

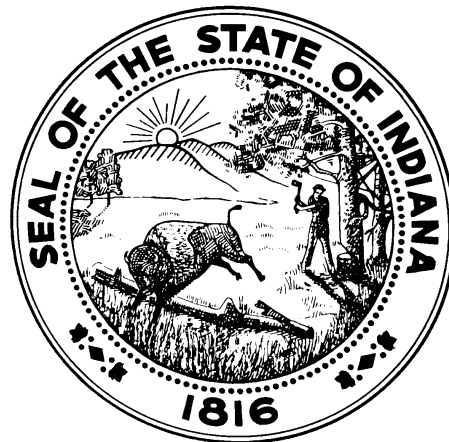
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2008

CITY OF SHELBYVILLE

SHELBY COUNTY, INDIANA



FILED
01/13/2010

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rodney Meyerholtz	01-01-08 to 12-31-11
Mayor	Scott Furgeson	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Scott Furgeson	01-01-08 to 12-31-11
President of the Common Council	Jeff Sponsel Kim Owens	01-01-08 to 12-31-08 01-01-09 to 12-31-09
Superintendent of Wastewater Utility	Bradley Fix	01-01-08 to 12-31-09
Utility Office Manager	Sharon Bernard	01-01-08 to 12-31-09



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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Shelbyville (City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As discussed in Note I, the financial statements referred to above do not include a number of component units of the City which should have been included to fairly present the financial position of the City.

In our opinion, except that the omission of the component units of the City referred to in the preceding paragraph results in incomplete presentation, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2008, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

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

In accordance with Government Auditing Standards, we have also issued a report dated December 17, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

December 17, 2009



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Shelbyville (City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item(s) 2008-1 and 2008-2.

The City's response to the findings identified in our audit is described in the accompanying section of the report entitled and 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, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

December 17, 2009

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

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 5,182,109	\$ 399,995	\$ 2,502	\$ -	\$ (4,779,612)	\$ -	\$ (4,779,612)
Public safety	8,397,456	1,403,786	-	-	(6,993,670)	-	(6,993,670)
Highways and streets	2,835,931	3,225	481,796	124,261	(2,226,649)	-	(2,226,649)
Sanitation	763,020	-	-	-	(763,020)	-	(763,020)
Economic development	2,844,208	2,245	-	-	(2,841,963)	-	(2,841,963)
Culture and recreation	2,522,216	413,247	-	-	(2,108,969)	-	(2,108,969)
Interest on long-term debt	1,613,342	-	-	-	(1,613,342)	-	(1,613,342)
Total governmental activities	24,158,282	2,222,498	484,298	124,261	(21,327,225)	-	(21,327,225)
Business-type activities:							
Stormwater	1,452,868	809,889	-	801,064	-	158,085	158,085
Wastewater	3,974,699	2,865,439	-	-	-	(1,109,260)	(1,109,260)
Total business-type activities	5,427,567	3,675,328	-	801,064	-	(951,175)	(951,175)
Total primary government	\$ 29,585,849	\$ 5,897,826	\$ 484,298	\$ 925,325	(21,327,225)	(951,175)	(22,278,400)
General receipts:							
Property taxes					4,238,849	-	4,238,849
Intergovernmental					7,928,156	-	7,928,156
Other local sources					3,774,466	111,464	3,885,930
Investment earnings					223,547	110,486	334,033
Interfund loans					1,290,351	(1,390,600)	(100,249)
Total general receipts					17,455,369	(1,168,650)	16,286,719
Change in net assets					(3,871,856)	(2,119,825)	(5,991,681)
Net assets - beginning					12,141,598	5,265,170	17,406,768
Net assets - ending					\$ 8,269,742	\$ 3,145,345	\$ 11,415,087
Assets							
Cash and investments					\$ 3,590,780	\$ 432,181	\$ 4,022,961
Restricted assets:							
Cash and investments					4,678,962	2,713,164	7,392,126
Total assets					\$ 8,269,742	\$ 3,145,345	\$ 11,415,087
Net Assets							
Restricted for:							
Public safety					\$ 8,421	\$ -	\$ 8,421
Economic development					1,761,848	-	1,761,848
Debt service					1,227,265	26,431	1,253,696
Capital outlay					1,355,797	2,686,802	4,042,599
Other purposes					325,631	(69)	325,562
Unrestricted					3,590,780	432,181	4,022,961
Total net assets					\$ 8,269,742	\$ 3,145,345	\$ 11,415,087

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

CITY OF SHELBYVILLE
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2008

	General	Kroger TIF	Knauf TIF Depreciation	EDIT Bond Sewer Construction	Other Governmental Funds	Totals
Receipts:						
Taxes	\$ 2,296,555	\$ 211,220	\$ -	\$ -	\$ 1,731,074	\$ 4,238,849
Special assessments	21,871	-	-	-	-	21,871
Licenses and permits	222,222	-	-	-	-	222,222
Intergovernmental	4,410,598	2,064	-	-	4,124,053	8,536,715
Charges for services	1,602,910	-	-	-	619,588	2,222,498
Fines and forfeits	56,828	-	-	-	21,568	78,396
Other	1,731,427	13,935	26,961	15,086	1,059,079	2,846,488
Total receipts	10,342,411	227,219	26,961	15,086	7,555,362	18,167,039
Disbursements:						
General government	3,692,014	-	300	-	934,132	4,626,446
Public safety	7,943,379	-	-	-	75,351	8,018,730
Highways and streets	307,773	-	-	-	972,039	1,279,812
Sanitation	763,020	-	-	-	-	763,020
Economic development	351,658	21,258	-	-	1,364,207	1,737,123
Culture and recreation	-	-	-	-	1,813,427	1,813,427
Debt service:						
Principal	-	40,000	-	-	1,238,394	1,278,394
Interest	-	32,450	-	-	1,580,892	1,613,342
Capital outlay:						
General government	-	-	-	-	465,449	465,449
Public safety	-	-	-	-	506	506
Highways and streets	-	-	-	-	1,376,119	1,376,119
Economic development	-	-	-	-	900,000	900,000
Culture and recreation	-	-	-	-	249,354	249,354
Total disbursements	13,057,844	93,708	300	-	10,969,870	24,121,722
Excess (deficiency) of receipts over disbursements	(2,715,433)	133,511	26,661	15,086	(3,414,508)	(5,954,683)
Other financing sources (uses):						
Interfund loans (net)	1,000,000	-	-	-	290,351	1,290,351
Transfers in	60,200	-	-	-	216,600	276,800
Transfers out	-	-	-	-	(276,800)	(276,800)
Other receipts	105,440	-	-	-	723,596	829,036
Total other financing sources (uses)	1,165,640	-	-	-	953,747	2,119,387
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,549,793)	133,511	26,661	15,086	(2,460,761)	(3,835,296)
Cash and investment fund balance - beginning	754,454	499,933	913,719	511,285	9,100,016	11,779,407
Cash and investment fund balance - ending	<u>\$ (795,339)</u>	<u>\$ 633,444</u>	<u>\$ 940,380</u>	<u>\$ 526,371</u>	<u>\$ 6,639,255</u>	<u>7,944,111</u>
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because:						
Internal services funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.						
						325,631
Net assets of governmental activities						<u>\$ 8,269,742</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ (795,339)	\$ -	\$ -	\$ -	\$ 4,386,119	\$ 3,590,780
Restricted assets:						
Cash and investments	-	633,444	940,380	526,371	2,253,136	4,353,331
Total cash and investment assets - ending	<u>\$ (795,339)</u>	<u>\$ 633,444</u>	<u>\$ 940,380</u>	<u>\$ 526,371</u>	<u>\$ 6,639,255</u>	<u>\$ 7,944,111</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 8,421	\$ 8,421
Economic development	-	633,444	940,380	-	188,024	1,761,848
Debt service	-	-	-	-	1,227,265	1,227,265
Capital outlay	-	-	-	526,371	829,426	1,355,797
Unrestricted	(795,339)	-	-	-	4,386,119	3,590,780
Total cash and investment fund balance - ending	<u>\$ (795,339)</u>	<u>\$ 633,444</u>	<u>\$ 940,380</u>	<u>\$ 526,371</u>	<u>\$ 6,639,255</u>	<u>\$ 7,944,111</u>

