

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF SHELBYVILLE
SHELBY COUNTY, INDIANA

January 1, 2011 to December 31, 2011



FILED
08/09/2012

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards	5-6
Financial Statement: Statement of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	8-9
Notes to Financial Statement.....	10-14
Supplementary Information: Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	16-27
Schedule of Payables and Receivables	28
Schedule of Leases and Debt	29
Schedule of Capital Assets.....	30
Audit Results and Comments: Overdrawn Fund Balances	31
Appropriations.....	31
Bank Account Reconciliations	31-32
Condition of Records	32
Fund Sources and Uses	32
Supplemental Audit of Federal Awards: Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	34-35
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 Findings	42
Corrective Action Plan.....	43
Exit Conference.....	44

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rodney Meyerholtz Frank Zerr	01-01-08 to 12-31-11 01-01-12 to 12-31-15
Mayor	Scott Furgeson Tom DeBaun	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Board of Public Works	Scott Furgeson Tom DeBaun	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Common Council	Robert Nolley	01-01-11 to 12-31-12
Superintendent of Wastewater Utility	Bradley Fix	01-01-11 to 12-31-12
Stormwater Utility Director	Derrick Byers	01-01-11 to 12-31-12
Utility Office Manager	Sharon Bernard	01-01-11 to 12-31-12



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

TO: THE OFFICIALS OF THE CITY OF SHELBYVILLE, SHELBY COUNTY, INDIANA

We have audited the accompanying financial statement of the City of Shelbyville (City), for the year ended December 31, 2011. This financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated July 19, 2012, 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 integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. 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 financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

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

STATE BOARD OF ACCOUNTS

July 19, 2012



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

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

TO: THE OFFICIALS OF THE CITY OF SHELBYVILLE, SHELBY COUNTY, INDIANA

We have audited the financial statement of the City of Shelbyville (City), for the year ended December 31, 2011, and have issued our report thereon dated July 19, 2012. 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 opinion on the financial statement, 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1 to be a material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is 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, Common Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 19, 2012

FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF SHELBYVILLE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General Fund	\$ 554,941	\$ 13,232,279	\$ 13,616,120	\$ 171,100
Motor Vehicle Highway	(38,083)	676,105	551,655	86,367
Local Roads And Streets	29	75,945	58,731	17,243
Aviation Fund	102,080	234,029	220,694	115,415
Economic Development Commission Fund	2,521	-	-	2,521
N.R. Animal Shelter Fund	124,871	50,986	33,074	142,783
Community Economic Development Fund	86,109	59,401	67,190	78,320
Low Income Housing Fund	924	-	-	924
N.R. Police Continuing Education	9,350	17,937	14,819	12,468
N.R. Unsafe Building Fund	961	-	-	961
Riverboat Wagering Tax Fund	-	112,338	45,659	66,679
Drug Free Community Fund	6,302	-	4,707	1,595
Parks Department	187,257	1,326,528	1,284,909	228,876
Kroger TIF Fund	392,816	465,260	319,580	538,496
Cumulative Capital Development	174,499	333,495	498,601	9,393
Cumulative Capital Improvement	15,749	60,205	44,370	31,584
Insurance Fund	1,054	1,080,421	1,256,174	(174,699)
Police Pension Fund	938,798	546,920	532,544	953,174
Fire Pension Fund	595,737	374,370	373,053	597,054
Park Project Bond-Phase II	-	1,165,075	913,637	251,438
Accel IN Building Fund	-	602,168	600,000	2,168
Redev Community Park-Phase II	-	1,287,531	1,364,713	(77,182)
Fire Station Reserve	-	470,471	-	470,471
City Inv on Total Monies	-	3,471	-	3,471
Fairland TIF Fund	104	4,274,931	2,656,712	1,618,323
Excess Levy Fund	28,853	-	28,853	-
N.R. Donation Fund	43,651	15,505	22,970	36,186
N.R. Capital Ambulance Fund	16,007	10,000	-	26,007
Arson Investigation Fund	10	-	-	10
N.R. Police Training	303	-	-	303
N.R. Build Indiana Fund	405	-	-	405
Dare Fund	3,296	15,434	12,097	6,633
Wal-Mart TIF Fund	420,655	371,028	412,686	378,997
N.R.Park Operating	399,415	308,180	292,584	415,011
Industrial Development Fund	129	-	-	129
Water & Light Fund	(43,318)	504,235	460,236	681
N.R. Nuisance Fund	85,234	55,023	48,442	91,815
N.R. Aquatic Center Fund	194,273	447,940	232,338	409,875
Impaired Driving Fund	815	22,325	13,897	9,243
N.R. Plat Review Fee Fund	53,461	1,750	1,200	54,011
N.R.Sanitary Sewer Fund	5,000	-	5,000	-
N.R. Map Fund	144	-	-	144
IDGF-97-447-Fairland Road Fund	25,314	-	-	25,314
Fiber Technology Fund	(1,830)	-	750	(2,580)
CDBG-LOF-#88-016 Fund	1,526	-	-	1,526
EDIT Fund	1,803,642	1,015,362	905,475	1,913,529

