

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

ANNUAL FINANCIAL REPORT

2008

CITY OF ELWOOD

MADISON COUNTY, INDIANA



**FILED**

10/08/2009



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards .....	3-4
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 .....	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis .....	7
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds .....	8
Proprietary Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Funds .....	9
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds .....	10
Notes to Financial Statements .....	11-21
Required Supplementary Information:	
Schedules of Funding Progress .....	22
Schedules of Contributions From the Employer and Other Contributing Entities .....	23
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds .....	24-28
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Internal Service Funds .....	29
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Pension Trust Funds .....	30
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Agency Funds .....	31
Schedule of Long-Term Debt .....	32
Audit Results and Comments:	
Ambulance Fee Bad Debts and Uncollectible Accounts .....	33
Capital Asset Records .....	33
Supplemental Audit of Federal Awards:	
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 .....	36-37
Schedule of Expenditures of Federal Awards .....	38
Note to Schedule of Expenditures of Federal Awards .....	39
Schedule of Findings and Questioned Costs .....	40-41
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Finding .....	42
Corrective Action Plan .....	43
Exit Conference .....	44

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sandra R. Brewer	01-01-08 to 12-31-11
Mayor	Honorable W. Merrill Taylor	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Honorable W. Merrill Taylor	01-01-08 to 12-31-11
President of the Common Council	Jack M. Powell	01-01-08 to 12-31-09
Utility Office Manager	Lenora R. Frye	01-01-08 to 12-31-09



**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 AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elwood (City), as of and for the year ended December 31, 2008, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2008, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated October 1, 2009, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. 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.

The Schedules of Funding Progress and Schedules 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

October 1, 2009



**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)

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 ELWOOD, MADISON COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elwood (City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 1, 2009. 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.

The City's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. 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, 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

October 1, 2009

CITY OF ELWOOD  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2008

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		Totals
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary government:							
Governmental activities:							
General government	\$ 2,803,553	\$ 300,064	\$ -	\$ -	\$ (2,503,489)	\$ -	\$ (2,503,489)
Public safety	2,342,662	54,043	17,044	-	(2,271,575)	-	(2,271,575)
Highways and streets	756,807	-	344,139	-	(412,668)	-	(412,668)
Sanitation	200,771	-	-	-	(200,771)	-	(200,771)
Health and welfare	159,793	25,000	-	104,169	(30,624)	-	(30,624)
Economic development	296,643	-	-	551,598	254,955	-	254,955
Culture and recreation	114,441	432	28,543	-	(85,466)	-	(85,466)
Debt service	2,098,120	-	167,795	-	(1,930,325)	-	(1,930,325)
Capital outlay	257,414	-	-	856,008	598,594	-	598,594
Interest on long-term debt	343,345	-	-	-	(343,345)	-	(343,345)
Total governmental activities	<u>9,373,549</u>	<u>379,539</u>	<u>557,521</u>	<u>1,511,775</u>	<u>(6,924,714)</u>	<u>-</u>	<u>(6,924,714)</u>
Business-type activities:							
Water	977,596	1,263,720	-	-	-	286,124	286,124
Wastewater	1,742,034	1,743,539	-	-	-	1,505	1,505
Total business-type activities	<u>2,719,630</u>	<u>3,007,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>287,629</u>	<u>287,629</u>
Total primary government	<u>\$ 12,093,179</u>	<u>\$ 3,386,798</u>	<u>\$ 557,521</u>	<u>\$ 1,511,775</u>	<u>(6,924,714)</u>	<u>287,629</u>	<u>(6,637,085)</u>
General receipts:							
Property taxes					4,563,878	-	4,563,878
Other local sources					17,368	-	17,368
Bonds					-	569,250	569,250
Grants and contributions not restricted to specific programs					1,789,782	-	1,789,782
Unrestricted investment earnings					14,546	-	14,546
Transfers					80,469	(80,469)	-
Total general receipts and transfers					<u>6,466,043</u>	<u>488,781</u>	<u>6,954,824</u>
Change in net assets					(458,671)	776,410	317,739
Net assets - beginning					<u>1,519,717</u>	<u>658,462</u>	<u>2,178,179</u>
Net assets - ending					<u>\$ 1,061,046</u>	<u>\$ 1,434,872</u>	<u>\$ 2,495,918</u>
<u>Assets</u>							
Cash and investments					\$ 452,148	\$ 704,041	\$ 1,156,189
Restricted assets:							
Cash and investments					<u>608,898</u>	<u>730,831</u>	<u>1,339,729</u>
Total assets					<u>\$ 1,061,046</u>	<u>\$ 1,434,872</u>	<u>\$ 2,495,918</u>
<u>Net Assets</u>							
Restricted for:							
Public safety					\$ 41,894	\$ -	\$ 41,894
Highways and streets					104,567	-	104,567
Health and welfare					40,814	-	40,814
Culture and recreation					2,388	-	2,388
Debt service					55,344	19,667	75,011
Capital outlay					133,516	191,454	324,970
Other purposes					230,375	519,710	750,085
Unrestricted					<u>452,148</u>	<u>704,041</u>	<u>1,156,189</u>
Total net assets					<u>\$ 1,061,046</u>	<u>\$ 1,434,872</u>	<u>\$ 2,495,918</u>