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

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

	Stormwater Utility	Wastewater Utility	Totals	Internal Service Funds
Operating receipts:				
Fees	\$ 809,889	\$ 2,865,439	\$ 3,675,328	\$ -
Miscellaneous	6,655	80,046	86,701	2,386,045
Total operating receipts	<u>816,544</u>	<u>2,945,485</u>	<u>3,762,029</u>	<u>2,386,045</u>
Operating disbursements:				
Sludge removal	-	2,278	2,278	-
Material and supplies	-	45,317	45,317	-
Rents	-	90,000	90,000	-
Insurance claims and expense	-	66,281	66,281	-
Administration and general	267,512	1,490,114	1,757,626	-
Collection system	-	8,732	8,732	-
Power production	-	254,770	254,770	-
Refunds	-	1,404	1,404	-
Equipment and capital improvements	663,661	-	663,661	-
Miscellaneous	94,603	1,084,063	1,178,666	2,422,503
Total operating disbursements	<u>1,025,776</u>	<u>3,042,959</u>	<u>4,068,735</u>	<u>2,422,503</u>
Deficiency of operating receipts under operating disbursements	<u>(209,232)</u>	<u>(97,474)</u>	<u>(306,706)</u>	<u>(36,458)</u>
Nonoperating receipts (disbursements):				
Investment income	54,834	55,652	110,486	-
Refunds	-	24,763	24,763	-
Debt service of principal	(211,980)	(518,020)	(730,000)	-
Interest disbursements	(215,112)	(413,720)	(628,832)	-
Total nonoperating receipts (disbursements)	<u>(372,258)</u>	<u>(851,325)</u>	<u>(1,223,583)</u>	<u>-</u>
Deficiency of receipts under disbursements and nonoperating receipts (disbursements)	<u>(581,490)</u>	<u>(948,799)</u>	<u>(1,530,289)</u>	<u>(36,458)</u>
Capital contributions	801,064	-	801,064	-
Interfund loans (net)	-	(1,390,600)	(1,390,600)	-
Transfers in	427,092	931,739	1,358,831	-
Transfers out	(427,092)	(931,739)	(1,358,831)	-
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	219,574	(2,339,399)	(2,119,825)	(36,458)
Cash and investment fund balance - beginning	<u>2,118,813</u>	<u>3,146,357</u>	<u>5,265,170</u>	<u>362,089</u>
Cash and investment fund balance - ending	<u>\$ 2,338,387</u>	<u>\$ 806,958</u>	<u>\$ 3,145,345</u>	<u>\$ 325,631</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 1,075,026	\$ (642,845)	\$ 432,181	\$ -
Restricted assets:				
Cash and investments	<u>1,263,361</u>	<u>1,449,803</u>	<u>2,713,164</u>	<u>325,631</u>
Total cash and investment assets - December 31	<u>\$ 2,338,387</u>	<u>\$ 806,958</u>	<u>\$ 3,145,345</u>	<u>\$ 325,631</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 9,376	\$ 17,055	\$ 26,431	\$ -
Capital outlay	1,253,985	1,432,817	2,686,802	-
Other purposes	-	(69)	(69)	325,631
Unrestricted	<u>1,075,026</u>	<u>(642,845)</u>	<u>432,181</u>	<u>-</u>
Total cash and investment fund balance - December 31	<u>\$ 2,338,387</u>	<u>\$ 806,958</u>	<u>\$ 3,145,345</u>	<u>\$ 325,631</u>

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

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

	Pension Trust	Private-Purpose Trust	Agency Funds
Additions:			
Contributions:			
Employer	\$ 151,302	\$ -	
State	495,286	-	
Total contributions	646,588	-	
Investment earnings:			
Interest	693	20	
Interfund loans	100,249	-	
Agency fund additions	-	-	
Total additions	747,530	20	
Deductions:			
Benefits	852,815	-	
Administrative and general	15,476	-	
Agency fund deductions	-	-	
Total deductions	868,291	-	
Excess (deficiency) of total additions over total deductions	(120,761)	20	
Cash and investment fund balance - beginning	145,424	27,359	
Cash and investment fund balance - ending	\$ 24,663	\$ 27,379	\$ 128,031

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

CITY OF SHELBYVILLE
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor Town Council form of government and provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, stormwater, wastewater, and urban redevelopment and housing.

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

Primary Government:	City of Shelbyville
Blended Component Unit:	Shelbyville Redevelopment Authority
Discretely Presented Component Unit:	Major Hospital

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

The Shelbyville Redevelopment Authority, a blended component unit, and Major Hospital, a discretely presented component unit, have been omitted from these financial statements. Accordingly, the financial statements do not include the data of all of the City's component units necessary to fairly present the financial position of the City.

Jointly Governed Organization

The City, in conjunction with Major Hospital and Shelby County, has created an emergency medical service (ambulance). The City operates the emergency medical service and maintains the accounting records, while the hospital bills and collects revenue. Revenue is shared between Major Hospital, Shelby County, and the City of Shelbyville.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF SHELBYVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Kroger TIF Fund is a tax increment financing area fund. The fund is used to capture the property taxes used for infrastructure improvements for the Kroger TIF District.

The Knauf TIF Depreciation Fund is a tax increment financing area fund, but is only for the Knauf fiberglass factory property. The fund is a reserve fund to pay for unpaid bond payments if there are not sufficient funds in the regular Knauf Bond Fund.

The EDIT Bond Sewer Construction Fund is used to pay construction fees. The bond proceeds were transferred to this fund to finance construction costs.

The City reports the following major proprietary funds:

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

The storm water utility fund accounts for the operation of the storm water collection system.

Additionally, the City reports the following fund types:

The internal service funds account for health insurance coverage provided to other departments on a cost-reimbursement basis.

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

The private-purpose trust funds report a trust arrangement under which principal and income benefit the animal shelter and a cemetery plot maintenance.

Agency funds account for assets held by the City as an agent for various payroll deductions, including police and fire pensions and civilian city employees pensions maintained by the State.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

CITY OF SHELBYVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Stormwater and Wastewater Utilities. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

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

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

CITY OF SHELBYVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

CITY OF SHELBYVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.
2. Primary government and component unit activity and balances – Resource flows between the primary government and the discretely-presented component unit are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

CITY OF SHELBYVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2008, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2008
Cumulative Thoroughfare	\$ 181,716
Parks Department	56,528
Water and Light	24,999
Cumulative Capital Development	39,533
 Total	 \$ 302,776

These disbursements were funded by available cash balance.