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

CITY OF SHELBYVILLE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
Police In-Car Computer Fund	(855)	-	-	(855)
Knauf TIF Depreciation Fund	968,472	884	300	969,056
N.R. Park Development Fund	3,878	39,875	40,779	2,974
Annie Kent Trust Fund	1,319	14	-	1,333
Police Auction Fund	4,066	-	-	4,066
Knauf TIF Fund	1,250,166	932,543	589,550	1,593,159
Racino Wagering Fee Fund	4,005,616	3,021,116	2,604,091	4,422,641
2006 Park Project Debt Fund	170,104	203,763	322,168	51,699
EDIT Bond Fund	5,781	191,989	191,975	5,795
Edit Debt Service Fund	248,899	572	350	249,121
Fire Station Bond Fund	158,137	479,651	445,000	192,788
Knauf Sinking Fund	49	-	-	49
EDIT Bond Sewer Construction Fund	543,044	1,249	-	544,293
Cumulative Thoroughfare Fund	(953,413)	799,358	352,360	(506,415)
Pool Construction Fund	2,929	5	2,934	-
Progress Parkway Construction Fund	110,429	78,507	80,243	108,693
River Road Construction Fund	238,143	120	-	238,263
Downtown Revitalization Fund	5,784	30,000	20,000	15,784
Indiana Firefighters Pension Fund	34,027	154,245	154,403	33,869
Indiana Police Pension Fund	30,381	137,450	135,303	32,528
Belaire Shopping Center Escrow	26,773	11,712	38,417	68
Payroll Clearing Fund	19,579	11,009,480	11,009,389	19,670
PERF Fund	4,402	8,149	8,095	4,456
Barrett Law Fund	4,853	-	-	4,853
Brownfield Grant Fund	(314)	-	-	(314)
Aviation Development Fund	296,571	1,233,510	1,078,010	452,071
Stormwater Perating Fund	1,360,814	819,149	901,849	1,278,114
Stormwater Sinking Fund	12,096	421,204	421,057	12,243
Stormwater Depreciation Fund	524,249	1,236	-	525,485
Stormwater Construction Fund	591,129	-	9	591,120
Wastewater Operating Fund	(709,187)	3,474,179	3,284,756	(519,764)
Wastewater Sinking Fund	23,081	938,679	937,354	24,406
Wastewater Depreciation Fund	745,846	1,716	726	746,836
Wastewater Construction	3,512	-	9	3,503
Wastewater Improvement Fund	2,334,349	23,638	550,000	1,807,987
Wastewater PERF Fund	3,106	9,471	6,865	5,712
Certified Technology Park Fund	297,228	1,004,979	384,270	917,937
Medical Claims Account	138,511	2,723,712	2,703,155	159,068
Totals	<u>\$ 18,696,558</u>	<u>\$ 56,968,803</u>	<u>\$ 53,156,887</u>	<u>\$ 22,508,474</u>

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

CITY OF SHELBYVILLE
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), 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 regulatory 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.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

CITY OF SHELBYVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Penalties which include fees received for late payments.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

CITY OF SHELBYVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

CITY OF SHELBYVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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.

