

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

ANNUAL FINANCIAL REPORT

2006

CITY OF RUSHVILLE

RUSH COUNTY, INDIANA



FILED
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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Ann L. Copley	01-01-04 to 12-31-07
Mayor	Robert M. Bridges	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Robert M. Bridges	01-01-04 to 12-31-07
President of the Common Council	Michael Pavey	01-01-06 to 12-31-07
Superintendent of Water Utility	Les Day	01-01-06 to 12-31-07
Superintendent of Wastewater Utility	Les Day	01-01-06 to 12-31-07
Utility Office Manager	Ruth Ann Wise	01-01-06 to 12-31-07



STATE OF INDIANA
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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 RUSHVILLE, RUSH 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 Rushville (City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2006, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated September 19, 2007, 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 and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. 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.

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

The Schedules of Funding Progress and 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, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 19, 2007



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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 RUSHVILLE, RUSH 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 Rushville (City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management in a separate letter dated September 19, 2007.

The City's response to the findings identified in our audit are described in the accompanying section of the report entitled Official Response. We did not audit the City's response and accordingly, we express no opinion on it.

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

STATE BOARD OF ACCOUNTS

September 19, 2007

CITY OF RUSHVILLE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2006

Functions/Programs	Program Receipts				Net Disbursement 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	\$ 1,237,500	\$ 58,961	\$ 108,826	\$ 28,625	\$ (1,041,088)	\$ -	\$ (1,041,088)
Public safety	1,916,502	20,706	7,189	-	(1,888,607)	-	(1,888,607)
Highways and streets	544,043	1,800	254,867	19,593	(267,783)	-	(267,783)
Sanitation	289,692	10,026	-	-	(279,666)	-	(279,666)
Health and welfare	102,253	-	-	-	(102,253)	-	(102,253)
Economic development	215,100	3,205	-	-	(211,895)	-	(211,895)
Culture and recreation	454,487	121,957	-	-	(332,530)	-	(332,530)
Interest on long-term debt	66,521	-	-	-	(66,521)	-	(66,521)
Total governmental activities	<u>4,826,098</u>	<u>216,655</u>	<u>370,882</u>	<u>48,218</u>	<u>(4,190,343)</u>	<u>-</u>	<u>(4,190,343)</u>
Business-type activities:							
Water	1,852,201	889,760	-	884,000	-	(78,441)	(78,441)
Wastewater	4,183,087	966,017	-	2,964,346	-	(252,724)	(252,724)
Total business-type activities	<u>6,035,288</u>	<u>1,855,777</u>	<u>-</u>	<u>3,848,346</u>	<u>-</u>	<u>(331,165)</u>	<u>(331,165)</u>
Total primary government	<u>\$ 10,861,386</u>	<u>\$ 2,072,432</u>	<u>\$ 370,882</u>	<u>\$ 3,896,564</u>	<u>(4,190,343)</u>	<u>(331,165)</u>	<u>(4,521,508)</u>
General receipts:							
Property taxes					2,951,746	-	2,951,746
Other local sources					1,055,515	94,072	1,149,587
Bonds and loans					-	165,000	165,000
Grants and contributions not restricted to specific programs					113,152	-	113,152
Unrestricted investment earnings					150,379	39,419	189,798
Total general receipts					<u>4,270,792</u>	<u>298,491</u>	<u>4,569,283</u>
Change in net assets					80,449	(32,674)	47,775
Net assets - beginning					4,454,158	946,422	5,400,580
Net assets - ending					<u>\$ 4,534,607</u>	<u>\$ 913,748</u>	<u>\$ 5,448,355</u>
<u>Assets</u>							
Cash and investments					\$ 3,686,287	\$ 307,069	\$ 3,993,356
Cash with fiscal agent					96,213	-	96,213
Restricted assets:							
Cash and investments					752,107	606,679	1,358,786
Total assets					<u>\$ 4,534,607</u>	<u>\$ 913,748</u>	<u>\$ 5,448,355</u>
<u>Net Assets</u>							
Restricted for:							
Public safety					\$ 11,469	\$ -	\$ 11,469
Highways and streets					210,185	-	210,185
Urban redevelopment and housing					354,689	-	354,689
Health and welfare					1,566	-	1,566
Debt service					96,213	450,940	547,153
Construction					-	32,287	32,287
Other purposes					174,198	123,452	297,650
Unrestricted					3,686,287	307,069	3,993,356
Total net assets					<u>\$ 4,534,607</u>	<u>\$ 913,748</u>	<u>\$ 5,448,355</u>

