

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

EXAMINATION REPORT
OF
CITY OF SHELBYVILLE
SHELBY COUNTY, INDIANA
January 1, 2007 to December 31, 2007



FILED
11/13/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedule of Receipts, Disbursements, and Cash and Investment Balances	4-5
Notes to Financial Information	6-9
Supplementary Information:	
Schedule of Capital Assets.....	10
Schedule of Long-Term Debt	11
Examination Results and Comments:	
Internal Controls – Park and Recreation Department	12
Condition of Records – Payroll Withholding Fund.....	12
Exit Conference.....	13

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rodney Meyerholtz	01-01-04 to 12-31-11
Mayor	Scott Ferguson	01-01-04 to 12-31-11
President of the Common Council	Tamara Sullivan Jeff Sponsel	01-01-07 to 12-31-07 01-01-08 to 12-31-08



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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 ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the City of Shelbyville (City), for the period of January 1, 2007 to December 31, 2007. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 29, 2008

CITY OF SHELBYVILLE
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 2,272,532	\$ 12,995,522	\$ 14,513,600	\$ 754,454
Motor Vehicle Highway	313,778	646,103	591,596	368,285
Local Road and Street	97,549	80,989	63,999	114,539
Parks and Recreation	116,678	1,045,844	1,109,470	53,052
Pool Debt Service	22,766	149,186	171,600	352
Aviation	28,203	195,976	213,972	10,207
2006 Park Project Debt Service	-	283,033	158,814	124,219
Nonreverting Police Training	303	-	-	303
Nonreverting Park Operating	325,036	200,102	315,014	210,123
Industrial Development	129	-	-	129
Economic Development Commission	2,539	-	18	2,521
Nonreverting Animal Shelter	42,160	36,452	16,580	62,031
Rainy Day	183,424	-	-	183,424
Water and Light	97,968	230,416	318,450	9,933
Nonreverting Nuisance	54,751	9,654	45,660	18,745
Capital Ambulance	32,146	10,000	35,138	7,007
Law Enforcement Continuing Education	2,997	13,309	9,835	6,471
Donation	58,517	20,610	40,040	39,087
DARE	5,232	18,682	18,654	5,260
Senior Citizens	107	-	-	107
Barrett Law	4,853	-	-	4,853
Arson Investigation	10	-	-	10
Nonreverting Aquatic Center	265,437	156,583	360,520	61,500
Drunk Driving Enforcement	5,180	6,353	8,270	3,263
Nonreverting Plat Review Fee	27,260	25,508	13,002	39,765
Nonreverting Sanitary Sewer	5,000	-	-	5,000
Nonreverting MAP	598	-	-	598
Nonreverting Sister City	4	-	-	4
Nonreverting Unsafe Building	1,008	-	-	1,008
Nonreverting Build Indiana	405	-	-	405
IDGF-97-447 Fairland Road	25,314	-	-	25,314
Fiber Technology	49,829	997	40,118	10,709
CDBG-LOF #88-016	1,525	-	-	1,525
Drug Free Community	3,009	8,500	8,680	2,829
EDIT	2,088,697	1,013,734	947,100	2,155,331
Pool Construction	3,817	24	350	3,490
EDIT Bond Construction	486,473	24,812	-	511,285
EDIT Bond	6,101	196,445	196,450	6,096
EDIT Debt Service	226,449	11,552	-	238,001
Redevelopment Authority "A"	140,755	89,431	62,071	168,115
Redevelopment Authority "B"	580,287	98,658	196,852	482,094
Certified Technology Park	95,029	5,550	58,073	42,506
Cumulative Capital Improvement	85,391	67,051	89,297	63,145
Cumulative Thoroughfare	642,392	260,283	501,592	401,083
Police In-Car Computers	(2)	-	-	(2)
Lee Boulevard Construction	161	1	162	-

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

CITY OF SHELBYVILLE
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2007
(Continued)