Note 5. Risk Management

The City may be 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; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement any replacement items purchased.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 Indiana Public Retirement System (INPRS) 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 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

CITY OF SHELBYVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. 1937 Firefighters' Pension Plan

Plan Description

The 1937 Firefighters' Pension Plan 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

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

C. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) 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 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF SHELBYVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General Fund	Motor Vehicle Highway	Local Roads And Streets	Aviation Fund	Economic Development Commission Fun	N.R. Animal Shelter Fund	Community Economic Development Fund	Low Income Housing Fund
Cash and investments - beginning	\$ 554,941	\$ (38,083)	\$ 29	\$ 102,080	\$ 2,521	\$ 124,871	\$ 86,109	\$ 924
Receipts:								
Taxes	6,175,030	200,952	-	216,991	-	-	-	-
Licenses and permits	107,808	-	-	-	-	-	-	-
Intergovernmental	3,719,562	471,537	75,945	16,381	-	-	-	-
Charges for services	1,704,810	-	-	-	-	-	-	-
Fines and forfeits	75,271	-	-	-	-	50,692	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	1,449,798	3,616	-	657	-	294	59,401	-
Total receipts	<u>13,232,279</u>	<u>676,105</u>	<u>75,945</u>	<u>234,029</u>	<u>-</u>	<u>50,986</u>	<u>59,401</u>	<u>-</u>
Disbursements:								
Personal services	10,372,876	426,850	-	85,898	-	-	-	-
Supplies	429,596	81,601	-	29,224	-	-	-	-
Other services and charges	2,806,986	40,086	58,731	105,572	-	33,074	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	6,662	3,118	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	67,190	-
Total disbursements	<u>13,616,120</u>	<u>551,655</u>	<u>58,731</u>	<u>220,694</u>	<u>-</u>	<u>33,074</u>	<u>67,190</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(383,841)</u>	<u>124,450</u>	<u>17,214</u>	<u>13,335</u>	<u>-</u>	<u>17,912</u>	<u>(7,789)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 171,100</u>	<u>\$ 86,367</u>	<u>\$ 17,243</u>	<u>\$ 115,415</u>	<u>\$ 2,521</u>	<u>\$ 142,783</u>	<u>\$ 78,320</u>	<u>\$ 924</u>

CITY OF SHELBYVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	N.R. Police Continuing Education	N.R. Unsafe Building Fund	Riverboat Wagering Tax Fund	Drug Free Community Fund	Parks Department	Kroger TIF Fund	Cumulative Capital Development
Cash and investments - beginning	\$ 9,350	\$ 961	\$ -	\$ 6,302	\$ 187,257	\$ 392,816	\$ 174,499
Receipts:							
Taxes	-	-	-	-	1,225,361	218,596	211,983
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	112,338	-	88,698	-	16,003
Charges for services	-	-	-	-	8,635	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	17,937	-	-	-	3,834	246,664	105,509
Total receipts	<u>17,937</u>	<u>-</u>	<u>112,338</u>	<u>-</u>	<u>1,326,528</u>	<u>465,260</u>	<u>333,495</u>
Disbursements:							
Personal services	-	-	-	-	844,155	-	-
Supplies	-	-	-	-	72,993	-	-
Other services and charges	14,819	-	45,659	4,707	367,761	319,580	465,764
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	32,837
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>14,819</u>	<u>-</u>	<u>45,659</u>	<u>4,707</u>	<u>1,284,909</u>	<u>319,580</u>	<u>498,601</u>
Excess (deficiency) of receipts over disbursements	<u>3,118</u>	<u>-</u>	<u>66,679</u>	<u>(4,707)</u>	<u>41,619</u>	<u>145,680</u>	<u>(165,106)</u>
Cash and investments - ending	<u>\$ 12,468</u>	<u>\$ 961</u>	<u>\$ 66,679</u>	<u>\$ 1,595</u>	<u>\$ 228,876</u>	<u>\$ 538,496</u>	<u>\$ 9,393</u>

CITY OF SHELBYVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Cumulative Capital Improvement	Insurance Fund	Police Pension Fund	Fire Pension Fund	Park Project Bond-Phase II	Accel IN Building Fund	Redev Community Park-Phase II
Cash and investments - beginning	\$ 15,749	\$ 1,054	\$ 938,798	\$ 595,737	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	544,928	373,125	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	51,551	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	8,654	1,080,421	1,992	1,245	1,165,075	602,168	1,287,531
Total receipts	60,205	1,080,421	546,920	374,370	1,165,075	602,168	1,287,531
Disbursements:							
Personal services	-	1,256,174	527,211	357,846	-	-	-
Supplies	-	-	-	211	-	-	-
Other services and charges	44,370	-	5,333	14,996	-	600,000	1,364,713
Debt service - principal and interest	-	-	-	-	913,637	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	44,370	1,256,174	532,544	373,053	913,637	600,000	1,364,713
Excess (deficiency) of receipts over disbursements	15,835	(175,753)	14,376	1,317	251,438	2,168	(77,182)
Cash and investments - ending	\$ 31,584	\$ (174,699)	\$ 953,174	\$ 597,054	\$ 251,438	\$ 2,168	\$ (77,182)