C. Cash and Investment Balance Deficits

At December 31, 2008, the City's General Fund reported a deficit in cash and investments of \$795,339 which is a violation of the Uniform Compliance Guidelines. This deficit arose primarily from budget expenditures exceeding receipts due to the late collection and distribution of property taxes which is the primary funding source for the General Fund.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The City does not have a deposit policy for custodial credit risk. The City had savings account deposits and funds deposited with Trust Indiana, a Government Sponsored Enterprise that is administered by the Indiana Treasurer of State.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

CITY OF SHELBYVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Investments

As of December 31, 2008, the City had the following investments:

Investment Type	Primary Government Market Value
U.S. treasuries and securities	\$ 500
Government sponsored enterprise	694,662
Total	\$ 695,162

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the City to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the City's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

CITY OF SHELBYVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City must follow state statute and limit the stated final maturities of the investments to no more than two years. The City does not have a formal investment policy for interest rate risk for investments.

Investment Type	Investment Maturities (in Years)		
	Less Than 1	1-2	More Than 2
U.S. treasuries and securities	\$ -	\$ -	\$ 500
Government sponsored enterprise	694,662	-	-
Totals	<u>\$ 694,662</u>	<u>\$ -</u>	<u>\$ 500</u>

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have a formal investment policy for credit risk for investments.

B. Interfund Transfers

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

Transfer From	Transfer To	2008
Other governmental funds	General	\$ 60,200
Other governmental funds	Other governmental funds	<u>216,600</u>
Total		<u>\$ 276,800</u>

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

C. Interfund Loans

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

CITY OF SHELBYVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Loan From	Loan To	Outstanding Loans at 01-01-08	2008 Loans	2008 Repayments	Outstanding Loans at 12-31-08
EDIT	General	\$ -	\$ 500,000	\$ -	\$ 500,000
EDIT	2006 Park project debt	-	53,289	-	53,289
EDIT	Pool debt service	-	134,197	-	134,197
EDIT	Fire station bond	-	180,000	-	180,000
EDIT	Cumulative capital development	-	158,898	-	158,898
EDIT	Cumulative thoroughfare	-	219,882	-	219,882
EDIT	Police pension	-	38,522	-	38,522
EDIT	Fire pension	-	61,727	-	61,727
Total loans from EDIT Fund		-	1,346,515	-	1,346,515
Wastewater Utility	General	-	1,820,000	1,320,000	500,000
Wastewater Utility	Aviation	-	130,000	-	130,000
Wastewater Utility	Parks department	-	800,000	-	800,000
Wastewater Utility	Water and light	-	250,000	-	250,000
Wastewater Utility	Fire station bond	-	29,213	-	29,213
Wastewater Utility	Pool debt service	30,000	-	30,000	-
Wastewater Utility	Certified intellipex technology	288,613	-	288,613	-
Total loaned from Wastewater Utility		318,613	3,029,213	1,638,613	1,709,213
Totals		<u>\$ 318,613</u>	<u>\$ 4,375,728</u>	<u>\$ 1,638,613</u>	<u>\$ 3,055,728</u>

The City uses interfund loans to fund necessary operations when local tax distributions are not received as anticipated.

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees, Retirees and Dependents (Excluding postemployment benefits)

The City has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees and dependents. The City of Shelbyville Healthcare Plan is a single-employer defined benefit healthcare plan administered by Principal Life Insurance Company. The plan provides medical, dental and vision insurance benefits to employees, dependents, and eligible retirees and their spouses. The employees pay a premium out of their paychecks to pay

CITY OF SHELBYVILLE
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

a portion of the costs of the plan. The City is self insured for the total amount of the claims. The risk financing fund is accounted for in the Health Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$125,000 per person per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years.

Job Related Illnesses or Injuries to Employees

During 1994, the City joined together with other governmental entities in the Indiana Public Employees Plan, Inc., a public entity risk pool currently operating as a common risk management and insurance program for 350 member governmental entities. This risk pool was formed in 1990. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries to employees. City pays an annual premium to the risk pool for its job related illnesses or injuries coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

B. Subsequent Events

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

C. Long-Term Commitment – County EDIT Funds for Certified Technology Park

In October 2003, the County Council passed an ordinance pledging a portion of the County's share of economic development income tax (EDIT) for the purpose of land acquisition, construction and installation of public infrastructure improvements at the Shelbyville/Shelby County Advanced Technology Industrial Park. The City of Shelbyville and Major Hospital (a component unit of the City of Shelbyville) also share administrative and financial responsibility for this project.

The City has pledged \$125,000 each calendar year beginning in 2004 and continuing through 2028 (or such earlier date as all outstanding bonds issued to finance the projects are defeased). A schedule of the payments is as follows:

2009	\$	125,000
2010		125,000
2011		125,000
2012		125,000
2013		125,000
2014-2018		625,000
2019-2023		625,000
2024-2028		625,000
Total	\$	2,500,000

CITY OF SHELBYVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Other Postemployment Benefits

Single-Employer Defined Benefit Healthcare Plan

Plan Description

The City of Shelbyville Healthcare Plan is a single-employer defined benefit healthcare plan administered by Principal Life Insurance Company. The plan provides medical, dental and vision insurance benefits to eligible retirees and their spouses. City of Shelbyville Ordinance 35.041 (1998) assigns the authority to establish and amend benefit provisions to the City. The City of Shelbyville issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for the participants. That report may be obtained by contacting the plan administrator:

Principal Life Insurance Company
8909 Purdue Road
Indianapolis, IN 46268
(800) 331-3287

Funding Policy

The contribution requirements of plan members for the City of Shelbyville Healthcare Plan are established by the City's Council. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2008, the City contributed \$234,966 to the plan for current premiums (approximately 83.3% of total premiums). Plan members receiving benefits contributed \$47,053, or approximately 16.7% of the total premiums, through their required contribution of \$72.41 to \$122.71 per month for retiree-only coverage (based on deductible amounts) and \$136.93 to \$230.41 for retiree and spouse coverage.

E. Rate Structure – Enterprise Funds

Wastewater Utility

The current rate structure was approved by the City Council on July 19, 2004.

Stormwater Utility

The current rate structure was approved by the City Council on June 16, 2003.

F. Pension Plans

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

a. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of

CITY OF SHELBYVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

the system and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

CITY OF SHELBYVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

c. 1937 Firefighters' Pension Plan

Plan Description

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Annual required contribution	\$ 189,266	\$ 605,700	\$ 405,900
Interest on net pension obligation	(3,768)	223,200	127,400
Adjustment to annual required contribution	<u>4,294</u>	<u>(281,700)</u>	<u>(160,800)</u>
Annual pension cost	189,792	547,200	372,500
Contributions made	<u>196,008</u>	<u>355,652</u>	<u>290,936</u>
Increase (decrease) in net pension obligation	(6,216)	191,548	81,564
Net pension obligation, beginning of year	<u>(51,971)</u>	<u>3,720,721</u>	<u>2,123,742</u>
Net pension obligation, end of year	<u>\$ (58,187)</u>	<u>\$ 3,912,269</u>	<u>\$ 2,205,306</u>

CITY OF SHELBYVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	6.5%	0%	0%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-08	01-01-08	01-01-08
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	30 years	30 years
Amortization period (from date)	07-01-97	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital

<u>Actuarial Assumptions</u>	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Investment rate of return	7.25%	6%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75/4%*	2.75/4%*

*2.75% converted members; 4% nonconverted members

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 169,447	98%	\$ (47,502)
	06-30-07	174,872	103%	(51,971)
	06-30-08	189,792	103%	(58,187)
1925 Police Officers' Pension Plan	12-31-06	520,000	120%	3,524,989
	12-31-07	521,400	64%	3,712,589
	12-31-08	547,500	107%	3,675,763
1937 Firefighters' Pension Plan	12-31-06	358,200	136%	2,000,564
	12-31-07	361,800	67%	2,120,289
	12-31-08	372,600	95%	2,140,225

CITY OF SHELBYVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retirees and beneficiaries currently receiving benefits	22	16
Terminated employees entitled to but not yet receiving benefits	0	0
Current active employees	1	0

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

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

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

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. Effective in January 2009, the City's contribution rate was changed to 19.5%. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2008, 2007, and 2006, were \$1,213,402, \$958,818, and \$870,634, respectively, equal to the required contributions for each year.