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

CITY OF RUSHVILLE
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, 2006

	General	Electric Liquidation	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 2,760,441	\$ -	\$ 191,305	\$ 2,951,746
Licenses and permits	490	-	1,101	1,591
Intergovernmental	1,055,515	-	310,275	1,365,790
Charges for services	23,886	-	64,988	88,874
Fines and forfeits	8,053	-	2,817	10,870
Other	126,569	71,912	289,195	487,676
	<u>3,974,954</u>	<u>71,912</u>	<u>859,681</u>	<u>4,906,547</u>
Total receipts				
	<u>3,974,954</u>	<u>71,912</u>	<u>859,681</u>	<u>4,906,547</u>
Disbursements:				
General government	1,204,425	-	6,705	1,211,130
Public safety	1,892,144	-	24,359	1,916,503
Highways and streets	-	-	544,043	544,043
Sanitation	274,692	-	15,000	289,692
Health and welfare	102,253	-	-	102,253
Culture and recreation	317,689	-	101,798	419,487
Urban redevelopment and housing	41,500	-	122,826	164,326
Debt service:				
Principal	-	-	81,804	81,804
Interest	-	-	66,521	66,521
Capital outlay:				
Highways and streets	-	-	26,370	26,370
Special assessments	-	-	3,969	3,969
	<u>3,832,703</u>	<u>-</u>	<u>993,395</u>	<u>4,826,098</u>
Total disbursements				
	<u>3,832,703</u>	<u>-</u>	<u>993,395</u>	<u>4,826,098</u>
Excess (deficiency) of receipts over (under) disbursements				
	<u>142,251</u>	<u>71,912</u>	<u>(133,714)</u>	<u>80,449</u>
Other financing sources (uses):				
Transfers in	54,851	101,873	45,300	202,024
Transfers out	(106,062)	(24,800)	(71,162)	(202,024)
	<u>(51,211)</u>	<u>77,073</u>	<u>(25,862)</u>	<u>-</u>
Total other financing sources (uses)				
	<u>(51,211)</u>	<u>77,073</u>	<u>(25,862)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses				
	91,040	148,985	(159,576)	80,449
Cash and investment fund balance - beginning	<u>1,262,538</u>	<u>1,502,857</u>	<u>1,688,763</u>	<u>4,454,158</u>
Cash and investment fund balance - ending	<u>\$ 1,353,578</u>	<u>\$ 1,651,842</u>	<u>\$ 1,529,187</u>	<u>\$ 4,534,607</u>
Cash and Investment Assets - December 31				
Cash and investments	\$ 1,353,578	\$ 1,651,842	\$ 680,867	\$ 3,686,287
Cash with fiscal agent	-	-	96,213	96,213
Restricted assets:				
Cash and investments	-	-	752,107	752,107
Total cash and investment assets - December 31	<u>\$ 1,353,578</u>	<u>\$ 1,651,842</u>	<u>\$ 1,529,187</u>	<u>\$ 4,534,607</u>
Cash and Investment Fund Balance - December 31				
Restricted for:				
Public safety	\$ -	\$ -	\$ 11,469	\$ 11,469
Highways and streets	-	-	210,185	210,185
Urban redevelopment and housing	-	-	354,689	354,689
Health and welfare	-	-	1,566	1,566
Debt service	-	-	96,213	96,213
Other purposes	-	-	174,198	174,198
Unrestricted	<u>1,353,578</u>	<u>1,651,842</u>	<u>680,867</u>	<u>3,686,287</u>
Total cash and investment fund balance - December 31	<u>\$ 1,353,578</u>	<u>\$ 1,651,842</u>	<u>\$ 1,529,187</u>	<u>\$ 4,534,607</u>