CITY OF SHELBYVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Fire Station Reserve	City Inv on Total Monies	Fairland TIF Fund	Excess Levy Fund	N.R. Donation Fund	N.R. Capital Ambulance Fund	Arson Investigation Fund
Cash and investments - beginning	\$ -	\$ -	\$ 104	\$ 28,853	\$ 43,651	\$ 16,007	\$ 10
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	10,000	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	470,471	3,471	4,274,931	-	15,505	-	-
Total receipts	<u>470,471</u>	<u>3,471</u>	<u>4,274,931</u>	<u>-</u>	<u>15,505</u>	<u>10,000</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	1,138,413	28,853	22,970	-	-
Debt service - principal and interest	-	-	1,518,299	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>2,656,712</u>	<u>28,853</u>	<u>22,970</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>470,471</u>	<u>3,471</u>	<u>1,618,219</u>	<u>(28,853)</u>	<u>(7,465)</u>	<u>10,000</u>	<u>-</u>
Cash and investments - ending	<u>\$ 470,471</u>	<u>\$ 3,471</u>	<u>\$ 1,618,323</u>	<u>\$ -</u>	<u>\$ 36,186</u>	<u>\$ 26,007</u>	<u>\$ 10</u>

CITY OF SHELBYVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	N.R. Police Training	N.R. Build Indiana Fund	Dare Fund	Wal-Mart TIF Fund	N.R.Park Operating	Industrial Development Fund	Water & Light Fund
Cash and investments - beginning	\$ 303	\$ 405	\$ 3,296	\$ 420,655	\$ 399,415	\$ 129	\$ (43,318)
Receipts:							
Taxes	-	-	-	370,306	-	-	442,328
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	33,391
Charges for services	-	-	-	-	308,180	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	15,434	722	-	-	28,516
Total receipts	-	-	15,434	371,028	308,180	-	504,235
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	12,097	412,686	292,584	-	460,236
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	-	12,097	412,686	292,584	-	460,236
Excess (deficiency) of receipts over disbursements	-	-	3,337	(41,658)	15,596	-	43,999
Cash and investments - ending	\$ 303	\$ 405	\$ 6,633	\$ 378,997	\$ 415,011	\$ 129	\$ 681

CITY OF SHELBYVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	N.R. Nuisance Fund	N.R. Aquatic Center Fund	Impaired Driving Fund	N.R. Plat Review Fee Fund	N.R.Sanitary Sewer Fund	N.R. Map Fund	IDGF-97-447-Fairland Road Fund
Cash and investments - beginning	\$ 85,234	\$ 194,273	\$ 815	\$ 53,461	\$ 5,000	\$ 144	\$ 25,314
Receipts:							
Taxes	-	-	22,325	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	117,673	-	1,750	-	-	-
Fines and forfeits	55,023	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	330,267	-	-	-	-	-
Total receipts	<u>55,023</u>	<u>447,940</u>	<u>22,325</u>	<u>1,750</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	48,442	232,338	13,897	1,200	5,000	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>48,442</u>	<u>232,338</u>	<u>13,897</u>	<u>1,200</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>6,581</u>	<u>215,602</u>	<u>8,428</u>	<u>550</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 91,815</u>	<u>\$ 409,875</u>	<u>\$ 9,243</u>	<u>\$ 54,011</u>	<u>\$ -</u>	<u>\$ 144</u>	<u>\$ 25,314</u>

CITY OF SHELBYVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Fiber Technology Fund	CDBG-LOF-#88-016 Fund	EDIT Fund	Police In-Car Computer Fund	Knauf TIF Depreciation Fund	N.R. Park Development Fund	Annie Kent Trust Fund
Cash and investments - beginning	\$ (1,830)	\$ 1,526	\$ 1,803,642	\$ (855)	\$ 968,472	\$ 3,878	\$ 1,319
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	981,943	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	33,419	-	884	39,875	14
Total receipts	-	-	1,015,362	-	884	39,875	14
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	750	-	576,975	-	300	40,779	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	328,500	-	-	-	-
Total disbursements	750	-	905,475	-	300	40,779	-
Excess (deficiency) of receipts over disbursements	(750)	-	109,887	-	584	(904)	14
Cash and investments - ending	\$ (2,580)	\$ 1,526	\$ 1,913,529	\$ (855)	\$ 969,056	\$ 2,974	\$ 1,333