CITY OF SHELBYVILLE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 2,736,927	\$ 2,950,214	\$ (213,287)	93%	\$ 2,759,866	(8%)
07-01-07	3,125,171	3,390,919	(265,748)	92%	2,882,509	(9%)
07-01-08	3,541,383	4,003,522	(462,139)	88%	3,034,142	(15%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-03	\$ 556,439	\$ 6,951,700	\$ (6,395,261)	8%	\$ 83,700	(7,641%)
01-01-04	357,858	7,835,100	(7,477,242)	5%	83,700	(8,933%)
01-01-05	302,104	7,152,000	(6,849,896)	4%	83,700	(8,184%)
01-01-06	161,336	7,632,700	(7,471,364)	2%	85,500	(8,738%)
01-01-07	229,272	7,725,900	(7,496,628)	3%	88,400	(8,480%)
01-01-08	104,793	8,063,500	(7,958,707)	1%	93,800	(8,485%)

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-03	\$ 440,302	\$ 6,102,300	\$ (5,661,998)	7%	\$ 125,600	(4,508%)
01-01-04	402,798	6,047,500	(5,644,702)	7%	41,900	(13,472%)
01-01-05	231,717	5,822,600	(5,590,883)	4%	41,900	(13,343%)
01-01-06	65,156	5,415,900	(5,350,744)	1%	-	No Covered Payroll
01-01-07	169,141	5,394,700	(5,225,559)	3%	-	No Covered Payroll
01-01-08	40,631	5,517,300	(5,476,669)	1%	-	No Covered Payroll

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

1925 Police Officers' Pension Plan			
	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
1925 Police Officers' Pension Plan	12-31-03	\$ 898,700	34%
	12-31-04	915,200	43%
	12-31-05	528,500	54%
	12-31-06	569,200	108%
	12-31-07	572,800	58%
	12-31-08	605,700	59%
1937 Firefighters' Pension Plan			
	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
1937 Firefighters' Pension Plan	12-31-03	\$ 696,700	51%
	12-31-04	700,200	33%
	12-31-05	426,000	53%
	12-31-06	387,200	125%
	12-31-07	391,000	62%
	12-31-08	405,900	72%

CITY OF SHELBYVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008

	Motor Vehicle Highway	Local Roads and Streets	Aviation	Aviation Development	Nonreverting Donation	Economic Development Commission
Receipts:						
Taxes	\$ -	\$ -	\$ 96,482	\$ -	\$ -	\$ -
Intergovernmental	654,260	124,261	20,368	378,712	-	-
Charges for services	3,225	-	-	190,871	-	-
Fines and forfeits	-	-	-	-	-	-
Other	2,642	-	5,915	16,709	31,392	-
Total receipts	660,127	124,261	122,765	586,292	31,392	-
Disbursements:						
General government	-	-	236,132	-	35,824	-
Public safety	-	-	-	-	-	-
Highways and streets	840,898	131,141	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	53,654	-	-
Interest	-	-	-	15,482	-	-
Capital outlay:						
General government	-	-	-	71,350	-	-
Public safety	-	-	-	-	-	-
Highways and streets	20,000	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	860,898	131,141	236,132	140,486	35,824	-
Excess (deficiency) of receipts over disbursements	(200,771)	(6,880)	(113,367)	445,806	(4,432)	-
Other financing sources (uses):						
Interfund loans (net)	-	-	130,000	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	1,976	-	-	-	-	-
Total other financing sources (uses)	1,976	-	130,000	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(198,795)	(6,880)	16,633	445,806	(4,432)	-
Cash and investment fund balance - beginning	368,285	114,539	10,207	383,620	39,087	2,521
Cash and investment fund balance - ending	<u>\$ 169,490</u>	<u>\$ 107,659</u>	<u>\$ 26,840</u>	<u>\$ 829,426</u>	<u>\$ 34,655</u>	<u>\$ 2,521</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 169,490	\$ 107,659	\$ 26,840	\$ -	\$ 34,655	\$ 2,521
Restricted assets:						
Cash and investments	-	-	-	829,426	-	-
Total cash and investment assets - ending	<u>\$ 169,490</u>	<u>\$ 107,659</u>	<u>\$ 26,840</u>	<u>\$ 829,426</u>	<u>\$ 34,655</u>	<u>\$ 2,521</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Economic development	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	829,426	-	-
Unrestricted	169,490	107,659	26,840	-	34,655	2,521
Total cash and investment fund balance - ending	<u>\$ 169,490</u>	<u>\$ 107,659</u>	<u>\$ 26,840</u>	<u>\$ 829,426</u>	<u>\$ 34,655</u>	<u>\$ 2,521</u>

CITY OF SHELBYVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Nonreverting Animal Shelter	Community Economic Development	Low Income Housing	Nonreverting Police Continuing Education	Nonreverting Unsafe Building	Riverboat Wagering Tax
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	112,608
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	21,568	-	-
Other	44,777	63,120	-	-	-	-
Total receipts	44,777	63,120	-	21,568	-	112,608
Disbursements:						
General government	-	-	-	-	14	-
Public safety	25,056	-	-	18,804	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	109,225	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	25,056	109,225	-	18,804	14	-
Excess (deficiency) of receipts over disbursements	19,721	(46,105)	-	2,764	(14)	112,608
Other financing sources (uses):						
Interfund loans (net)	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(85,200)
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	(85,200)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	19,721	(46,105)	-	2,764	(14)	27,408
Cash and investment fund balance - beginning	62,031	146,410	924	6,471	1,008	339,356
Cash and investment fund balance - ending	<u>\$ 81,752</u>	<u>\$ 100,305</u>	<u>\$ 924</u>	<u>\$ 9,235</u>	<u>\$ 994</u>	<u>\$ 366,764</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 81,752	\$ 100,305	\$ 924	\$ 9,235	\$ 994	\$ 366,764
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 81,752</u>	<u>\$ 100,305</u>	<u>\$ 924</u>	<u>\$ 9,235</u>	<u>\$ 994</u>	<u>\$ 366,764</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Economic development	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	81,752	100,305	924	9,235	994	366,764
Total cash and investment fund balance - ending	<u>\$ 81,752</u>	<u>\$ 100,305</u>	<u>\$ 924</u>	<u>\$ 9,235</u>	<u>\$ 994</u>	<u>\$ 366,764</u>