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

CITY OF RUSHVILLE
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, 2006

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Customer collections	\$ 889,760	\$ 966,017	\$ 1,855,777
Other water receipts	33,230	-	33,230
Other	89	89	178
	<u>923,079</u>	<u>966,106</u>	<u>1,889,185</u>
Total operating receipts			
Operating disbursements:			
Cost of sales and services	427,865	412,917	840,782
Equipment and capital improvements	996,963	3,276,863	4,273,826
Other	18,060	-	18,060
Salaries and wages	250,965	290,282	541,247
	<u>1,693,853</u>	<u>3,980,062</u>	<u>5,673,915</u>
Total operating disbursements			
Deficiency of operating receipts under operating disbursements	<u>(770,774)</u>	<u>(3,013,956)</u>	<u>(3,784,730)</u>
Nonoperating receipts (disbursements):			
Bond proceeds	90,000	75,000	165,000
Intergovernmental	884,000	2,964,346	3,848,346
Local contributions	26,515	34,149	60,664
Interest and investment receipts	14,936	24,483	39,419
Debt service of principal	(105,000)	(110,000)	(215,000)
Interest and investment disbursement	<u>(44,848)</u>	<u>(93,025)</u>	<u>(137,873)</u>
Total nonoperating receipts (disbursements)	<u>865,603</u>	<u>2,894,953</u>	<u>3,760,556</u>
Excess (deficiency) of receipts over (under) disbursements and nonoperating receipts (disbursements)	94,829	(119,003)	(24,174)
Transfers out	<u>(8,500)</u>	<u>-</u>	<u>(8,500)</u>
Excess (deficiency) of receipts, contributions and transfers in over (under) disbursements and transfers out	86,329	(119,003)	(32,674)
Cash and investment fund balance - beginning	<u>355,723</u>	<u>590,699</u>	<u>946,422</u>
Cash and investment fund balance - ending	<u>\$ 442,052</u>	<u>\$ 471,696</u>	<u>\$ 913,748</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 141,898	\$ 165,171	\$ 307,069
Restricted assets:			
Cash and investments	<u>300,154</u>	<u>306,525</u>	<u>606,679</u>
Total cash and investment assets - December 31	<u>\$ 442,052</u>	<u>\$ 471,696</u>	<u>\$ 913,748</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 172,787	\$ 278,153	\$ 450,940
Construction	3,915	28,372	32,287
Other purposes	123,452	-	123,452
Unrestricted	<u>141,898</u>	<u>165,171</u>	<u>307,069</u>
Total cash and investment fund balance - December 31	<u>\$ 442,052</u>	<u>\$ 471,696</u>	<u>\$ 913,748</u>

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

CITY OF RUSHVILLE
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2006

	Pension Trust Funds	Agency Funds
Additions:		
Contributions:		
Employer	\$ 463,966	\$ -
Investment earnings:		
Interest	17,549	-
Transfers in	20,000	-
Agency fund additions	-	2,766,533
Total additions	501,515	2,766,533
Deductions:		
Benefits	391,256	-
Administrative and general	200	-
Transfers out	20,000	-
Agency fund deductions	-	2,771,791
Total deductions	411,456	2,771,791
Excess (deficiency) of total additions over (under) total deductions	90,059	(5,258)
Cash and investment fund balance - beginning	523,662	97,748
Cash and investment fund balance - ending	\$ 613,721	\$ 92,490

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

CITY OF RUSHVILLE
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

Primary Government: City of Rushville

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

The City reports the following major governmental funds:

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

The electric liquidation fund accounts for the proceeds from the sale of the City's electric utility and is utilized to fund capital projects when necessary.

