

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

EXAMINATION REPORT

OF

CITY OF GREENWOOD

JOHNSON COUNTY, INDIANA

January 1, 2007 to December 31, 2007



FILED
12/31/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk Treasurer	Jeannine Myers	01-01-07 to 12-31-08
Mayor	Charles E. Henderson	01-01-07 to 12-31-08
President of the Board of Public Works and Safety	Charles E. Henderson	01-01-07 to 12-31-08
President of the Common Council	Keith R. Hardin Ron Deer	01-01-07 to 12-31-07 01-01-08 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the City of Greenwood (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 City has presented its proprietary funds in a separately issued report.

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

STATE BOARD OF ACCOUNTS

November 26, 2008

CITY OF GREENWOOD
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, INTERNAL SERVICE, 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	\$ 3,055,121	\$ 12,466,996	\$ 11,886,763	\$ 3,635,354
Administrative Fee	17,578	857	-	18,435
Adult Probation	112,647	718,267	643,852	187,062
Brownfield Grant	5,489	257	-	5,746
Capital 2 Fire Station and Graham Road	2,004,645	189,128	2,096,277	97,496
Cumulative Capital Development	1,779,785	2,558,879	1,457,335	2,881,329
Cumulative Capital Improvement Cigarette Tax	685,992	261,695	100,000	847,687
Cumulative Capital Improvement Tax Levy	459,864	2,162,233	912,429	1,709,668
City Court Document Storage Fee	13,099	6,976	-	20,075
City Limit Sign Donation	851	42	-	893
DARE	913	1,098	838	1,173
Debt Service/Bldg Lease	402,784	1,460,492	927,185	936,091
Drug Court Byrne Grant	977	2,630	-	3,607
EDC Donation	8,955	460	-	9,415
Employee Christmas Donation	217	-	-	217
Fire	1,242,365	4,859,449	5,563,548	538,266
Fire Debt Service	166,732	97,802	84,477	180,057
Fire Prevention on Public Education	13,626	3,066	2,351	14,341
Fire Truck Bond Proceeds	47,325	4,272	52,210	(613)
GDP Property room	115,356	4,783	10,425	109,714
Grant II Alpine	47,207	2,297	-	49,504
Greenwood City Flag	1,238	92	-	1,330
History Book	11,297	676	-	11,973
Independent Engineer	219,984	29,149	26,059	223,074
Law Enforcement Continuing Education	23,627	28,239	20,339	31,527
Local Road and Street	320,006	464,636	436,813	347,829
Motor Vehicle Highway	684,481	1,646,929	1,654,544	676,866
Paid Insurance	105,966	27,946	36,852	97,060
Park District Bond Proceeds	46,223	-	350	45,873
Park District Bond Debt Service	-	76,341	-	76,341
Parks and Recreation	438,077	2,699,437	2,051,637	1,085,877
Park Trails and Greenways	-	4,063	-	4,063
Police Equipment and Training	37,863	4,337	5,682	36,518
Police JAG	-	13,581	-	13,581
Police Lab Fees	3,381	1,649	-	5,030
Police Seizure and Forfeiture	47,716	4,087	-	51,803
Rainy Day	220,401	817,427	400,000	637,828
Redevelopment District Capital Fund	572	-	500	72
Restitution	62,731	3,052	-	65,783
Restricted Donation	15,375	91,730	-	107,105
Siren Donations	815	40	-	855
SNR Impact Fee	1,585,428	300,500	387,512	1,498,416
SNR Parks	128,820	305,522	264,767	169,575
SNR Sidewalk	51,466	2,504	-	53,970
SNR Worthsville Road Capital Improvement	337,298	349,960	-	687,258
Tax Increment Financing	5,670,011	2,955,170	2,468,058	6,157,123
Tracy Ditch	38,872	5,067	-	43,939
VIN Inspection	75	-	-	75
Internal Service Fund:				
Self Insurance	71,857	2,150,186	2,253,318	(31,275)
Fiduciary Funds:				
Police Pension	238,330	283,785	362,323	159,792
Payroll	187,752	12,763,395	12,750,930	200,217
Levy Excess	102,863	-	102,863	-
City Court	194,453	1,094,975	1,080,143	209,285
User Fees	38,537	11,114	7,651	42,000
	<u>\$ 21,067,043</u>	<u>\$ 50,937,268</u>	<u>\$ 48,048,031</u>	<u>\$ 23,956,280</u>

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

CITY OF GREENWOOD
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, wastewater, sanitation, and urban redevelopment.

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. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

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 GREENWOOD
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

A. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

1. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

2. 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.

CITY OF GREENWOOD
NOTES TO FINANCIAL INFORMATION
(Continued)

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.

B. 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.

Note 7. Subsequent Event

On August 23, 2008, the City issued a \$3,000,000 General Obligation Bond for the purpose of paying the costs of the reconstruction and maintenance of certain public roadways within the City, together with the payment of issuance expenses. Principal and interest payments are due semi annually for ten years, beginning on January 15, 2009.