CITY OF SHELBYVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Drug Free Community	Parks Department	Nonreverting Capital Ambulance	Arson Investigation	Senior Citizens	Rainy Day
Receipts:						
Taxes	\$ -	\$ 483,553	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	102,023	-	-	-	278,259
Charges for services	-	8,335	10,000	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	5,000	311	-	-	-	-
Total receipts	5,000	594,222	10,000	-	-	278,259
Disbursements:						
General government	-	-	-	-	-	287,378
Public safety	5,580	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	1,278,800	-	-	107	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	60,792	-	-	-	-
Total disbursements	5,580	1,339,592	-	-	107	287,378
Excess (deficiency) of receipts over disbursements	(580)	(745,370)	10,000	-	(107)	(9,119)
Other financing sources (uses):						
Interfund loans (net)	-	800,000	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	2	-	-	-	-
Total other financing sources (uses)	-	800,002	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(580)	54,632	10,000	-	(107)	(9,119)
Cash and investment fund balance - beginning	2,829	53,052	7,007	10	107	183,424
Cash and investment fund balance - ending	\$ 2,249	\$ 107,684	\$ 17,007	\$ 10	\$ -	\$ 174,305
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 107,684	\$ 17,007	\$ 10	\$ -	\$ 174,305
Restricted assets:						
Cash and investments	2,249	-	-	-	-	-
Total cash and investment assets - ending	\$ 2,249	\$ 107,684	\$ 17,007	\$ 10	\$ -	\$ 174,305
Cash and Investment Fund Balance - Ending						
Restricted for:						
Public safety	\$ 2,249	\$ -	\$ -	\$ -	\$ -	\$ -
Economic development	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	107,684	17,007	10	-	174,305
Total cash and investment fund balance - ending	\$ 2,249	\$ 107,684	\$ 17,007	\$ 10	\$ -	\$ 174,305

CITY OF SHELBYVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Nonreverting Police Training	Nonreverting Build Indiana	Dare	Wal-Mart TIF	Nonreverting Park Operating	Industrial Development
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ 352,085	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	-	15,844	2,619	364,095	-
Total receipts	-	-	15,844	354,704	364,095	-
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	14,932	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	329,816	-	-
Culture and recreation	-	-	-	-	275,118	-
Debt service:						
Principal	-	-	-	75,000	-	-
Interest	-	-	-	91,929	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	-	-	14,932	496,745	275,118	-
Excess (deficiency) of receipts over disbursements	-	-	912	(142,041)	88,977	-
Other financing sources (uses):						
Interfund loans (net)	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	912	(142,041)	88,977	-
Cash and investment fund balance - beginning	303	405	5,260	186,175	210,123	129
Cash and investment fund balance - ending	<u>\$ 303</u>	<u>\$ 405</u>	<u>\$ 6,172</u>	<u>\$ 44,134</u>	<u>\$ 299,100</u>	<u>\$ 129</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 303	\$ 405	\$ -	\$ -	\$ 299,100	\$ 129
Restricted assets:						
Cash and investments	-	-	6,172	44,134	-	-
Total cash and investment assets - ending	<u>\$ 303</u>	<u>\$ 405</u>	<u>\$ 6,172</u>	<u>\$ 44,134</u>	<u>\$ 299,100</u>	<u>\$ 129</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Public safety	\$ -	\$ -	\$ 6,172	\$ -	\$ -	\$ -
Economic development	-	-	-	44,134	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	303	405	-	-	299,100	129
Total cash and investment fund balance - ending	<u>\$ 303</u>	<u>\$ 405</u>	<u>\$ 6,172</u>	<u>\$ 44,134</u>	<u>\$ 299,100</u>	<u>\$ 129</u>

CITY OF SHELBYVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Water and Light	Nonreverting Nuisance	Nonreverting Aquatic Center	Impaired Driving	Plat Review Fee	Nonreverting Sanitary Sewer
Receipts:						
Taxes	\$ 116,198	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	24,522	-	-	12,651	-	-
Charges for services	-	-	404,912	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	2,772	5,401	-	9,500	-
Total receipts	140,720	2,772	410,313	12,651	9,500	-
Disbursements:						
General government	357,499	2,944	-	-	10,050	-
Public safety	-	-	-	10,979	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	259,402	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	357,499	2,944	259,402	10,979	10,050	-
Excess (deficiency) of receipts over disbursements	(216,779)	(172)	150,911	1,672	(550)	-
Other financing sources (uses):						
Interfund loans (net)	250,000	-	-	-	-	-
Transfers in	25,000	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	275,000	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	58,221	(172)	150,911	1,672	(550)	-
Cash and investment fund balance - beginning	9,933	18,745	61,500	3,263	39,765	5,000
Cash and investment fund balance - ending	<u>\$ 68,154</u>	<u>\$ 18,573</u>	<u>\$ 212,411</u>	<u>\$ 4,935</u>	<u>\$ 39,215</u>	<u>\$ 5,000</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 68,154	\$ 18,573	\$ 212,411	\$ 4,935	\$ 39,215	\$ 5,000
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 68,154</u>	<u>\$ 18,573</u>	<u>\$ 212,411</u>	<u>\$ 4,935</u>	<u>\$ 39,215</u>	<u>\$ 5,000</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Economic development	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	68,154	18,573	212,411	4,935	39,215	5,000
Total cash and investment fund balance - ending	<u>\$ 68,154</u>	<u>\$ 18,573</u>	<u>\$ 212,411</u>	<u>\$ 4,935</u>	<u>\$ 39,215</u>	<u>\$ 5,000</u>

CITY OF SHELBYVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Nonreverting MAP	Nonreverting Sister City	IDGF-97-447 Fairland Road	Fiber Technology	CDBG-88-016 LOF	EDIT
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	925,386
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	-	-	9,236	-	188,745
Total receipts	-	-	-	9,236	-	1,114,131
Disbursements:						
General government	59	4	-	4,228	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	700,000
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	59	4	-	4,228	-	700,000
Excess (deficiency) of receipts over disbursements	(59)	(4)	-	5,008	-	414,131
Other financing sources (uses):						
Interfund loans (net)	-	-	-	-	-	(1,346,515)
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(191,600)
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	(1,538,115)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(59)	(4)	-	5,008	-	(1,123,984)
Cash and investment fund balance - beginning	598	4	25,314	10,709	1,526	2,155,331
Cash and investment fund balance - ending	<u>\$ 539</u>	<u>\$ -</u>	<u>\$ 25,314</u>	<u>\$ 15,717</u>	<u>\$ 1,526</u>	<u>\$ 1,031,347</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 539	\$ -	\$ 25,314	\$ 15,717	\$ 1,526	\$ 1,031,347
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 539</u>	<u>\$ -</u>	<u>\$ 25,314</u>	<u>\$ 15,717</u>	<u>\$ 1,526</u>	<u>\$ 1,031,347</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Economic development	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	539	-	25,314	15,717	1,526	1,031,347
Total cash and investment fund balance - ending	<u>\$ 539</u>	<u>\$ -</u>	<u>\$ 25,314</u>	<u>\$ 15,717</u>	<u>\$ 1,526</u>	<u>\$ 1,031,347</u>

CITY OF SHELBYVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Police In-Car Computer	Nonreverting Park Development	Blue River Park BAN	Certified Intelliplex Technology	Police Auction	Redevelopment Authority "A" Project
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	1,295,565	-	-
Charges for services	-	-	-	2,245	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	-	-	-	-	103,189
Total receipts	-	-	-	1,297,810	-	103,189
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	55,368	-	66,876
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	299,435	2,085	-	-	-
Interest	-	26,216	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	900,000	-	-
Culture and recreation	-	161,924	-	-	-	-
Total disbursements	-	487,575	2,085	955,368	-	66,876
Excess (deficiency) of receipts over disbursements	-	(487,575)	(2,085)	342,442	-	36,313
Other financing sources (uses):						
Interfund loans (net)	-	-	-	(288,613)	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	485,003	-	-	-	-
Total other financing sources (uses)	-	485,003	-	(288,613)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(2,572)	(2,085)	53,829	-	36,313
Cash and investment fund balance - beginning	(2)	2,726	2,085	42,506	4,066	168,115
Cash and investment fund balance - ending	\$ (2)	\$ 154	\$ -	\$ 96,335	\$ 4,066	\$ 204,428
Cash and Investment Assets - Ending						
Cash and investments	\$ (2)	\$ 154	\$ -	\$ -	\$ 4,066	\$ 204,428
Restricted assets:						
Cash and investments	-	-	-	96,335	-	-
Total cash and investment assets - ending	\$ (2)	\$ 154	\$ -	\$ 96,335	\$ 4,066	\$ 204,428
Cash and Investment Fund Balance - Ending						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Economic development	-	-	-	96,335	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	(2)	154	-	-	4,066	204,428
Total cash and investment fund balance - ending	\$ (2)	\$ 154	\$ -	\$ 96,335	\$ 4,066	\$ 204,428