CITY OF SHELBYVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Police Auction Fund	Knauf TIF Fund	Racino Wagering Fee Fund	2006 Park Project Debt Fund	EDIT Bond Fund	Edit Debt Service Fund	Fire Station Bond Fund
Cash and investments - beginning	\$ 4,066	\$ 1,250,166	\$ 4,005,616	\$ 170,104	\$ 5,781	\$ 248,899	\$ 158,137
Receipts:							
Taxes	-	-	-	189,449	-	-	445,665
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	3,012,618	14,302	-	-	33,643
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	932,543	8,498	12	191,989	572	343
Total receipts	-	932,543	3,021,116	203,763	191,989	572	479,651
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	2,604,091	-	-	350	445,000
Debt service - principal and interest	-	589,550	-	322,168	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	191,975	-	-
Total disbursements	-	589,550	2,604,091	322,168	191,975	350	445,000
Excess (deficiency) of receipts over disbursements	-	342,993	417,025	(118,405)	14	222	34,651
Cash and investments - ending	\$ 4,066	\$ 1,593,159	\$ 4,422,641	\$ 51,699	\$ 5,795	\$ 249,121	\$ 192,788

CITY OF SHELBYVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Knauf Sinking Fund	EDIT Bond Sewer Construction Fund	Cumulative Thoroughfare Fund	Pool Construction Fund	Progress Parkway Construction Fund	River Road Construction Fund	Downtown Revitalization Fund
Cash and investments - beginning	\$ 49	\$ 543,044	\$ (953,413)	\$ 2,929	\$ 110,429	\$ 238,143	\$ 5,784
Receipts:							
Taxes	-	-	-	-	-	-	30,000
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	1,249	799,358	5	78,507	120	-
Total receipts	-	1,249	799,358	5	78,507	120	30,000
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	352,360	2,934	-	-	20,000
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	80,157	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	86	-	-
Total disbursements	-	-	352,360	2,934	80,243	-	20,000
Excess (deficiency) of receipts over disbursements	-	1,249	446,998	(2,929)	(1,736)	120	10,000
Cash and investments - ending	\$ 49	\$ 544,293	\$ (506,415)	\$ -	\$ 108,693	\$ 238,263	\$ 15,784

CITY OF SHELBYVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Indiana Firefighters Pension Fund	Indiana Police Pension Fund	Belaire Shopping Center Escrow	Payroll Clearing Fund	PERF Fund	Barrett Law Fund	Brownfield Grant Fund
Cash and investments - beginning	\$ 34,027	\$ 30,381	\$ 26,773	\$ 19,579	\$ 4,402	\$ 4,853	\$ (314)
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	154,245	137,450	11,712	11,009,480	8,149	-	-
Total receipts	<u>154,245</u>	<u>137,450</u>	<u>11,712</u>	<u>11,009,480</u>	<u>8,149</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	154,403	135,303	-	-	8,095	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	38,417	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	11,009,389	-	-	-
Total disbursements	<u>154,403</u>	<u>135,303</u>	<u>38,417</u>	<u>11,009,389</u>	<u>8,095</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(158)</u>	<u>2,147</u>	<u>(26,705)</u>	<u>91</u>	<u>54</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 33,869</u>	<u>\$ 32,528</u>	<u>\$ 68</u>	<u>\$ 19,670</u>	<u>\$ 4,456</u>	<u>\$ 4,853</u>	<u>\$ (314)</u>

CITY OF SHELBYVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Aviation Development Fund	Stormwater Perating Fund	Stormwater Sinking Fund	Stormwater Depreciation Fund	Stormwater Construction Fund	Wastewater Operating Fund	Wastewater Sinking Fund
Cash and investments - beginning	\$ 296,571	\$ 1,360,814	\$ 12,096	\$ 524,249	\$ 591,129	\$ (709,187)	\$ 23,081
Receipts:							
Taxes	437,841	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	268,024	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	810,704	-	-	-	3,403,340	-
Penalties	-	-	-	-	-	2,164	-
Other receipts	527,645	8,445	421,204	1,236	-	68,675	938,679
Total receipts	<u>1,233,510</u>	<u>819,149</u>	<u>421,204</u>	<u>1,236</u>	<u>-</u>	<u>3,474,179</u>	<u>938,679</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	1,078,010	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	937,354
Capital outlay	-	65,000	-	-	-	169,259	-
Utility operating expenses	-	214,984	-	-	-	1,348,310	-
Other disbursements	-	621,865	421,057	-	9	1,767,187	-
Total disbursements	<u>1,078,010</u>	<u>901,849</u>	<u>421,057</u>	<u>-</u>	<u>9</u>	<u>3,284,756</u>	<u>937,354</u>
Excess (deficiency) of receipts over disbursements	<u>155,500</u>	<u>(82,700)</u>	<u>147</u>	<u>1,236</u>	<u>(9)</u>	<u>189,423</u>	<u>1,325</u>
Cash and investments - ending	<u>\$ 452,071</u>	<u>\$ 1,278,114</u>	<u>\$ 12,243</u>	<u>\$ 525,485</u>	<u>\$ 591,120</u>	<u>\$ (519,764)</u>	<u>\$ 24,406</u>