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

The City has entered into the following debt:

Description of Asset	Ending Balance	Principal due Within one Year
Governmental Activities:		
Payable to Greenwood Wastewater Utility	\$ 658,774	\$ 658,774
Capital leases:		
Building Corporation Lease of 1992	3,533,732	490,317
Fifteen Police Vehicles, 2006	257,091	80,715
Court Video Equipment Lease 2006	6,408	6,408
Bonds payable:		
General obligation bonds:		
Eastside Redevelopment District Bonds, 2001	4,060,000	115,000
Park District, 2005	1,830,000	70,000
Fire Truck and Equipment, 2006	1,445,000	120,000
Revenue bonds:		
Fire Station/Graham Road Redevelopment District Bonds, 2005	<u>3,665,000</u>	<u>355,000</u>
Total governmental activities long-term debt	<u>\$ 15,456,005</u>	<u>\$ 1,896,214</u>

CITY OF GREENWOOD
OTHER REPORTS

The report presented herein was prepared in addition to other official reports prepared for the individual City offices listed below:

Greenwood Aviation Commission and Wastewater Utility

CITY OF GREENWOOD
EXAMINATION RESULTS AND COMMENTS

PUBLIC WORKS PROJECT CHANGE ORDERS

The City entered into a Public Works contract for a street and sanitary sewer reconstruction project. A change order was issued for \$199,912 due to additional work being requested by the City for Meadowglen Subdivision just immediately north of the project area. It is for work consisting of milling, panel repairs and an asphalt overlay. The additional work is not directly related to the original public works project.

Indiana Code 36-1-12-18 states: ". . . (e) All change orders must be directly related to the original public work project."

APPROVAL OF CLAIMS

As reported in previous reports of the City, the following deficiencies were noted on claims during the examination period:

- (1) Proof of delivery of goods or services could not be verified for all disbursements.
- (2) Board approval for all claims could not be verified. The checks could be traced to the docket but there was no signature sheet attached to verify board approval.
- (3) Several vouchers were not certified by the fiscal officer (Clerk Treasurer).

Indiana Code 5-11-10-2(a) states: "Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

TRAVEL POLICY

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

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Reimbursement for lodging and meals should be based upon actual receipts for amounts paid unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF GREENWOOD
EXAMINATION RESULTS AND COMMENTS
(Continued)

TEMPORARY LOANS

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

Indiana Code 36-1-8-4 concerning temporary transfer states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

APPROVAL OF FORMS

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

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

REPAYMENTS AND TRANSFERS

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

CITY OF GREENWOOD
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 36-1-8-4 concerning temporary transfer states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

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

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were off by an unidentified balance of \$6,092.11.

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

OVERDRAWN FUND BALANCES

The Fire Truck Bond Proceeds Fund, and Self-Insurance Fund were overdrawn by \$613 and \$31,275, respectively, in 2008.

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)

CITY OF GREENWOOD
EXIT CONFERENCE

The contents of this report were discussed on December 10, 2008, with Charles E. Henderson, Mayor.

The contents of this report were discussed on December 10, 2008, with Jeannine Myers, Clerk-Treasurer; and John Mercer, Bookkeeper. The official response has been made a part of this report and may be found on pages 14 and 15.



CLERK-TREASURER'S OFFICE

Jeannine Myers
Clerk-Treasurer

December 12, 2008

State Board of Accounts
302 West Washington Street, Room E 418
Indianapolis, Indiana 46204-2765

RE: City of Greenwood 2007 Audit

OFFICIAL RESPONSE

To Whom It May Concern:

In response to the 2007 City of Greenwood Examination Results and Comments, the Clerk-Treasurer's Office submits the following corrective action plans:

- **AUDIT COMMENT - APPROVAL OF CLAIMS**
 - **CORRECTIVE ACTION PLAN:**
 - An additional signature line has been added to and is filled out on every Purchase Order once each department head approves the purchase in our computerized purchase order approval system; this will provide sufficient proof of delivery for all disbursements.
 - Signature sheets for board approval are now kept on file with supporting docket documentation attached to ensure board approval for all claims can be verified in the future.
 - All accounts payable vouchers are now signed by the originator and certified by the fiscal officer (Clerk-Treasurer).

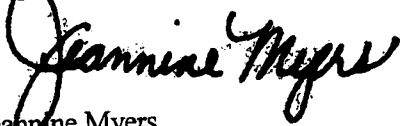
- **AUDIT COMMENT – APPROVAL OF FORMS**
 - **CORRECTIVE ACTION PLAN:**
 - A resolution was drafted by the City Attorney for submission to the Common Council in 2009 for the approval of the City's GEMS accounting and payroll software system.

- **AUDIT COMMENT – BANK ACCOUNT RECONCILIATIONS**
 - **CORRECTIVE ACTION PLAN:**

Two North Madison Avenue; Greenwood, Indiana 46142
Telephone: (317) 888-2100 • Fax: (317) 865-8263

- This reconciliation item has been researched, and it has been determined that it is an issue between the Sanitation Department and the General Fund; corrective action will be taken to ensure this item is cleared from our reconciliation in the subsequent year.
- **AUDIT COMMENT – SELF INSURANCE AND FIRE TRUCK BOND NEGATIVE BALANCES**
 - CORRECTIVE ACTION PLAN – SELF INSURANCE:
 - The city received a statement regarding the Self Insurance Fund on 12/18/07 that stated there was a \$19,000 positive balance in our escrow account. On 12/27/08, the city received another statement stating that the fund had a negative balance; in response to this, a check was cut during the week of 12/31/07 to increase the balance in the escrow account that did not clear until 2008.
 - The cause of this negative balance was due to higher than anticipated health insurance claims during 2007; additional monies are sent in to cover the additional claims as needed (as was done at the end of 2007).
 - CORRECTIVE ACTION PLAN – FIRE TRUCK BOND:
 - The negative balance was researched, and it was determined that a check was incorrectly written out of this account. This, combined with the 2008 interest receipts, has brought the account back to a positive balance.

Respectfully,



Jeannine Myers
Clerk-Treasurer