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

CITY OF ELWOOD  
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, 2008

	General	Municipal Complex Lease	Economic Development Project	Other Governmental Funds	Totals
<b>Receipts:</b>					
Taxes	\$ 3,267,049	\$ 756,912	\$ -	\$ 539,917	\$ 4,563,878
Licenses and permits	27,764	-	-	4,140	31,904
Intergovernmental	1,657,252	67,795	70,000	1,282,540	3,077,587
Charges for services	94,991	-	-	6,405	101,396
Fines and forfeits	80,233	-	-	166,006	246,239
Other	92,301	100,000	-	17,042	209,343
<b>Total receipts</b>	<b>5,219,590</b>	<b>924,707</b>	<b>70,000</b>	<b>2,016,050</b>	<b>8,230,347</b>
<b>Disbursements:</b>					
General government	1,964,712	-	-	59,058	2,023,770
Public safety	2,156,352	-	-	190,497	2,346,849
Highways and streets	-	-	-	756,807	756,807
Sanitation	200,771	-	-	-	200,771
Health and welfare	-	-	-	159,793	159,793
Culture and recreation	-	-	-	114,441	114,441
Urban redevelopment and housing	-	-	-	296,643	296,643
<b>Debt service:</b>					
Principal	1,500,000	254,775	-	-	1,754,775
Interest	-	343,345	-	-	343,345
Capital outlay	-	-	84	257,330	257,414
<b>Total disbursements</b>	<b>5,821,835</b>	<b>598,120</b>	<b>84</b>	<b>1,834,569</b>	<b>8,254,608</b>
Excess (deficiency) of receipt over disbursements	(602,245)	326,587	69,916	181,481	(24,261)
<b>Other financing sources (uses):</b>					
Transfers in	1,081,665	12,000	-	62,000	1,155,665
Transfers out	(700,000)	(339,119)	-	(433,665)	(1,472,784)
<b>Total other financing sources (uses)</b>	<b>381,665</b>	<b>(327,119)</b>	<b>-</b>	<b>(371,665)</b>	<b>(317,119)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(220,580)	(532)	69,916	(190,184)	(341,380)
Cash and investment fund balance - beginning	615,186	55,876	57,042	537,516	1,265,620
Cash and investment fund balance - ending	<u>\$ 394,606</u>	<u>\$ 55,344</u>	<u>\$ 126,958</u>	<u>\$ 347,332</u>	924,240
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.					
					136,806
Net assets of governmental activities					<u>\$ 1,061,046</u>
<b>Cash and Investment Assets - December 31</b>					
Cash and investments	\$ 394,606	\$ -	\$ -	\$ 57,542	\$ 452,148
Restricted assets:					
Cash and investments	-	55,344	126,958	289,790	472,092
<b>Total cash and investment assets - December 31</b>	<u>\$ 394,606</u>	<u>\$ 55,344</u>	<u>\$ 126,958</u>	<u>\$ 347,332</u>	<u>\$ 924,240</u>
<b>Cash and Investment Fund Balance - December 31</b>					
Restricted for:					
Public safety	\$ -	\$ -	\$ -	\$ 41,894	\$ 41,894
Highways and streets	-	-	-	104,567	104,567
Health and welfare	-	-	-	40,814	40,814
Culture and recreation	-	-	-	2,388	2,388
Debt service	-	55,344	-	-	55,344
Capital outlay	-	-	126,958	6,558	133,516
Other purposes	-	-	-	93,569	93,569
Unrestricted	394,606	-	-	57,542	452,148
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 394,606</u>	<u>\$ 55,344</u>	<u>\$ 126,958</u>	<u>\$ 347,332</u>	<u>\$ 924,240</u>

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

CITY OF ELWOOD  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUNDS  
As Of And For The Year Ended December 31, 2008