CITY OF SHELBYVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Wastewater Depreciation Fund	Wastewater Construction	Wastewater Improvement Fund	Wastewater PERF Fund	Certified Technology Park Fund	Medical Claims Account	Totals
Cash and investments - beginning	\$ 745,846	\$ 3,512	\$ 2,334,349	\$ 3,106	\$ 297,228	\$ 138,511	\$ 18,696,558
Receipts:							
Taxes	-	-	-	-	-	-	11,104,880
Licenses and permits	-	-	-	-	-	-	107,808
Intergovernmental	-	-	-	-	-	-	8,627,912
Charges for services	-	-	-	-	1,004,979	-	3,424,051
Fines and forfeits	-	-	-	-	-	-	180,986
Utility fees	-	-	-	-	-	-	4,214,044
Penalties	-	-	-	-	-	-	2,164
Other receipts	1,716	-	23,638	9,471	-	2,723,712	29,306,958
Total receipts	1,716	-	23,638	9,471	1,004,979	2,723,712	56,968,803
Disbursements:							
Personal services	-	-	-	-	48,542	-	14,217,353
Supplies	-	-	-	-	96	-	613,721
Other services and charges	-	-	-	-	325,605	-	14,446,438
Debt service - principal and interest	-	-	-	-	-	-	4,281,008
Capital outlay	-	-	-	-	10,027	-	367,060
Utility operating expenses	-	-	-	-	-	-	1,563,294
Other disbursements	726	9	550,000	6,865	-	2,703,155	17,668,013
Total disbursements	726	9	550,000	6,865	384,270	2,703,155	53,156,887
Excess (deficiency) of receipts over disbursements	990	(9)	(526,362)	2,606	620,709	20,557	3,811,916
Cash and investments - ending	\$ 746,836	\$ 3,503	\$ 1,807,987	\$ 5,712	\$ 917,937	\$ 159,068	\$ 22,508,474

CITY OF SHELBYVILLE
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2011

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 1,504,530	\$ -
Airport	23,786	8,289
Storm Water	4,887	-
Wastewater	38,027	692,163
Intelliplex Park	7,610	-
Totals	\$ 1,578,840	\$ 700,452

CITY OF SHELBYVILLE
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Intelliplex Park: Garmong Municipal Developments	Business Accelerator	\$ 600,000	08-23-11	08-23-21
Total of annual lease payments		<u>\$ 600,000</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	1998-Michigan Rd. Improvements	\$ 380,000	\$ 63,300
General obligation bonds	2011- Fairland Road and Street Improvements	11,565,000	598,513
General obligation bonds	2011-Fire Station #2	5,765,000	375,927
General obligation bonds	2011-Park Project-Phase II	1,300,000	57,970
General obligation bonds	2009-Purchase Option IWU Building	635,000	96,934
General obligation bonds	2005-Park Project-Phase I	3,950,000	400,071
General obligation bonds	2011-Park Project-Phase II	1,185,000	50,938
General obligation bonds	2005 Lease-Right-of-Way & Road Improvements	1,640,000	167,958
General obligation bonds	2004-Redevelopment District-Progress Parkway	3,610,000	350,785
General obligation bonds	2005-Fire Station #1	4,605,000	439,999
General obligation bonds	2006-Park Project	1,570,000	322,068
Revenue bonds	2007A-Infrastructure Improvements	9,070,000	589,550
Revenue bonds	2001-Improvements to Sewage Works	1,455,000	191,566
Revenue bonds	2007B-Knauf Project	4,688,018	-
Notes and Loans Payable	2005-Airport Land	332,800	38,768
Notes and Loans Payable	2005-T-Hangars	251,293	69,136
Notes and Loans Payable	2004-Porter Pool	107,800	39,396
Notes and Loans Payable	2008-Aerial Truck	516,547	88,350
Notes and Loans Payable	2010-Ambulance	98,685	40,139
Notes and Loans Payable	2010-Ambulance	111,831	42,678
Notes and Loans Payable	2010-Ambulance	<u>150,896</u>	<u>42,671</u>
Total governmental activities		<u>52,987,870</u>	<u>4,066,717</u>
Storm Water:			
Revenue bonds	2003-Infrastructure Improvements	<u>2,430,000</u>	<u>266,199</u>
Wastewater:			
Revenue bonds	2005-Improvements & Extension to the Utility	5,675,000	511,498
Revenue bonds	2006-Refunding 2003 and 2005 Bonds	<u>3,975,000</u>	<u>584,220</u>
Total Wastewater		<u>9,650,000</u>	<u>1,095,718</u>
Totals		<u>\$ 65,067,870</u>	<u>\$ 5,428,634</u>