CITY OF SHELBYVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Redevelopment Authority "B" Project	Knauf TIF	Pool Debt Service	2006 Park Project Debt	EDIT Bond	EDIT Debt Service
Receipts:						
Taxes	\$ -	\$ 22,895	\$ 63,592	\$ 128,098	\$ -	\$ -
Intergovernmental	-	-	14,041	26,428	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	112,316	3,460	31	-	194	7,017
Total receipts	112,316	26,355	77,664	154,526	194	7,017
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	102,922	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	160,000	-	90,000	-
Interest	-	-	14,850	320,085	101,950	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	102,922	-	174,850	320,085	191,950	-
Excess (deficiency) of receipts over disbursements	9,394	26,355	(97,186)	(165,559)	(191,756)	7,017
Other financing sources (uses):						
Interfund loans (net)	-	-	104,197	53,289	-	-
Transfers in	-	-	-	-	191,600	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	104,197	53,289	191,600	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	9,394	26,355	7,011	(112,270)	(156)	7,017
Cash and investment fund balance - beginning	482,094	21,200	352	124,219	6,096	238,001
Cash and investment fund balance - ending	\$ 491,488	\$ 47,555	\$ 7,363	\$ 11,949	\$ 5,940	\$ 245,018
Cash and Investment Assets - Ending						
Cash and investments	\$ 491,488	\$ -	\$ -	\$ -	\$ 5,940	\$ -
Restricted assets:						
Cash and investments	-	47,555	7,363	11,949	-	245,018
Total cash and investment assets - ending	\$ 491,488	\$ 47,555	\$ 7,363	\$ 11,949	\$ 5,940	\$ 245,018
Cash and Investment Fund Balance - Ending						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Economic development	-	47,555	-	-	-	-
Debt service	-	-	7,363	11,949	-	245,018
Capital outlay	-	-	-	-	-	-
Unrestricted	491,488	-	-	-	5,940	-
Total cash and investment fund balance - ending	\$ 491,488	\$ 47,555	\$ 7,363	\$ 11,949	\$ 5,940	\$ 245,018

CITY OF SHELBYVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Fire Station Bond	Knauf Sinking	Cumulative Capital Development	Cumulative Capital Improvement	Cumulative Thoroughfare	Pool Construction
Receipts:						
Taxes	\$ 218,488	\$ -	\$ 119,313	\$ -	\$ 130,370	\$ -
Intergovernmental	46,118	-	22,980	58,377	27,494	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	38,954	-	-	-	23
Total receipts	264,606	38,954	142,293	58,377	157,864	23
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	225,000	-	153,220	-	180,000	-
Interest	221,900	589,550	30,340	-	168,590	-
Capital outlay:						
General government	-	-	353,829	40,270	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	419,528	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	446,900	589,550	537,389	40,270	768,118	-
Excess (deficiency) of receipts over disbursements	(182,294)	(550,596)	(395,096)	18,107	(610,254)	23
Other financing sources (uses):						
Interfund loans (net)	209,213	-	158,898	-	219,882	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	65,291	-	-	-
Total other financing sources (uses)	209,213	-	224,189	-	219,882	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	26,919	(550,596)	(170,907)	18,107	(390,372)	23
Cash and investment fund balance - beginning	679	1,485,933	181,974	63,145	401,083	3,490
Cash and investment fund balance - ending	\$ 27,598	\$ 935,337	\$ 11,067	\$ 81,252	\$ 10,711	\$ 3,513
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ 11,067	\$ 81,252	\$ 10,711	\$ 3,513
Restricted assets:						
Cash and investments	27,598	935,337	-	-	-	-
Total cash and investment assets - ending	\$ 27,598	\$ 935,337	\$ 11,067	\$ 81,252	\$ 10,711	\$ 3,513
Cash and Investment Fund Balance - Ending						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Economic development	-	-	-	-	-	-
Debt service	27,598	935,337	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	-	11,067	81,252	10,711	3,513
Total cash and investment fund balance - ending	\$ 27,598	\$ 935,337	\$ 11,067	\$ 81,252	\$ 10,711	\$ 3,513

CITY OF SHELBYVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Progress Parkway Construction	River Road Construction	Fire Department Construction	Barrett Law	2006 Park Project Construction	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,731,074
Intergovernmental	-	-	-	-	-	4,124,053
Charges for services	-	-	-	-	-	619,588
Fines and forfeits	-	-	-	-	-	21,568
Other	19,886	4,703	7	-	1,221	1,059,079
Total receipts	19,886	4,703	7	-	1,221	7,555,362
Disbursements:						
General government	-	-	-	-	-	934,132
Public safety	-	-	-	-	-	75,351
Highways and streets	-	-	-	-	-	972,039
Economic development	-	-	-	-	-	1,364,207
Culture and recreation	-	-	-	-	-	1,813,427
Debt service:						
Principal	-	-	-	-	-	1,238,394
Interest	-	-	-	-	-	1,580,892
Capital outlay:						
General government	-	-	-	-	-	465,449
Public safety	-	-	506	-	-	506
Highways and streets	930,016	6,575	-	-	-	1,376,119
Economic development	-	-	-	-	-	900,000
Culture and recreation	-	-	-	-	26,638	249,354
Total disbursements	930,016	6,575	506	-	26,638	10,969,870
Excess (deficiency) of receipts over disbursements	(910,130)	(1,872)	(499)	-	(25,417)	(3,414,508)
Other financing sources (uses):						
Interfund loans (net)	-	-	-	-	-	290,351
Transfers in	-	-	-	-	-	216,600
Transfers out	-	-	-	-	-	(276,800)
Other receipts	171,324	-	-	-	-	723,596
Total other financing sources (uses)	171,324	-	-	-	-	953,747
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(738,806)	(1,872)	(499)	-	(25,417)	(2,460,761)
Cash and investment fund balance - beginning	1,139,670	239,584	499	4,853	32,677	9,100,016
Cash and investment fund balance - ending	\$ 400,864	\$ 237,712	\$ -	\$ 4,853	\$ 7,260	\$ 6,639,255
Cash and Investment Assets - Ending						
Cash and investments	\$ 400,864	\$ 237,712	\$ -	\$ 4,853	\$ 7,260	\$ 4,386,119
Restricted assets:						
Cash and investments	-	-	-	-	-	2,253,136
Total cash and investment assets - ending	\$ 400,864	\$ 237,712	\$ -	\$ 4,853	\$ 7,260	\$ 6,639,255
Cash and Investment Fund Balance - Ending						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,421
Economic development	-	-	-	-	-	188,024
Debt service	-	-	-	-	-	1,227,265
Capital outlay	-	-	-	-	-	829,426
Unrestricted	400,864	237,712	-	4,853	7,260	4,386,119
Total cash and investment fund balance - ending	\$ 400,864	\$ 237,712	\$ -	\$ 4,853	\$ 7,260	\$ 6,639,255