	Water Utility	Wastewater Utility	Totals	Internal Service Funds
<b>Operating receipts:</b>				
Residential, commercial and industrial sales	\$ 1,112,845	\$ 1,738,056	\$ 2,850,901	\$ -
Insurance proceeds	-	-	-	1,520,414
Other	13,072	5,191	18,263	-
<b>Total operating receipts</b>	<b>1,125,917</b>	<b>1,743,247</b>	<b>2,869,164</b>	<b>1,520,414</b>
<b>Operating disbursements:</b>				
Salaries and wages	269,262	556,451	825,713	-
Employee pensions and benefits	147,395	309,582	456,977	-
Purchased power	58,137	129,697	187,834	-
Chemicals	26,193	55,364	81,557	-
Material and supplies	67,530	106,896	174,426	-
Contractual services	312,580	551,326	863,906	-
Rents	50,000	200	50,200	-
Transportation disbursements	1,983	5,218	7,201	-
Insurance disbursements	30,575	43,273	73,848	1,632,530
Other	129,242	251,750	380,992	5,175
<b>Total operating disbursements</b>	<b>1,092,897</b>	<b>2,009,757</b>	<b>3,102,654</b>	<b>1,637,705</b>
Excess (deficiency) of operating receipts over operating disbursements	33,020	(266,510)	(233,490)	(117,291)
<b>Nonoperating receipts (disbursements):</b>				
Bond proceeds	-	569,250	569,250	-
Interest and investment receipts	5,439	1,575	7,014	-
Debt service of principal	-	(12,000)	(12,000)	-
Interest and investment disbursement	-	(2,565)	(2,565)	-
Other receipts	120,500	-	120,500	-
<b>Total nonoperating receipts (disbursements)</b>	<b>125,939</b>	<b>556,260</b>	<b>682,199</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	158,959	289,750	448,709	(117,291)
Capital contributions	10,582	-	10,582	-
Transfers in	1,238,400	-	1,238,400	-
Transfers out	(800,000)	(121,281)	(921,281)	-
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	607,941	168,469	776,410	(117,291)
Cash and investment fund balance - beginning	557,797	100,665	658,462	254,097
Cash and investment fund balance - ending	<u>\$ 1,165,738</u>	<u>\$ 269,134</u>	<u>\$ 1,434,872</u>	<u>\$ 136,806</u>
<b><u>Cash and Investment Assets - December 31</u></b>				
Cash and investments	\$ 661,980	\$ 41,060	\$ 703,040	\$ -
Restricted assets:				
Cash and investments	503,758	228,074	731,832	136,806
<b>Total cash and investment assets - December 31</b>	<b><u>\$ 1,165,738</u></b>	<b><u>\$ 269,134</u></b>	<b><u>\$ 1,434,872</u></b>	<b><u>\$ 136,806</u></b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>				
Restricted for:				
Debt service	\$ 1,281	\$ 18,385	\$ 19,666	\$ -
Capital outlay	-	191,455	191,455	-
Other purposes	502,477	18,234	520,711	136,806
Unrestricted	661,980	41,060	703,040	-
<b>Total cash and investment fund balance - December 31</b>	<b><u>\$ 1,165,738</u></b>	<b><u>\$ 269,134</u></b>	<b><u>\$ 1,434,872</u></b>	<b><u>\$ 136,806</u></b>

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

CITY OF ELWOOD  
 STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 FIDUCIARY FUNDS  
 For The Year Ended December 31, 2008

	Pension Trust Funds	Agency Funds
Additions:		
Contributions:		
Employer/plan members	\$ 228,997	
State	384,626	
Total contributions	613,623	
Deductions:		
Benefits	598,553	
Other	120,500	
Total deductions	719,053	
Deficiency of total additions over total deductions	(105,430)	
Cash and investment fund balance - beginning	453,495	
Cash and investment fund balance - ending	\$ 348,065	\$ 159,842

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

CITY OF ELWOOD  
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 Town Council 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, water, wastewater, and urban redevelopment (and housing).

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

Primary Government: City of Elwood

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

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.

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, 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 and major individual enterprise 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.

The municipal complex lease fund accounts for resources accumulated for payment of the City's municipal building capital lease obligation.

The economic development project fund accounts for food and beverage taxes received from the County to be used for various capital projects.

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

CITY OF ELWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

Additionally, the City reports the following fund types:

The internal service funds account for medical benefits provided to other departments on a cost-reimbursement basis.

The pension trust funds account for the activities of the 1925 police and 1937 fire pension funds, which accumulate resources for pension benefit payments.

Agency funds account for assets held by the City as an agent and serve as control of 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, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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 Water and Wastewater Utilities and the City. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government.

CITY OF ELWOOD  
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. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and in 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).

3. 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.

4. 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.

5. 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.

CITY OF ELWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit 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 government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

CITY OF ELWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

II. Stewardship, Compliance and Accountability

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 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.

III. Detailed Notes on All Funds

A. Deposits and Investments

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 City does not have a deposit policy for custodial credit risk. At December 31, 2008, the City had deposit balances in the amount of \$3,003,825.

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.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2008, were as follows:

CITY OF ELWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

<u>Transfer From</u>	<u>Transfer To</u>	<u>2008</u>
General Fund	Water Utility	\$ 700,000
Municipal Complex Lease	Water Utility	327,119
	Other governmental funds	12,000
Water Utility	General Fund	800,000
Wastewater Utility	Water Utility	121,281
Other governmental funds	General Fund	281,665
	Municipal Complex Lease	12,000
	Water Utility	90,000
	Other governmental funds	<u>50,000</u>
 Total		 <u>\$ 2,394,065</u>

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

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; 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. Risk financing is not utilized for the other risks of loss.

Medical Benefits to Employees, Retirees, and Dependents (Excluding Postemployment Benefits)

The City has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees and dependents. The risk financing fund is accounted for in the Non-Reverting 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 \$35,000 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.

B. Holding Corporation

The City has entered into a capital lease with Elwood Public 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 \$598,120.

CITY OF ELWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Subsequent Events

1. 1925 Police Officers and 1937 Firefighters Pension Plans

Beginning in 2009, the State Pension Relief Fund shall pay to each unit of local government with Pre-1977 Local Police and Fire Fighter Pension obligations, the total amount of pension, disability, and survivor benefit payments. The Pre-1977 funds include the 1925 Police Pension Fund, the 1937 Firefighters' Fund, and the 1953 Police Pension Fund. For property taxes due and payable after December 31, 2008, the Indiana Department of Local Government Finance shall reduce the maximum permissible property tax levy of any civil taxing unit and special service district by the amount of the payment to be made in 2009 by the State for the obligations.

