

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

EXAMINATION REPORT

OF

CITY OF ELWOOD

MADISON COUNTY, INDIANA

January 1, 2007 to December 31, 2007



**FILED**  
08/20/2008



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sandra R. Brewer	01-01-04 to 12-31-11
Mayor	Honorable W. Merrill Taylor	01-01-04 to 12-31-11
President of the Board of Public Works and Safety	Honorable W. Merrill Taylor	01-01-04 to 12-31-11
President of the Common Council	James E. Davis Jack M. Powell	01-01-07 to 12-31-07 01-01-08 to 12-31-08
Utility Office Manager	Lenora R. Frye	01-01-07 to 12-31-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of City of Elwood, for the period of January 1, 2007 to December 31, 2007. 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, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

July 1, 2008

CITY OF ELWOOD  
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, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
<b>Governmental Funds:</b>				
General	\$ 957,609	\$ 4,191,488	\$ 4,533,911	\$ 615,186
Motor Vehicle Highway	356,455	427,908	750,897	33,466
Local Road and Street	64,836	96,506	146,090	15,252
Park and Recreation	232,189	131,789	342,471	21,507
Law Enforcement Continuing Education	8,268	6,223	3,439	11,052
Riverboat	145,641	61,399	176,912	30,128
Rainy Day	-	127,066	126,880	186
Cumulative Capital Improvement	-	34,200	34,200	-
Cumulative Capital Development	317,550	6,471	85,190	238,831
County Economic Development Income Tax	5,756	128,817	127,066	7,507
Municipal Complex Lease	140,363	517,994	602,480	55,877
K-9 Restricted Donation	3,398	5,655	8,340	713
Economic Development Project	146,872	-	89,831	57,041
Park Department Restricted Donations	1,693	-	-	1,693
Probation Restricted Donations	321	-	321	-
Police Department Restricted Donations	1,055	953	953	1,055
Traffic Enforcement Grant	2,996	10,754	11,490	2,260
Clerk Records Perpetuation	63,535	22,664	8,822	77,377
Economic Development	455	-	-	455
Adult Probation Services	70,582	202,645	235,904	37,323
Supplemental Public Defender Services	9,030	2,935	-	11,965
Fire Department Restricted Donations	633	542	-	1,175
Elwood Grant	20	18,667	18,667	20
Industrial Development Grant	12	-	-	12
Grants - Police Department	3,860	-	3,100	760
CPTF Grant Police Department	2	6,000	6,002	-
IN Housing Community Development Authority Grant	-	16,350	16,350	-
IN Criminal Justice Institute Grant	45	-	-	45
FEMA Disaster	44,733	7,472	7,472	44,733
<b>Proprietary Funds:</b>				
<b>Water Utility:</b>				
Operating	1,109,376	1,163,417	1,927,306	345,487
Depreciation	243,469	-	166,219	77,250
Customer Deposit	129,421	23,408	17,769	135,060
<b>Wastewater Utility:</b>				
Operating	25,036	1,843,514	1,781,086	87,464
Bond and Interest	2,554	15,610	14,647	3,517
Debt Reserve	1,614	8,070	-	9,684
Nonreverting Insurance	226	1,550,356	1,414,417	136,165
Nonreverting Insurance - Pensioners	62,909	10,000	3,476	69,433
Self-Insurance Plan	48,500	-	-	48,500
<b>Fiduciary Funds:</b>				
Court Costs Due County	-	35,685	35,685	-
User Fee Law Enforcement Continuing Education	5,930	5,862	5,895	5,897
City Court	115,282	638,858	643,584	110,556
Police Officers' Pension	261,230	261,037	294,483	227,784
Firefighters' Pension	249,076	275,228	298,593	225,711
Payroll	64,478	1,264,496	1,265,675	63,299
<b>Totals</b>	<b>\$ 4,897,010</b>	<b>\$ 13,120,039</b>	<b>\$ 15,205,623</b>	<b>\$ 2,811,426</b>

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

CITY OF ELWOOD  
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, health and social services, culture and recreation, public improvements, planning and zoning, water, wastewater, urban redevelopment and housing, and general administrative services.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF ELWOOD  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Note 7. Subsequent Event – Wastewater Revenue Bonds of 2008

On June 19, 2008, the City sold \$575,000 of sewage works revenue bonds for the purpose of providing funds to upgrade its wastewater treatment facility. The bonds have a final maturity date of January 1, 2024, and bear interest at 5%.

CITY OF ELWOOD, MADISON COUNTY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2007

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
<b>Governmental Activities:</b>		
Capital leases:		
Municipal Building	\$ 7,093,561	\$ 598,120
<b>Business-type Activities:</b>		
Wastewater Utility		
Capital leases:		
Callaway Extension and B Street Sewers	\$ 117,836	\$ 121,202
Loan payable	135,031	15,382
<b>Total business-type activities debt:</b>	<b>\$ 252,867</b>	<b>\$ 136,584</b>

CITY OF ELWOOD  
EXAMINATION RESULT AND COMMENT

CAPITAL ASSET RECORDS

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

There were also some assets owned by the City, which we discovered were not recorded in the City's capital asset ledger, and it was conveyed by City Officials that no updates to the capital asset ledgers have been made since June 2006.

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

The Water and Wastewater Utilities also record capital asset activity on a capital asset ledger Form 211. The items on the Utility capital asset ledger have not all been recently inventoried and many of the items on the Utility ledger do not include tag numbers or other information which could be used to uniquely identify the assets.

A similar comment appeared in the prior Reports B30070 and B27544.

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

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

CITY OF ELWOOD  
EXIT CONFERENCE

The contents of this report were discussed on July 1, 2008, with Honorable W. Merrill Taylor, Mayor; Jack M. Powell, President of the Common Council; and Sandra R. Brewer, Clerk-Treasurer. The officials concurred with our finding.