The City reports the following major proprietary funds:

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

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

CITY OF RUSHVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Additionally, the City reports the following fund types:

The pension trust funds account for the activities of the Fire and Police pension funds, which accumulate resources for pension benefit payments.

Agency funds account for assets held by the City as an agent for various taxing authorities and city employees' benefit providers.

C. Measurement Focus and Basis of Accounting

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

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City and the municipal 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. The City does not have any internal service funds.

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.

CITY OF RUSHVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. 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.

3. 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.

4. 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 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 RUSHVILLE
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:

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 Statement of Activities and Net Assets – Cash and Investment Basis.

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.

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.

CITY OF RUSHVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2006, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2006
CREDIT	<u>\$ 19,485</u>

These disbursements were funded by the available fund balance.

III. Detailed Notes on All Funds

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

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2006, were as follows:

Transfer From	Transfer To	2006
General Fund	Electric Liquidation	\$ 68,262
	Other governmental	37,800
Electric Liquidation	General Fund	24,800
Other governmental	General Fund	30,051
	Electric Liquidation	33,611
	Other governmental	7,500
All others	All others	<u>20,000</u>
Total		<u>\$ 222,024</u>

The City typically uses transfers to fund ongoing operating subsidies and to transfer the portion of state-shared revenues from the General Fund to the debt service fund for current-year debt service requirements.

CITY OF RUSHVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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; 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.

During 1992, the City joined with other governmental entities in the Indiana Public Employer's 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. The City pays an annual premium to the risk pool for its workman's compensation 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.

B. Rate Structure – Enterprise Funds

Water Utility

On August 7, 2001, the City Council adopted Ordinance No. 2001-9 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on October 18, 2005.

Wastewater Utility

The current rate structure was approved by the City Council on October 18, 2005.

C. 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 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.

CITY OF RUSHVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

CITY OF RUSHVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Annual required contribution	\$ 73,190	\$ 235,700	\$ 93,300
Interest on net pension obligation	(7,839)	75,000	23,300
Adjustment to annual required contribution	<u>8,934</u>	<u>(81,800)</u>	<u>(25,400)</u>
Annual pension cost	74,285	228,900	91,200
Contributions made	<u>116,118</u>	<u>170,120</u>	<u>116,709</u>
Increase (decrease) in net pension obligation	(41,833)	58,780	(25,509)
Net pension obligation, beginning of year	<u>(108,131)</u>	<u>1,111,737</u>	<u>345,164</u>
Net pension obligation, end of year	<u>\$ (149,964)</u>	<u>\$ 1,170,517</u>	<u>\$ 319,655</u>

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	11.5%	624%	N/A
Plan members	3%	6%	6%
Actuarial valuation date	07-01-06	01-01-06	01-01-06
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	33 years	14 years	14 years
Amortization period (from date)	07-01-97	12-31-77	12-31-77
Asset valuation method	smoothed market	smoothed market	smoothed market

N/A = Not available

CITY OF RUSHVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

*2.75% converted members; 4% nonconverted members

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 89,356	161%	\$ (98,680)
	06-30-05	105,953	109%	(108,131)
	06-30-06	74,285	110%	(149,964)
1925 Police Officers' Pension Plan	12-31-03	302,300	67%	1,011,649
	12-31-04	309,700	68%	1,111,737
	12-31-05	228,900	74%	1,170,517
1937 Firefighters' Pension Plan	12-31-03	131,000	107%	347,799
	12-31-04	138,300	102%	345,164
	12-31-05	91,200	128%	319,655

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2006, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retirees and beneficiaries currently receiving benefits	9	7
Terminated employees entitled to but not yet receiving benefits	0	0
Current active employees	0	1

CITY OF RUSHVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

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

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

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

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

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2006, 2005, and 2004, were \$217,255, \$200,429, and \$190,553, respectively, equal to the required contributions for each year.