2. Waterworks Revenue Bonds of 2009

During 2009, the City sold \$1,380,000 of Waterworks Revenue Bonds to finance improvements to the waterworks plant facilities.

D. Other Postemployment Benefits

In addition to the pension benefits described, the City provides postemployment medical insurance benefits to police officers and firefighters who retire from the City on or after attaining age fifty-two with at least twenty years of service. Currently, two retirees meet these eligibility requirements. The City pays 50% of the insurance cost for the retiree. Disbursements for those post-employment benefits are recognized on a pay-as-you-go basis. Disbursements for postemployment benefits cannot be reasonably estimated.

E. Rate Structure – Enterprise Funds

Water Utility

On August 7, 2000, the City Council adopted Ordinance No. 1948 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the City Council on February 7, 2005.

Wastewater Utility

The current rate structure was approved by the City Council on February 7, 2005.

F. 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

CITY OF ELWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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.

CITY OF ELWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

c. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. 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>	<u>1937 Firefighters' Pension</u>
Annual required contribution	\$ 130,025	\$ 410,200	\$ 280,400
Interest on net pension obligation	(6,104)	64,500	32,100
Adjustment to annual required contribution	<u>6,956</u>	<u>(81,400)</u>	<u>(40,400)</u>
Annual pension cost	130,877	393,300	272,100
Contributions made	<u>117,055</u>	<u>523,089</u>	<u>499,383</u>
Increase (decrease) in net pension obligation	13,822	(129,789)	(227,283)
Net pension obligation, beginning of year	<u>(84,195)</u>	<u>1,075,718</u>	<u>534,263</u>
Net pension obligation, end of year	<u><u>\$ (70,373)</u></u>	<u><u>\$ 945,929</u></u>	<u><u>\$ 306,980</u></u>

CITY OF ELWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	6.25%	1169%	N/A
Plan members	3%	6%	6%
Actuarial valuation date	07-01-08	01-01-08	01-01-08
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed 30 years	Level percentage of projected payroll, closed 30 years	Level percentage of projected payroll, closed 30 years
Amortization period			
Amortization period (from date)	07-01-97	01-01-05	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	4 year phase in of unrealized and realized capital

N/A = Not available

Actuarial Assumptions	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Investment rate of return	7.25%	6%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75/4%*	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	06-30-06	\$ 108,524	96%	\$ (110,949)
	06-30-07	132,738	80%	(84,195)
	06-30-08	130,877	89%	(70,373)
1925 Police Officers' Pension Plan	12-31-06	397,900	44%	939,055
	12-31-07	397,700	66%	1,075,718
	12-31-08	393,300	133%	945,929
1937 Firefighters' Pension Plan	12-31-06	317,100	66%	493,791
	12-31-07	315,700	87%	534,263
	12-31-08	272,100	184%	306,980

CITY OF ELWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2008, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retirees and beneficiaries currently receiving benefits	17	18
Current active employees	-	-

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, 2008, 2007, and 2006, were \$242,155, \$251,545, and \$242,497, respectively, equal to the required contributions for each year.

CITY OF ELWOOD  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 1,832,527	\$ 2,044,767	\$ (212,240)	90%	\$ 2,038,348	(10%)
07-01-07	2,102,604	2,251,346	(148,742)	93%	2,008,510	(7%)
07-01-08	2,250,397	2,233,268	17,129	101%	1,876,278	1%

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-03	\$ 237,973	\$ 4,380,000	\$ (4,142,027)	5%	\$ 93,900	(4,411%)
01-01-04	346,555	5,478,200	(5,131,645)	6%	99,800	(5,142%)
01-01-05	390,053	4,559,500	(4,169,447)	9%	34,100	(12,227%)
01-01-06	389,608	5,566,300	(5,176,692)	7%	34,100	(15,181%)
01-01-07	261,230	5,541,300	(5,280,070)	5%	35,100	(15,043%)
01-01-08	227,784	5,430,700	(5,202,916)	4%	35,100	(14,823%)

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-03	\$ 165,214	\$ 3,375,000	\$ (3,209,786)	5%	\$ -	NA
01-01-04	248,158	4,475,700	(4,227,542)	6%	-	NA
01-01-05	326,275	4,256,200	(3,929,925)	8%	-	NA
01-01-06	330,773	4,507,500	(4,176,727)	7%	-	NA
01-01-07	249,076	4,454,000	(4,204,924)	6%	-	NA
01-01-08	225,711	3,811,800	(3,586,089)	6%	-	NA

NA = Not applicable

CITY OF ELWOOD  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF CONTRIBUTIONS FROM THE  
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
			City	State
1925 Police Officers' Pension Plan	12-31-03	\$ 599,100	7%	61%
	12-31-04	650,000	26%	32%
	12-31-05	331,500	36%	55%
	12-31-06	407,600	0%	39%
	12-31-07	411,400	5%	42%
	12-31-08	410,200	32%	46%
1937 Firefighters' Pension Plan	12-31-03	464,700	9%	33%
	12-31-04	511,300	36%	33%
	12-31-05	300,500	40%	57%
	12-31-06	322,300	9%	51%
	12-31-07	322,900	21%	56%
	12-31-08	280,400	35%	70%