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds (continued):				
Progress Parkway Construction	1,665,568	479,933	1,005,831	1,139,670
2006 Park Project Construction	2,306,271	628,650	2,902,244	32,677
Park District Bond	78,106	1,683	79,789	-
Fire Station Construction	233	2,563	2,297	499
Fire Station Bond	-	443,679	443,000	679
Knauf TIF	-	13,700,767	13,679,567	21,200
Knauf TIF - Sinking	-	1,639,871	153,938	1,485,933
Knauf TIF - Depreciation	-	913,719	-	913,719
Aviation Development	448,149	554,489	619,019	383,620
Park Development	42,371	18,905	58,550	2,726
Cumulative Capital Development	353,620	264,727	436,373	181,974
Community Economic Development	302,494	73,301	229,386	146,410
Low Income Housing	924	-	-	924
TIF - Kroger	646,568	44,038	190,673	499,933
TIF - Wal-Mart	509,254	65,492	388,571	186,175
Riverboat	226,161	113,195	-	339,356
Blue River Park BAN	2,085	-	-	2,085
River Road Construction	313,710	14,609	88,735	239,584
Police Auction	4,066	-	-	4,066
Proprietary Funds:				
Wastewater Utility - Operating	296,533	2,951,733	3,109,186	139,080
Wastewater Utility - Bond and Interest	77,948	866,063	933,106	10,906
Wastewater Utility - Depreciation	674,501	34,243	3,000	705,744
Wastewater Utility - Construction	3,512	-	-	3,512
Wastewater Utility - Improvement	2,452,658	2,659,316	2,825,000	2,286,973
Wastewater Utility - PERF	(31)	1,916	1,743	142
Stormwater Utility - Operating	927,907	1,157,925	1,078,678	1,007,154
Stormwater Utility - Bond and Interest	2,212	427,253	422,819	6,645
Stormwater Utility - Depreciation	475,187	24,205	2,500	496,892
Stormwater Utility - Construction	1,170,573	43,008	605,458	608,122
Health Insurance	209,202	1,914,087	1,923,681	199,608
Fiduciary Funds:				
Animal Shelter Endowment	26,100	-	-	26,100
Payroll	46,301	9,472,799	9,454,279	64,821
Firefighters' Pension	169,140	246,014	374,523	40,631
Police Officers' Pension	229,272	340,119	464,599	104,793
PERF	1,871	8,677	8,117	2,431
Indiana Police Pension	25,224	94,998	99,064	21,158
Indiana Firefighters' Pension	35,021	154,524	152,539	37,007
Annie Kent Trust	1,239	20	-	1,259
Insurance	328,679	469,197	635,395	162,481
Totals	<u>\$ 22,454,426</u>	<u>\$ 57,727,077</u>	<u>\$ 62,476,634</u>	<u>\$ 17,704,868</u>

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

CITY OF SHELBYVILLE
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, public airport, storm water, wastewater, urban redevelopment and housing, and general administrative services.

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

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

Note 5. Deposits and Investments

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

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

CITY OF SHELBYVILLE
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. 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, other than police and fire covered by separate plans, are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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

B. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officer's Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by the 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 the state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information for the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for the 1925 Police Officers' Pension Plan are established by state statute. This is a pay-as-you-go plan, and is not funded on an actuarial basis.

CITY OF SHELBYVILLE
NOTES TO FINANCIAL INFORMATION
(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. This is a pay-as-you-go plan, and is not funded on an actuarial basis.

D. 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.

CITY OF SHELBYVILLE
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 7. Subsequent Event

The Civic Center revenue bond scheduled for retirement in 2009 was retired in April 2008.

CITY OF SHELBYVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

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.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 5,508,861
Infrastructure	15,705,469
Buildings	16,345,856
Improvements other than buildings	5,989,288
Machinery and equipment	5,398,768
Construction in progress	<u>145,388</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 49,093,630</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 16,000
Capital assets, depreciated:	
Infrastructure and collection system	13,145,518
Buildings and disposal plants	25,064,262
Machinery and equipment	<u>1,027,923</u>
Total Wastewater Utility capital assets	<u>39,253,703</u>
Stormwater Utility	
Capital assets, depreciated:	
Infrastructure and collection system	<u>8,619,867</u>
Total business-type activities capital assets	<u>\$ 47,873,570</u>

CITY OF SHELBYVILLE
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2007

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
3 Medtec Ambulances	\$ 321,876	\$ 116,115
2005 Pierce Fire Truck	129,604	67,446
Notes and loans payable	1,366,674	144,251
Bonds payable:		
General obligation bonds:		
Fire Station	5,635,931	439,061
Meridian Park Pool	480,000	174,850
Progress Parkway	4,365,000	348,240
Park Bond Phase #1	2,510,000	320,068
Park District	4,520,000	205,660
Revenue bonds:		
Civic Center	380,000	146,000
Northwest Sewer	1,850,000	196,975
Kroger TIF	550,000	71,000
Wal-Mart TIF	1,960,000	166,929
Knauf TIF	9,070,000	448,713
Total governmental activities debt	\$ 33,139,085	\$ 2,845,308
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
Plant Expansion	\$ 5,840,000	\$ 579,620
River Road	2,129,659	186,421
Total Wastewater Utility	7,969,659	766,041
Stormwater Utility		
Revenue bonds:		
Various projects	3,135,000	268,133
River Road	940,341	82,313
Total Stormwater Utility	4,075,341	350,446
Total business-type activities debt:	\$ 12,045,000	\$ 1,116,487

CITY OF SHELBYVILLE
EXAMINATION RESULTS AND COMMENTS

INTERNAL CONTROLS – PARK AND RECREATION DEPARTMENT

Controls for cash collections of the Park and Recreation Department are insufficient. Numerous receipt forms generated did not represent cash collections at all, but were in fact reservations for particular programs. Frequently, receipt forms were issued for negative amounts when reimbursing individuals for cancelled programs.

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)

CONDITION OF RECORDS - PAYROLL WITHHOLDING FUND

As stated in the prior Report B30484, financial records presented for examination were incomplete and not reflective of the activity of the Payroll Withholding Fund. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

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)

CITY OF SHELBYVILLE
EXIT CONFERENCE

The contents of this report were discussed on September 29, 2008, with Scott Ferguson, Mayor; and Rodney Meyerholtz, Clerk-Treasurer. The officials concurred with our findings.