CITY OF RUSHVILLE
 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)
07-01-04	\$ 437,794	\$ 1,201,297	\$ (763,503)	36%	\$ 1,028,216	(74%)
07-01-05	530,772	986,892	(456,120)	54%	835,383	(55%)
07-01-06	246,520	790,443	(543,923)	31%	982,233	(55%)

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)
01-01-01	\$ 103,134	\$ 3,066,700	\$ (2,963,566)	3%	\$ 31,700	(9,349%)
01-01-02	131,613	3,128,200	(2,996,587)	4%	33,800	(8,866%)
01-01-03	181,678	2,723,500	(2,541,822)	7%	33,600	(7,565%)
01-01-04	195,217	3,082,100	(2,886,883)	6%	35,000	(8,248%)
01-01-05	252,294	3,111,100	(2,858,806)	8%	36,000	(7,941%)
01-01-06	257,493	3,157,800	(2,900,307)	8%	37,800	(7,673%)

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)
01-01-01	\$ 59,284	\$ 1,375,900	\$ (1,316,616)	4%	No covered payroll	N/A
01-01-02	104,203	1,411,000	(1,306,797)	7%	No covered payroll	N/A
01-01-03	168,932	1,348,000	(1,179,068)	13%	No covered payroll	N/A
01-01-04	198,038	1,363,700	(1,165,662)	15%	No covered payroll	N/A
01-01-05	260,988	1,340,800	(1,079,812)	19%	No covered payroll	N/A
01-01-06	261,809	1,305,800	(1,043,991)	20%	No covered payroll	N/A

N/A = Not available

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

	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed		
			City	State	Total
1925 Police Officers' Pension Plan	12-31-00	\$ 305,900	0%	0%	56%*
	12-31-01	315,600	0%	0%	63%*
	12-31-02	333,600	0%	0%	70%*
	12-31-03	343,400	0%	0%	59%*
	12-31-04	360,700	31%	27%	58%
	12-31-05	235,700	40%	32%	72%
1937 Firefighters' Pension Plan	12-31-00	\$ 137,900	0%	0%	56%*
	12-31-01	138,700	0%	0%	103%*
	12-31-02	147,600	0%	0%	116%*
	12-31-03	147,000	0%	0%	95%*
	12-31-04	155,800	48%	42%	90%
	12-31-05	93,300	73%	52%	125%

*Information from prior years not available to separate the Percentage of ARC Contributed between City and State.

CITY OF RUSHVILLE
 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, 2006

	Motor Vehicle Highway	Local Road and Street	Law Enforcement Continuing Education	Park Nonreverting Operating	Rainy Day	Miscellaneous Revenue Revolving Loan
Receipts:						
Taxes	\$ 60,134	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	1,101	-	-	-
Intergovernmental	254,867	19,594	-	-	-	-
Charges for services	1,800	-	2,753	44,730	-	-
Fines and forfeits	-	-	1,194	-	-	-
Other	14,331	2,270	-	8,744	11,008	2,716
Total receipts	331,132	21,864	5,048	53,474	11,008	2,716
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	8,175	-	-	-
Highways and streets	506,385	37,658	-	-	-	-
Sanitation	-	-	-	-	-	-
Culture and recreation	-	-	-	44,345	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	506,385	37,658	8,175	44,345	-	-
Excess (deficiency) of receipts over (under) disbursements	(175,253)	(15,794)	(3,127)	9,129	11,008	2,716
Other financing sources (uses):						
Transfers in	-	-	-	7,500	37,800	-
Transfers out	-	-	-	-	(11,151)	-
Total other financing sources (uses)	-	-	-	7,500	26,649	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(175,253)	(15,794)	(3,127)	16,629	37,657	2,716
Cash and investment fund balance - beginning	332,921	68,311	7,769	65,027	184,801	61,917
Cash and investment fund balance - ending	\$ 157,668	\$ 52,517	\$ 4,642	\$ 81,656	\$ 222,458	\$ 64,633
Cash and Investment Assets - December 31						
Cash and investments	\$ -	\$ -	\$ -	\$ 81,656	\$ 222,458	\$ -
Cash with fiscal agent	-	-	-	-	-	-
Restricted assets:						
Cash and investments	157,668	52,517	4,642	-	-	64,633
Total cash and investment assets - December 31	\$ 157,668	\$ 52,517	\$ 4,642	\$ 81,656	\$ 222,458	\$ 64,633
Cash and Investment Fund Balance - December 31						
Restricted for:						
Public safety	\$ -	\$ -	\$ 4,642	\$ -	\$ -	\$ -
Highways and streets	157,668	52,517	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	64,633
Health and welfare	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-
Unrestricted	-	-	-	81,656	222,458	-
Total cash and investment fund balance - December 31	\$ 157,668	\$ 52,517	\$ 4,642	\$ 81,656	\$ 222,458	\$ 64,633