CITY OF ELWOOD  
 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, 2008

	Motor Vehicle Highway	Local Road and Street	Parks and Recreation	Law Enforcement Continuing Education	Riverboat	Rainy Day
<b>Receipts:</b>						
Taxes	\$ 276,808	\$ -	\$ 201,433	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	4,140	-	-
Intergovernmental	341,767	92,499	20,412	-	61,081	9,355
Charges for services	2,431	-	432	3,542	-	-
Fines and forfeits	-	-	-	222	-	-
Other	2,372	-	7,436	-	-	-
<b>Total receipts</b>	<b>623,378</b>	<b>92,499</b>	<b>229,713</b>	<b>7,904</b>	<b>61,081</b>	<b>9,355</b>
<b>Disbursements:</b>						
General government	-	-	-	-	50,000	47
Public safety	-	-	-	2,947	-	-
Highways and streets	671,005	85,802	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	114,441	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Capital outlay	-	-	-	-	2,375	-
<b>Total disbursements</b>	<b>671,005</b>	<b>85,802</b>	<b>114,441</b>	<b>2,947</b>	<b>52,375</b>	<b>47</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(47,627)</b>	<b>6,697</b>	<b>115,272</b>	<b>4,957</b>	<b>8,706</b>	<b>9,308</b>
<b>Other financing sources (uses):</b>						
Transfers in	50,000	-	-	-	12,000	-
Transfers out	-	-	(90,000)	-	(12,000)	-
<b>Total other financing sources (uses)</b>	<b>50,000</b>	<b>-</b>	<b>(90,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>2,373</b>	<b>6,697</b>	<b>25,272</b>	<b>4,957</b>	<b>8,706</b>	<b>9,308</b>
Cash and investment fund balance - beginning	33,466	15,252	21,507	11,052	30,128	186
<b>Cash and investment fund balance - ending</b>	<b>\$ 35,839</b>	<b>\$ 21,949</b>	<b>\$ 46,779</b>	<b>\$ 16,009</b>	<b>\$ 38,834</b>	<b>\$ 9,494</b>
<b><u>Cash and Investment Assets - December 31</u></b>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 38,834	\$ 9,494
Restricted assets:						
Cash and investments	35,839	21,949	46,779	16,009	-	-
<b>Total cash and investment assets - December 31</b>	<b>\$ 35,839</b>	<b>\$ 21,949</b>	<b>\$ 46,779</b>	<b>\$ 16,009</b>	<b>\$ 38,834</b>	<b>\$ 9,494</b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ 16,009	\$ -	\$ -
Highways and streets	35,839	21,949	46,779	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-
Unrestricted	-	-	-	-	38,834	9,494
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 35,839</b>	<b>\$ 21,949</b>	<b>\$ 46,779</b>	<b>\$ 16,009</b>	<b>\$ 38,834</b>	<b>\$ 9,494</b>

CITY OF ELWOOD  
 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, 2008  
 (Continued)

	Cumulative Capital Improvement	Cumulative Capital Development	County Economic Development Income Tax	K-9 Restricted Donation	Park Department Restricted Donations	Police Department Restricted Donations
Receipts:						
Taxes	\$ -	\$ 61,676	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	31,665	5,595	1,707	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	-	-	1,292	695	400
<b>Total receipts</b>	<b>31,665</b>	<b>67,271</b>	<b>1,707</b>	<b>1,292</b>	<b>695</b>	<b>400</b>
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	202
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>202</b>
Excess (deficiency) of receipts over disbursements	31,665	67,271	1,707	1,292	695	198
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	(31,665)	(300,000)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(31,665)</b>	<b>(300,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(232,729)	1,707	1,292	695	198
Cash and investment fund balance - beginning	-	238,832	7,507	713	1,693	1,055
Cash and investment fund balance - ending	\$ -	\$ 6,103	\$ 9,214	\$ 2,005	\$ 2,388	\$ 1,253
<b>Cash and Investment Assets - December 31</b>						
Cash and investments	\$ -	\$ -	\$ 9,214	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	-	6,103	-	2,005	2,388	1,253
<b>Total cash and investment assets - December 31</b>	<b>\$ -</b>	<b>\$ 6,103</b>	<b>\$ 9,214</b>	<b>\$ 2,005</b>	<b>\$ 2,388</b>	<b>\$ 1,253</b>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ 2,005	\$ -	\$ 1,253
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	2,388	-
Capital outlay	-	6,103	-	-	-	-
Other purposes	-	-	-	-	-	-
Unrestricted	-	-	9,214	-	-	-
<b>Total cash and investment fund balance - December 31</b>	<b>\$ -</b>	<b>\$ 6,103</b>	<b>\$ 9,214</b>	<b>\$ 2,005</b>	<b>\$ 2,388</b>	<b>\$ 1,253</b>

CITY OF ELWOOD  
 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, 2008  
 (Continued)