CITY OF SHELBYVILLE
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	\$ 3,554,620
Infrastructure	24,216,277
Buildings	11,240,310
Improvements other than buildings	2,481,036
Machinery, equipment and vehicles	5,714,634
Total governmental activities	47,206,877
Airport:	
Land	3,100,241
Buildings	2,860,068
Improvements other than buildings	5,531,300
Machinery, equipment and vehicles	238,607
Total Airport	11,730,216
Storm Water:	
Infrastructure	14,635,743
Machinery, equipment and vehicles	137,709
Total Storm Water	14,773,452
Wastewater:	
Land	16,000
Infrastructure	14,089,681
Buildings	25,076,862
Machinery, equipment and vehicles	1,270,339
Total Wastewater	40,452,882
Intelliplex Park:	
Buildings	1,400,000
Total capital assets	\$ 115,563,427

CITY OF SHELBYVILLE
AUDIT RESULTS AND COMMENTS

OVERDRAWN FUND BALANCES

The following funds were overdrawn in 2011:

<u>Fund</u>	<u>2011</u>
Insurance Fund	\$ 174,699
Redev. Community Park-Phase II	77,182
Fiber Technology Fund	2,580
Police In-Car Computer Fund	855
Cumulative Thoroughfare Fund	506,415
Brownfield Grant Fund	314
Wastewater Operating Fund	519,764

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General	2011	\$ 459,335
Cumulative Thoroughfare	2011	81,819
Water & Light	2011	18,607
Cumulative Capital Improvement	2011	4,736

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for audit for the payroll fund for the month ending December 31, 2011.

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

CITY OF SHELBYVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

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

CONDITION OF RECORDS

Financial records presented for audit were not reflective of the activity of the Insurance Fund. Monthly transfers are made to the unit's Insurance Fund from the General fund as well as various other city departmental funds. From the Insurance Fund, the city makes a monthly disbursement, which is a bank transfer to a separate bank account the city has established for medical insurance claims. The city has contracted with an outside administrator to oversee all medical claims processing and payments from this account. The payments made from the city's medical claims bank account to various health care providers are not accounted for in the unit's funds ledger and were not reported on the annual report for 2011. Also, no monthly bank reconciliations for this account were presented for audit. The City's management approved the adjustment for the Insurance Fund to be included in this report. The Medical Claims Account has been added to the statements in order to present this activity.

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

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

FUND SOURCES AND USES

Funds were disbursed from the Fairland TIF Fund for contributions to the Fairland Volunteer Fire Department in the amount of \$300,000 and to Northwestern Consolidated School District in the amount of \$1,000,000.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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 THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF SHELBYVILLE, SHELBY COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Shelbyville (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 its major federal program for the year ended December 31, 2011. The City's major federal program is 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 its major federal program 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 its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

STATE BOARD OF ACCOUNTS

July 19, 2012

(This page intentionally left blank.)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the City. The schedule and notes are presented as intended by the City.

