 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule and questioned costs to be material weaknesses.

The City's response to the findings identified in our audit are described in the accompanying Official Response section of the report. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, Board of Public Works and Safety and City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 10, 2007

CITY OF GREENWOOD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2006

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Bulletproof Vest Partnership Program Wires Received 2006	16.607		\$ 720
Pass-Through Indiana Criminal Justice Institute Edward Byrne Memorial Formula Grant Program Project 02-DB-059	16.579		115,343
Total for federal grantor agency			<u>116,063</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Johnson County Highway Safety Cluster State and Community Highway Safety Operation Pullover	20.600		42,935
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants 2006	20.601		8,333
Safety Incentive Grants for Use of Seatbelts Big City/County Seatbelt Emergency Gas Award	20.604		5,750
Total for cluster			<u>57,018</u>
Direct Grant			
Airport Improvement Program	20.106		
Construct Holding Apron and Runway Exit Taxiway and Update Airport Layout Plan		3-18-0097-16	1,205
Extend Runway and Parallel Taxiway and Rehabilitate Runway Lighting Phase 1 Design		3-18-0097-18	58,594
Extend Runway 1/19 Phase 2 - Runway Lighting and T-Hangar Taxiway Rehabilitation		3-18-0097-19	335,056
Hangar/Taxiway Pvmt Rehab - 3-18-0097-2006		3-18-0097-20	1,473
Total for program			<u>396,328</u>
Total for federal grantor agency			<u>453,346</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct			
Assistance to Firefighters Grant	97.044	EMW-2005-FG-19677	52,998
Pass-Through Johnson County Emergency Management Agency State Homeland Security Program	97.073		7,478
Total for federal grantor agency			<u>60,476</u>
Total federal awards expended			<u>\$ 629,885</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF GREENWOOD  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Greenwood (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF GREENWOOD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiency identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiency identified that are not considered to be material weaknesses?	yes

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

CITY OF GREENWOOD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2006-1, CASH MANAGEMENT

Federal Agency: U.S. Department of Transportation  
Federal Program: Airport Improvement Program  
CFDA Number: 20.106

The City has not sufficiently minimized the time elapsing between transfer of funds and their disbursement. All invoices are verified of allowable costs and activities and then a request for reimbursement is prepared. The high dollar invoices are generally not paid until the airport receives the federal portion of the reimbursement. We noted instances where invoices were not paid in a timely manner in regards to when the federal reimbursement was received. The period from receipt of federal reimbursement to payment of claims ranged from 13 days to 96 days.

The City has not implemented adequate internal accounting controls to minimize the time between transfer of funds and their disbursement. 49 CFR 18.20 states in part: "(7) Cash management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used."

We recommended the City follow federal regulations in all future airport projects. The City should adopt internal accounting control procedures to ensure proper payout of funds.



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## GREENWOOD BOARD OF AVIATION COMMISSIONERS

### CITY OF GREENWOOD SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding No. 2005-1, Cash Management

I will work with the Board of Aviation Commissioners and the Clerk-Treasurer's Office to ensure the time is minimized the time period between the receipt of Airport Improvement Program reimbursements and the disbursement to the vendors.

  
William Jackson  
President, Board of Aviation Commissioners

June 28, 2007



## GREENWOOD BOARD OF AVIATION COMMISSIONERS

June 28, 2007

RE: CORRECTIVE ACTION PLAN

FINDING 2006-1, CASH MANAGEMENT

Federal Agency:	U.S. Department of Transportation
Federal Program:	Airport Improvement Program
CFCDA Number:	20.106
Federal Award No.	Projects 3-18-0097-16; 3-18-0097-18, and 3-18-0097-19
Auditee Contact Person:	William Jackson
Title of Contact Person:	President of Board of Aviation Commissioners
Expected Completion Date:	June 2007

Corrective Action:

It has come to our attention that time needs to be minimized between the date that Airport Improvement Program federal reimbursements are received and the related costs claimed are paid to the vendor.

We will review our procedures for the payment of vendor's claims for Airport Improvement Program expenditures. An effort will be made to have the invoices approved by the Board of Aviation Commissioners as soon as they are received for engineering and construction costs. Then when the reimbursement is received, we will work with the Clerk-Treasurer's office to insure that the vendor is timely paid in order to minimize the time between the receipt of our federal reimbursement and payment to the vendor.



William Jackson  
President, Greenwood Board of Aviation Commissioners

CITY OF GREENWOOD  
EXIT CONFERENCE

The contents of this report were discussed on November 21, 2007, with Charles E. Henderson, Mayor; Jeannine Myers, Clerk-Treasurer; Keith R. Hardin, President of the Common Council; Ron Bates, Council member; Jessie Reed, Council member; Norm Gabehart, Director of Operations; and Patrick A. Sherman, financial consultant. The official response has been made a part of this report and may be found on pages 51 and 52.



**Office of the Mayor**

November 30, 2007

State Board of Accounts  
Attn: Beth Kelley

RE: State Board of Accounts Exit Interview with City of Greenwood,  
November 21, 2007

Dear Beth:

Comments in reference to two topic matters; 1) Change Orders and 2) An issue with the Court – in what was perceived to be either a loan or an appropriation.

Change Orders: As Mayor I did authorize the Director of Operations to sign change orders for road projects due to needing to move the projects along rapidly at this time of year, due to weather changes. At a later date I did take those Change Orders to the Board of Works for their approval. The approval came at least one meeting later than it should have, but I missed a meeting of the Board of Public Works and they were approved at the next meeting for change. In that the Board of Public Works made a motion to allow the Mayor in future cases to sign Change Orders and bring back for ratification based on what the Mayor might deem necessary to keep a project moving, but to bring them in advance, if possible.

The other issue in the Change Orders, which now has been ratified by the Board of Public Works, was the issue if a Change Order could exceed 20 per cent of the project. Our City Attorney, Shawna Koons-Davis was asked about this, and she said that on issues of like matter, the Change Order could exceed 20 per cent. During the exit interview, Beth indicated that she did not interpret it that way. So this is a matter of interpretation and I will ask the City Attorney to look at that again and we will make every effort not to exceed that 20 per cent in the future, and to see that doesn't happen again, if indeed the City Attorney does have a difference of opinion, but I will have that researched further by the City Attorney.

The Change Orders have been ratified. The Mayor has been given the authority to sign Change Orders in advance, if he deems it to be an emergency. We will try to avoid that if possible.

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Second issue is the matter of the Court having a loan or an appropriation back in 2003, of I think \$20,000.00. I did meet with the Judge. The Judge had informed me, and I remember it happening, that he had come to the City Council and explained that when that took place in 2003, that was an appropriation and not a loan and that he was not in the position and did not believe he needed to pay that back because it was his belief that was an appropriation and not a loan. If that needs to be cleared up further, I would suggest maybe the Court and the Judge come back to the City Council and take whatever action necessary to show that it was an appropriation, if that would be a suggestion of the State Board of Accounts. If there is nothing to show that this was an appropriation and not a loan, the City Council is asked to turn it into an appropriation and clear through proper procedures to clear that matter up.

Thank you.

Sincerely,

  
Charles E. Henderson  
Mayor, City of Greenwood