	Traffic Enforcement Grant	Clerk Records Perpetuation	Economic Development	Adult Probation Services	Supplemental Public Defender	Dog Pound Restricted Donations
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	2,502	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	25,171	-	137,994	2,619	-
Other	-	-	-	324	-	125
<b>Total receipts</b>	<b>2,502</b>	<b>25,171</b>	<b>-</b>	<b>138,318</b>	<b>2,619</b>	<b>125</b>
Disbursements:						
General government	-	9,011	-	-	-	-
Public safety	2,513	-	-	167,760	4,187	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
<b>Total disbursements</b>	<b>2,513</b>	<b>9,011</b>	<b>-</b>	<b>167,760</b>	<b>4,187</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	(11)	16,160	-	(29,442)	(1,568)	125
Other financing sources (uses):						
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	(11)	16,160	-	(29,442)	(1,568)	125
Cash and investment fund balance - beginning	2,260	77,377	455	37,323	11,965	-
Cash and investment fund balance - ending	<u>\$ 2,249</u>	<u>\$ 93,537</u>	<u>\$ 455</u>	<u>\$ 7,881</u>	<u>\$ 10,397</u>	<u>\$ 125</u>
<b>Cash and Investment Assets - December 31</b>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	2,249	93,537	455	7,881	10,397	125
<b>Total cash and investment assets - December 31</b>	<u>\$ 2,249</u>	<u>\$ 93,537</u>	<u>\$ 455</u>	<u>\$ 7,881</u>	<u>\$ 10,397</u>	<u>\$ 125</u>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Public safety	\$ 2,249	\$ -	\$ -	\$ 7,881	\$ 10,397	\$ 125
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	455	-	-	-
Other purposes	-	93,537	-	-	-	-
Unrestricted	-	-	-	-	-	-
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 2,249</u>	<u>\$ 93,537</u>	<u>\$ 455</u>	<u>\$ 7,881</u>	<u>\$ 10,397</u>	<u>\$ 125</u>

CITY OF ELWOOD  
 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, 2008  
 (Continued)

	Fire Department Restricted Donations	Elwood Grant	Industrial Development Grant	Grants- Police Department	Community Focus Fund Grant	CPTF Grant Police Department
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	254,955	4,885
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	357	-	-	-	-	-
<b>Total receipts</b>	<b>357</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>254,955</b>	<b>4,885</b>
Disbursements:						
General government	-	-	-	-	-	-
Public safety	1,362	-	-	-	-	4,885
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Capital outlay	-	-	-	-	254,955	-
<b>Total disbursements</b>	<b>1,362</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>254,955</b>	<b>4,885</b>
Excess (deficiency) of receipts over disbursements	(1,005)	-	-	-	-	-
Other financing sources (uses):						
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	(1,005)	-	-	-	-	-
Cash and investment fund balance - beginning	1,175	20	12	760	-	-
Cash and investment fund balance - ending	<u>170</u>	<u>20</u>	<u>12</u>	<u>760</u>	<u>-</u>	<u>-</u>
<b>Cash and Investment Assets - December 31</b>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	170	20	12	760	-	-
<b>Total cash and investment assets - December 31</b>	<u>170</u>	<u>20</u>	<u>12</u>	<u>760</u>	<u>-</u>	<u>-</u>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Public safety	\$ 170	\$ -	\$ -	\$ 760	\$ -	\$ -
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other purposes	-	20	12	-	-	-
Unrestricted	-	-	-	-	-	-
<b>Total cash and investment fund balance - December 31</b>	<u>170</u>	<u>20</u>	<u>12</u>	<u>760</u>	<u>-</u>	<u>-</u>

CITY OF ELWOOD  
 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, 2008  
 (Continued)

	Indiana Housing Authority Grant	Indiana Criminal Justice Institute Grant	FEMA Disastser Grant	2008 VOCA Grant	EPA Stag Grant	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 539,917
Licenses and permits	-	-	-	-	-	4,140
Intergovernmental	293,602	-	51,705	6,641	104,169	1,282,540
Charges for services	-	-	-	-	-	6,405
Fines and forfeits	-	-	-	-	-	166,006
Other	3,041	-	-	1,000	-	17,042
<b>Total receipts</b>	<b>296,643</b>	<b>-</b>	<b>51,705</b>	<b>7,641</b>	<b>104,169</b>	<b>2,016,050</b>
Disbursements:						
General government	-	-	-	-	-	59,058
Public safety	-	-	-	6,641	-	190,497
Highways and streets	-	-	-	-	-	756,807
Health and welfare	-	-	55,624	-	104,169	159,793
Culture and recreation	-	-	-	-	-	114,441
Urban redevelopment and housing	296,643	-	-	-	-	296,643
Capital outlay	-	-	-	-	-	257,330
<b>Total disbursements</b>	<b>296,643</b>	<b>-</b>	<b>55,624</b>	<b>6,641</b>	<b>104,169</b>	<b>1,834,569</b>
Excess (deficiency) of receipts over disbursements	-	-	(3,919)	1,000	-	181,481
Other financing sources (uses):						
Transfers in	-	-	-	-	-	62,000
Transfers out	-	-	-	-	-	(433,665)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(371,665)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(3,919)	1,000	-	(190,184)
Cash and investment fund balance - beginning	-	45	44,733	-	-	537,516
Cash and investment fund balance - ending	\$ -	\$ 45	\$ 40,814	\$ 1,000	\$ -	\$ 347,332
<b>Cash and Investment Assets - December 31</b>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,542
Restricted assets:						
Cash and investments	-	45	40,814	1,000	-	289,790
<b>Total cash and investment assets - December 31</b>	<b>\$ -</b>	<b>\$ 45</b>	<b>\$ 40,814</b>	<b>\$ 1,000</b>	<b>\$ -</b>	<b>\$ 347,332</b>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Public safety	\$ -	\$ 45	\$ -	\$ 1,000	\$ -	\$ 41,894
Highways and streets	-	-	-	-	-	104,567
Health and welfare	-	-	40,814	-	-	40,814
Culture and recreation	-	-	-	-	-	2,388
Capital outlay	-	-	-	-	-	6,558
Other purposes	-	-	-	-	-	93,569
Unrestricted	-	-	-	-	-	57,542
<b>Total cash and investment fund balance - December 31</b>	<b>\$ -</b>	<b>\$ 45</b>	<b>\$ 40,814</b>	<b>\$ 1,000</b>	<b>\$ -</b>	<b>\$ 347,332</b>