CITY OF SHELBYVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Office of Community and Rural Affairs CDBG - State-Administered CDBG Cluster Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	PL-03-100	\$ 20,000
Total for federal grantor agency			<u>20,000</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant Public Safety Partnership and Community Policing Grants	16.710	2010-UM-WX-0118	<u>8,310</u>
Total for federal grantor agency			<u>8,310</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	SR-31181-A/Phase IIIA	47,342
ARRA - Highway Planning and Construction	20.205	SR-31181-A/Phase IIIB	<u>11,093</u>
Total for cluster			<u>58,435</u>
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster State and Community Highway Safety Big City/County Seat Belt Enforcement Program	20.600	032NHTSA4022011 032NHTSA4022012	7,105 <u>5,306</u>
Total for program			<u>12,411</u>
Alcohol Impaired Driving Countermeasures Incentive Grants I DUI Taskforce Enforcement	20.601	032NHTSA4102011 032NHTSA4102012	864 <u>3,462</u>
Total for program			<u>4,326</u>
Total for cluster			<u>16,737</u>
Direct Grant Airport Improvement Program AIP 3-22 Update Airport Master Plan AIP 3-23 Rehabilitate Taxiways	20.106	3-18-0077-022-2010 3-18-0077-023-2011	104,899 <u>331,586</u>
Total for program			<u>436,485</u>
Total for federal grantor agency			<u>511,657</u>
Total federal awards expended			<u>\$ 539,967</u>

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

CITY OF SHELBYVILLE
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 Shelbyville and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

CITY OF SHELBYVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to the financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
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?	no

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2011-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the City related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

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

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the City to reduce risks to achievement of financial reporting objectives. The City has not separated incompatible activities related to receipts, payroll and related liabilities, and cash and investment balances.
2. Depository reconciliations of the fund balances to the bank account balances were not presented for audit for the payroll fund for the month ending December 31, 2011.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

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

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

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

The failure to establish internal controls could enable material misstatements to go undetected.

We recommended that the City's management establish controls, including segregation of duties, related to the achievement of financial reporting objectives.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

SHELBYVILLE



INDIANA

Office of the City Clerk-Treasurer

44 WEST WASHINGTON STREET 46176 • (317) 392-5103 • FAX (317) 392-5158

FRANK M. ZERR

May 10, 2012

Summary Schedule of Prior Audit Findings

FEDERAL FINDING 2010-1 – SPECIAL TESTS AND PROVISIONS

Original SBA Audit Report Number: B39073

Fiscal Year: 2011

Auditee Contact Person: Frank Zerr

Title of Contact Person: Clerk-Treasurer

Phone Number: (317) 392-5103

Federal Agency: U.S. DEPARTMENT OF TRANSPORTATION

Federal Program: ARRA – HIGHWAY PLANNING AND CONSTRUCTION

CFDA Number: 20.205

Pass-through Entity: Indiana Department of Transportation

The City of Shelbyville was not aware that the Progress Parkway Construction project contained ARRA funds. The Indiana Department of Transportation did not notify the City that such dollars were being used to fund the construction of the parkway. In the future all road construction projects that are a collaborative effort between the City of Shelbyville and the State of Indiana will be carefully scrutinized to make sure that proper accounting standards may be initiated and carried out. These standards will include that all financial reporting will be done in an accurate and current manner, proper accounting records will show the source and application of the funds, and proper internal controls will be maintained for all future grants.

All future grants will be examined carefully by the Clerk-Treasurer and the particular department head associated with the grants to determine if all conditions of that grant are being adhered to.


Frank M. Zerr
Clerk-Treasurer

SHELBYVILLE



INDIANA

Office of the City Clerk-Treasurer

44 WEST WASHINGTON STREET 46176 • (317) 392-5103 • FAX (317) 392-5158

FRANK M. ZERR

July 12, 2012

CORRECTIVE ACTION PLAN: January 1, 2011 to December 31, 2011

Finding 2011-1 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Lack of Segregation of Duties: The City of Shelbyville will review its office procedures and attempt to institute duties that would, at least on a sample basis, provide further segregation of duties related to receipts, payroll and related liabilities, and cash and investment balances. However, considering the reduced level of State funding, management has determined that the cost associated with employing additional staff necessary to properly segregate the duties would outweigh the benefits of additional internal control. Management acknowledges and assumes the risk inherent with the current design of their administrative office.

In order to improve the segregation of duties, thereby strengthening internal controls, I agree as Clerk-Treasurer, as of today, to review, initial, and approve the monthly bank reconcilements done by my First Deputy Clerk-Treasurer, including the Payroll Account. We will once again begin reconciling the Payroll Account on a monthly basis.

Thomas D. DeBaun, Mayor

Frank M. Zerr, Clerk-Treasurer

CITY OF SHELBYVILLE
EXIT CONFERENCE

The contents of this report were discussed on July 19, 2012, with Frank Zerr, Clerk-Treasurer; Tom DeBaun, Mayor; and Robert Nolley, President of the Common Council.