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

	Employee Health Insurance Fund	Employer Health Insurance Fund	Totals
Operating receipts:			
Miscellaneous	\$ 483,041	\$ 1,903,004	\$ 2,386,045
Operating disbursements:			
Insurance claims and expense	541,131	1,881,372	2,422,503
Excess (deficiency) of receipts over disbursements	<u>(58,090)</u>	<u>21,632</u>	<u>(36,458)</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	<u>(58,090)</u>	<u>21,632</u>	<u>(36,458)</u>
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	(58,090)	21,632	(36,458)
Cash and investment fund balance - beginning	<u>162,481</u>	<u>199,608</u>	<u>362,089</u>
Cash and investment fund balance - ending	<u>\$ 104,391</u>	<u>\$ 221,240</u>	<u>\$ 325,631</u>
<u>Cash and Investment Assets - December 31</u>			
Restricted assets:			
Cash and investments	<u>\$ 104,391</u>	<u>\$ 221,240</u>	<u>\$ 325,631</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Other purposes	<u>\$ 104,391</u>	<u>\$ 221,240</u>	<u>\$ 325,631</u>

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

	<u>Police Pension Fund</u>	<u>Fire Pension Fund</u>	<u>Totals</u>
Additions:			
Contributions:			
Employer	\$ 85,545	\$ 65,757	\$ 151,302
State	<u>270,107</u>	<u>225,179</u>	<u>495,286</u>
Total contributions	<u>355,652</u>	<u>290,936</u>	<u>646,588</u>
Investment receipts:			
Interest	<u>552</u>	<u>141</u>	<u>693</u>
Interfund loans	<u>38,522</u>	<u>61,727</u>	<u>100,249</u>
Total additions	<u>394,726</u>	<u>352,804</u>	<u>747,530</u>
Deductions:			
Benefits	483,593	369,222	852,815
Administrative and general	<u>4,275</u>	<u>11,201</u>	<u>15,476</u>
Total deductions	<u>487,868</u>	<u>380,423</u>	<u>868,291</u>
Deficiency of total additions over total deductions	(93,142)	(27,619)	(120,761)
Cash and investment fund balance - beginning	<u>104,793</u>	<u>40,631</u>	<u>145,424</u>
Cash and investment fund balance - ending	<u>\$ 11,651</u>	<u>\$ 13,012</u>	<u>\$ 24,663</u>

CITY OF SHELBYVILLE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For The Year Ended December 31, 2008

	<u>Annie Kent Trust</u>	<u>Animal Shelter Endowment</u>	<u>Totals</u>
Additions:			
Investment earnings:			
Interest	\$ 20	\$ -	\$ 20
Cash and investment fund balance - beginning	<u>1,259</u>	<u>26,100</u>	<u>27,359</u>
Cash and investment fund balance - ending	<u>\$ 1,259</u>	<u>\$ 26,100</u>	<u>\$ 27,359</u>

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

	Payroll Clearing	PERF	Indiana Firefighters Pension	Indiana Police Pension	Totals
Additions:					
Agency fund additions	\$ 10,506,105	\$ 7,216	\$ 161,995	\$ 108,960	\$ 10,784,276
Deductions:					
Agency fund deductions	10,507,408	7,788	160,162	106,304	10,781,662
Excess (deficiency) of total additions over total deductions	(1,303)	(572)	1,833	2,656	2,614
Cash and investment fund balance - beginning	64,821	2,431	37,007	21,158	125,417
Cash and investment fund balance - ending	\$ 63,518	\$ 1,859	\$ 38,840	\$ 23,814	\$ 128,031

CITY OF SHELBYVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2008

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	\$ 6,654,861
Infrastructure	20,889,472
Buildings	16,987,516
Improvements other than buildings	8,012,336
Machinery and equipment	6,010,748
Construction in progress	<u>145,389</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 58,700,322</u>
<u>Primary Government</u>	<u>Ending Balance</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 16,000
Construction in progress	30,000
Buildings	25,064,262
Infrastructure	13,715,205
Machinery and equipment	<u>1,153,450</u>
 Total Wastewater Utility capital assets	 <u>39,978,917</u>
Stormwater Utility:	
Capital assets, not being depreciated:	
Infrastructure	10,130,410
Machinery and equipment	<u>72,709</u>
 Total Stormwater Utility capital assets	 <u>10,203,119</u>
 Total business-type activities capital assets	 <u>\$ 50,182,036</u>

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

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
3 Medtec Ambulances	\$ 198,470	\$ 137,115
2005 Pierce Fire Truck	66,098	67,446
2008 Smeal Aerial	883,495	88,350
Notes and loans payable	1,111,028	147,300
Bonds payable:		
General obligation bonds:		
Fire Station	5,621,381	440,996
Meridian Park Pool	330,000	177,650
Progress Parkway	4,185,000	348,605
Park Bond Phase #1	2,290,000	321,168
Park District	4,520,000	205,660
Revenue bonds - economic development:		
Northwest Sewer	1,760,000	196,975
Kroger TIF	510,000	71,500
Wal-Mart TIF	1,885,000	168,713
Knauf TIF	9,070,000	589,550
Total governmental activities debt	<u>\$ 32,430,472</u>	<u>\$ 2,961,028</u>
Business-type activities:		
Wastewater Utility:		
Revenue bonds:		
Plant Expansion	\$ 5,500,000	\$ 580,520
River Road	<u>2,036,010</u>	<u>187,169</u>
Total Wastewater Utility	<u>7,536,010</u>	<u>767,689</u>
Stormwater Utility:		
Revenue bonds:		
Various Projects	3,005,000	268,285
River Road	<u>898,991</u>	<u>82,644</u>
Total Stormwater Utility	<u>3,903,991</u>	<u>350,929</u>
Total business-type activities debt	<u>\$ 11,440,001</u>	<u>\$ 1,118,618</u>

CITY OF SHELBYVILLE
AUDIT RESULTS AND COMMENTS

CONFLICT OF INTEREST

Three individuals who work for the City of Shelbyville have contracts for services with the City. These services include plumbing, electrical, general construction, remodeling, and computer service and support. In addition, another city employee owns a fire equipment distributor business and sells fire equipment and supplies to the City. The four employees filled out a Uniform Conflict of Interest Disclosure Statement, but none of the statements have been filed.

IC 35-44-1-3 states in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony. . . ."

"(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant. . . and (B) makes a disclosure under subsection (d)(1) through (d)(6)."

"(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the State Board of Accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase. . . ."

"(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant. . . ."

"(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-9-2-2) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (1/2) of whose support is provided during a year by the public servant."

INTERNAL CONTROLS - PARK AND RECREATION DEPARTMENT

As stated in prior Report B33223, application and controls for receipt forms generated by the Park and Recreation Department are insufficient. Numerous receipt forms generated were not for collections of cash at all, but were used as reservation forms for particular programs. Frequently, receipts forms were issued with negative amounts for the purpose of documenting reimbursements to individuals for cancelled programs.

CITY OF SHELBYVILLE
 AUDIT RESULTS AND COMMENTS
 (Continued)

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 prior Reports B33223 and B30484, financial records presented for audit 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)

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>
Cumulative Thoroughfare	2008	\$ 181,716
Park and Recreation	2008	56,528
Water and Light	2008	24,999
Cumulative Capital Development	2008	39,533

IC 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."

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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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF 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 each of its major federal programs for the year ended December 31, 2008. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2008-1 and 2008-2.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on it.