CITY OF ELWOOD  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 INTERNAL SERVICE FUNDS  
 As Of And For The Year Ended December 31, 2008

	Nonreverting Insurance	Nonreverting Insurance Pensioners	Self-Insurance Plan	Totals
Operating receipts:				
Insurance proceeds	\$ 1,520,414	\$ -	\$ -	\$ 1,520,414
Operating disbursements:				
Insurance disbursements	1,632,530	-	-	1,632,530
Other	-	5,175	-	5,175
Insurance disbursements	1,632,530	5,175	-	1,637,705
Deficiency of receipts over disbursements	(112,116)	(5,175)	-	(117,291)
Cash and investment fund balance - beginning	136,164	69,433	48,500	254,097
Cash and investment fund balance - ending	\$ 24,048	\$ 64,258	\$ 48,500	\$ 136,806
<u>Cash and Investment Assets - December 31</u>				
Restricted assets:				
Cash and investments	\$ 24,048	\$ 64,258	\$ 48,500	\$ 136,806
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Other purposes	\$ 24,048	\$ 64,258	\$ 48,500	\$ 136,806

CITY OF ELWOOD  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PENSION TRUST FUNDS  
 For The Year Ended December 31, 2008

	<u>Police Officers' Pension</u>	<u>Firefighters' Pension</u>	<u>Totals</u>
Additions:			
Contributions:			
Employer/plan members	\$ 129,508	\$ 99,489	\$ 228,997
State	<u>187,445</u>	<u>197,181</u>	<u>384,626</u>
Total contributions	<u>316,953</u>	<u>296,670</u>	<u>613,623</u>
Deductions:			
Benefits	320,295	278,258	598,553
Other	<u>55,500</u>	<u>65,000</u>	<u>120,500</u>
Total deductions	<u>375,795</u>	<u>343,258</u>	<u>719,053</u>
Deficiency of total additions over total deductions	(58,842)	(46,588)	(105,430)
Cash and investment fund balance - beginning	<u>227,784</u>	<u>225,711</u>	<u>453,495</u>
Cash and investment fund balance - ending	<u>\$ 168,942</u>	<u>\$ 179,123</u>	<u>\$ 348,065</u>

CITY OF ELWOOD  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2008

	Court Costs Due County	Law Enforcement Continuing Education User Fee	City Court	Payroll	Totals
Additions:					
Agency fund additions	\$ 38,857	\$ 7,091	\$ 594,677	\$ 1,256,065	\$ 1,896,690
Deductions:					
Agency fund deductions	38,857	7,056	608,016	1,262,671	1,916,600
Excess (deficiency) of total additions over total deductions	-	35	(13,339)	(6,606)	(19,910)
Cash and investment fund balance - beginning	-	5,897	110,556	63,299	179,752
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 5,932</u>	<u>\$ 97,217</u>	<u>\$ 56,693</u>	<u>\$ 159,842</u>

CITY OF ELWOOD  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2008

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Municipal Building	\$ 6,838,786	\$ 598,053
Business-type Activities:		
Wastewater Utility		
SRF Loan Payable	123,031	15,154
Campbell Family Loan Payable	575,000	71,904
Total business-type activities debt:	\$ 698,031	\$ 87,058

CITY OF ELWOOD  
AUDIT RESULTS AND COMMENTS

AMBULANCE FEE BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

The City does not have a policy concerning the write-off of uncollectible ambulance fees.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

The City records capital asset additions and disposals on a capital asset ledger using prescribed City and Town Form 211. Although the City has made an effort to improve the maintenance of capital asset records, deficiencies were found. The City's capital asset ledger is arranged primarily by City Departments. Each department completes an inventory at year end and submits to the Clerk Treasurer, but most of the inventories do not have values, tag numbers or other information which could be used to uniquely identify the assets. The City's inventory does not include totals. Also, the inventories received are not used to update the asset records on Form 211. For example, if inventories have disposal information or additions, those items are not taken off or added to the asset records. The city also does not keep an inventory of infrastructure purchased or disposed of as required.