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

STATE BOARD OF ACCOUNTS

December 17, 2009

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

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Direct Grant			
Airport Improvement Program	20.106		
3-18-0077-17			\$ 22,500
3-18-0077-18			125,160
3-18-0077-19			38,760
3-18-0077-20			<u>40,185</u>
Total for program			<u>226,605</u>
<u>U.S. DEPARTMENT OF THE INTERIOR</u>			
Pass-Through Indiana Department of Natural Resources			
Outdoor Recreation - Acquisition, Development and Planning	15.916		
Project #1800537			200,000
Project #1800544			200,000
Project #1800548			<u>200,000</u>
Total for program			<u>600,000</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation			
Highway Planning and Construction	20.205		
STP-9973(019)			256,396
STP-9973(021)			14,933
0686(003)			<u>801,063</u>
Total for program			<u>1,072,392</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute			
Traffic Safety and Drunk Driving Prevention	20.601		<u>5,053</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		
June Flooding			<u>7,176</u>
Total federal awards expended			<u>\$ 1,911,226</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 (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF SHELBYVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted?	no
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Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	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?	yes
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Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
15.916	Outdoor Recreation – Acquisition, Development and Planning
20.205	Highway Planning and Construction

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

Auditee qualified as low-risk auditee?	no
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Section II – Financial Statement Findings

No matters are reportable.

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2008-1, DAVIS BACON ACT

Federal Agency: U.S. Department of the Interior
Federal program: Outdoor Recreation – Acquisition, Development and Planning
CFDA Number: 15.916
Pass-Through Indiana Department of Natural Resources

The City of Shelbyville Department of Parks and Recreation contracted with a construction firm to construct improvements in a new city park. The City has not implemented adequate internal controls for monitoring compliance with payment of prevailing wages under the Davis-Bacon Act.

43 CFR 12.76 states in part:

"(i) Contract provisions. A grantee's and subgrantee's contracts must contain provisions in paragraph (i) of this section. Federal agencies are permitted to require changes, remedies, changed conditions, access and records retention, suspension of work, and other clauses approved by the Office of Federal Procurement Policy."

"(5) Compliance with the Davis-Bacon Act (40 U.S.C. 276a to 276a-7) as supplemented by Department of Labor regulations (29 CFR part 5). (Construction contracts in excess of \$2000 awarded by grantees and subgrantees when required by Federal grant program legislation)"

In accordance with 40 U.S.C. 276a, the Davis Bacon Act requires that a contract "which requires or involves the employment of mechanics and/or laborers shall contain a provision stating the minimum wages to be paid various classes of laborers and mechanics which shall be based upon the wages that will be determined by the Secretary of Labor to be prevailing for the corresponding classes of laborers and mechanics employed on projects of a character similar to the contract work . . ."

Failure to monitor compliance with the payment of prevailing wages under the Davis-Bacon Act may cause future funding to be reduced by the grantor agency.

We recommended the City of Shelbyville implement procedures to insure proper monitoring of construction grants for the payment of prevailing wages under the Davis-Bacon Act.

FINDING 2008-2, DAVIS BACON ACT

Federal Agency: U.S. Department of Transportation
Federal program: Highway Planning and Construction
CFDA Number: 20.205

The City of Shelbyville contracted with a construction firm to construct improvements to the Jackson Street Storm Sewer system. The City has not implemented adequate internal controls for monitoring compliance with payment of prevailing wages under the Davis-Bacon Act.

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

49 CFR 18.36 states in part:

"(i) Contract provisions. A grantee's and subgrantee's contracts must contain provisions in paragraph (i) of this section. Federal agencies are permitted to require changes, remedies, changed conditions, access and records retention, suspension of work, and other clauses approved by the Office of Federal Procurement Policy."

"(5) Compliance with the Davis-Bacon Act (40 U.S.C. 276a to 276a-7) as supplemented by Department of Labor regulations (29 CFR part 5). (Construction contracts in excess of \$2000 awarded by grantees and subgrantees when required by Federal grant program legislation)"

In accordance with 40 U.S.C. 276a, the Davis Bacon Act requires that a contract "which requires or involves the employment of mechanics and/or laborers shall contain a provision stating the minimum wages to be paid various classes of laborers and mechanics which shall be based upon the wages that will be determined by the Secretary of Labor to be prevailing for the corresponding classes of laborers and mechanics employed on projects of a character similar to the contract work . . ."

Failure to monitor compliance with the payment of prevailing wages under the Davis-Bacon Act may cause future funding to be reduced by the grantor agency.

We recommended the City of Shelbyville implement procedures to insure proper monitoring of construction grants for the payment of prevailing wages under the Davis-Bacon Act.

CITY OF SHELBYVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

SHELBYVILLE



INDIANA

Office of the City Clerk-Treasurer

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

RODNEY L. MEYERHOLTZ

November 19, 2009

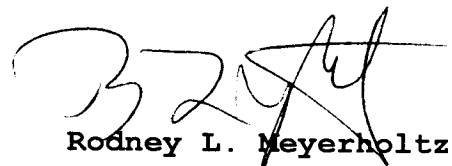
FINDING 2008-2, DAVIS BACON ACT
FEDERAL AGENCY: U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL PROGRAM: HIGHWAY PLANNING AND CONSTRUCTION
CFDA NUMBER: 20.205

CORRECTIVE ACTION PLAN
CONTACT PERSON: RODNEY L. MEYERHOLTZ
CONTACT PERSON PHONE NUMBER: 317-392-5103

The City of Shelbyville was not aware that the Jackson Street Storm Sewer system construction project was being funded with federal monies. The Indiana Department of Transportation, through whom the monies were received, did not inform city officials of the source of the proceeds for the project.

The City of Shelbyville in the future will insure that all construction projects will be thoroughly investigated to determine if the Davis Bacon Act applies. This will include the complete investigation of the grantor and any consultants that are involved in any particular project.

The Clerk-Treasurer, City Attorney and the Department Head that is involved with any particular project will be responsible for insuring that all aspects of the Davis Bacon Act will be followed.


Rodney L. Meyerholtz
Clerk-Treasurer

SHELBYVILLE



INDIANA

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RODNEY L. MEYERHOLTZ

November 19, 2009

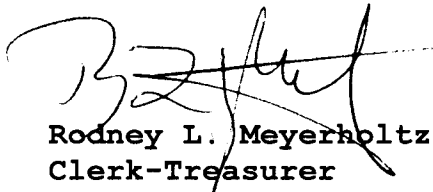
FINDING 2008-1, DAVIS BACON ACT
FEDERAL AGENCY: U.S. DEPARTMENT OF THE INTERIOR
FEDERAL PROGRAM: OUTDOOR RECREATION-ACQUISITION, DEVELOPMENT
AND PLANNING
CFDA NUMBER: 15.916

CORRECTIVE ACTION PLAN
CONTACT PERSON: RODNEY L. MEYERHOLTZ
CONTACT PERSON PHONE NUMBER: 317-392-5103

The City of Shelbyville did not know that the engineering company that was engaged to oversee the construction of the new park was not going to check on the requirements of the Davis Bacon Act.

The City of Shelbyville in the future will insure that all construction projects will be thoroughly investigated to determine if the Davis Bacon Act applies. This will include the complete investigation of the grantor and any consultants that are involved in any particular project.

The Clerk-Treasurer, City Attorney and the Department Head that is involved with any particular project will be responsible for insuring that all aspects of the Davis Bacon Act will be followed.


Rodney L. Meyerholtz
Clerk-Treasurer

CITY OF SHELBYVILLE
EXIT CONFERENCE

The contents of this report were discussed on December 17, 2009, with Scott Furgeson, Mayor; Rodney Meyerholtz, Clerk-Treasurer; and Carol Fowler, Deputy Clerk-Treasurer.