The Water and Wastewater Utilities also record capital asset activity on a capital asset ledger Form 211. Although the items on the capital asset ledger for each utility have all been recently inventoried, 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. After reviewing the inventory sheets, it was noted that many of the changes made on the sheets were not carried forward to the appropriate category or utility record on Form 211.

A similar comment has appeared in several prior reports and most recently in Report B32467.

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)

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)

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



# 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

## 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 ELWOOD, MADISON COUNTY, INDIANA

### Compliance

We have audited the compliance of the City of Elwood (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, 2008. 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, 2008. 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 2008-1.

### 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 item 2008-1 of the accompanying Schedule of Findings and Questioned Costs 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 of Findings and Questioned Costs to be material weaknesses.

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. 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 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

October 1, 2009

CITY OF ELWOOD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2008

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Office of Community and Rural Affairs Community Development Block Grants/States Program Community Focus Fund	14.228	CF-07-226	\$ 254,955
Pass-Through Indiana Housing and Community Development Authority Community Development Block Grants/States Program Rental Rehabilitation	14.228	HD-006-012	<u>238,650</u>
Total for federal grantor agency			<u>493,605</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Pass-Through Indiana Criminal Justice Institute Crime Victims Assistance	16.575	06-ST-068	<u>9,115</u>
Total for federal grantor agency			<u>9,115</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	OPO-08-01-01-10	<u>1,952</u>
Total for federal grantor agency			<u>1,952</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Direct Grant Congressionally Mandated Projects	66.202	XP-00E50801-0	<u>104,169</u>
Total for program			<u>104,169</u>
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water - State Revolving Funds	66.458	CS-05-1892-1	<u>17,188</u>
Total for program			<u>17,188</u>
Total for federal grantor agency			<u>121,357</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through State Emergency Management Agency Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		
Disaster #1573			10,890
Disaster #1766			<u>40,815</u>
Total for federal grantor agency			<u>51,705</u>
Total federal awards expended			<u>\$ 677,734</u>

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

CITY OF ELWOOD  
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 Elwood (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 ELWOOD  
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 deficiencies 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 deficiencies 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 Program:

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grants/States Programs

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 ELWOOD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2008-1, CFDA NO. 14.228, COMMUNITY DEVELOPMENT BLOCK GRANTS/STATES PROGRAMS, CF-07-226: INTERNAL CONTROL REPORTABLE CONDITION/EQUIPMENT AND REAL PROPERTY MANAGEMENT

The City of Elwood and Utilities do not maintain records for equipment and other property acquired with Federal monies. No system exists to provide separated identification for items acquired with Federal and non-Federal funds. Without adequate accounting records, periodic physical inventories cannot be compared to property records.

The City of Elwood and Utilities capital asset records are not considered adequate. The Utilities have not maintained their asset records completely since 1997, meaning that not all additions and deletions have been documented since that time. The City collects inventory sheets from all the departments but the additions and deletions are not carried to the capital asset records.

The Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments (Common Rule) Subpart C.32 (d) states in part:

- "(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years."

Failure to maintain detailed and accurate equipment and property records and to reconcile physical inventory could result in assets being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time.

We recommended that the City of Elwood design and properly monitor procedures that would ensure accurate detailed capital asset records are maintained and that inventories of property and equipment are conducted at least once every two years and reconciled to the detailed capital asset ledger. Any significant differences should be investigated and the appropriate adjustments made to the records. Also any assets acquired with Federal Funds must be designated as such so that they are not disposed of improperly.

CITY OF ELWOOD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

# City of Elwood

1505 South B Street ♦ Elwood, IN 46036-2020  
765-552-8500 ♦ 765-552-5718 Fax



*Heart of Hoosierland*



## Corrective Action Plan

### FINDING NO. 2008-1 INTERNAL CONTROL REPORTABLE CONDITION/EQUIPMENT AND REAL PROPERTY MANAGEMENT.

FEDERAL AGENCY - U.S. Department of Housing and Urban Development  
FEDERAL PROGRAM - Community Development Block Grant/State Program  
CFDA NUMBER - 14.228  
FEDERAL AWARD NUMBER - CF-07-226  
AUDITEE - City of Elwood  
NAME/TITLE OF CONTACT PERSON - Sandra R. Brewer, Clerk-Treasurer  
PHONE NUMBER - 765-552-5078  
EXPECTED COMPLETION DATE - Unknown

To the State Board of Account:

The city will conduct a full inventory of its equipment/fixed assets. The mayor will proceed to contact a firm to inventory the infrastructure of both the city and the utilities.

Signed *W. Merrill Johnson*  
Title *MAYOR*  
Date *SEPT. 14, 2009*

Signed *Sandra R. Brewer*  
Title *CLERK-TREASURER*  
Date *SEPT. 14, 2009*

CITY OF ELWOOD  
EXIT CONFERENCE

The contents of this report were discussed on October 1, 2009, with the Honorable W. Merrill Taylor; Sandra R. Brewer, Clerk-Treasurer; and Jack M. Powell, President of the Common Council. The officials concurred with our audit findings.