CITY OF RUSHVILLE
 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, 2006
 (Continued)

	Unsafe Building	Abandoned Vehicle	K-9 Division	Donation	Forfeiture Monies	21st Century
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	5,679	-	-	-	-	-
Fines and forfeits	-	-	-	-	1,623	-
Other	6,421	-	2,635	49,056	-	2,927
Total receipts	12,100	-	2,635	49,056	1,623	2,927
Disbursements:						
General government	6,705	-	-	-	-	-
Public safety	-	-	3,063	-	3,784	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Culture and recreation	-	-	-	43,462	-	-
Urban redevelopment and housing	-	-	-	-	-	4,039
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	6,705	-	3,063	43,462	3,784	4,039
Excess (deficiency) of receipts over (under) disbursements	5,395	-	(428)	5,594	(2,161)	(1,112)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	5,395	-	(428)	5,594	(2,161)	(1,112)
Cash and investment fund balance - beginning	2,465	1,415	528	11,477	8,468	87,325
Cash and investment fund balance - ending	<u>\$ 7,860</u>	<u>\$ 1,415</u>	<u>\$ 100</u>	<u>\$ 17,071</u>	<u>\$ 6,307</u>	<u>\$ 86,213</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ 7,860	\$ 1,415	\$ -	\$ -	\$ -	\$ 86,213
Cash with fiscal agent	-	-	-	-	-	-
Restricted assets:						
Cash and investments	-	-	100	17,071	6,307	-
Total cash and investment assets - December 31	<u>\$ 7,860</u>	<u>\$ 1,415</u>	<u>\$ 100</u>	<u>\$ 17,071</u>	<u>\$ 6,307</u>	<u>\$ 86,213</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Public safety	\$ -	\$ -	\$ 100	\$ -	\$ 6,307	\$ -
Highways and streets	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Other purposes	-	-	-	17,071	-	-
Unrestricted	7,860	1,415	-	-	-	86,213
Total cash and investment fund balance - December 31	<u>\$ 7,860</u>	<u>\$ 1,415</u>	<u>\$ 100</u>	<u>\$ 17,071</u>	<u>\$ 6,307</u>	<u>\$ 86,213</u>

CITY OF RUSHVILLE
 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, 2006
 (Continued)

	Tobacco Enforcement	Flatrock Apartments	Operation Pullover	CDBG Program Income	OJP Grants/Vests	IDFA Ameitech
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	6,586	-	603	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	-	-	12,915	-	1,616
Total receipts	-	-	6,586	12,915	603	1,616
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	6,789	-	2,548	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	2,000	-	34,972	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	-	2,000	6,789	34,972	2,548	-
Excess (deficiency) of receipts over (under) disbursements	-	(2,000)	(203)	(22,057)	(1,945)	1,616
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	-	(2,000)	(203)	(22,057)	(1,945)	1,616
Cash and investment fund balance - beginning	1,566	5,507	623	22,281	1,945	18,698
Cash and investment fund balance - ending	<u>\$ 1,566</u>	<u>\$ 3,507</u>	<u>\$ 420</u>	<u>\$ 224</u>	<u>\$ -</u>	<u>\$ 20,314</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash with fiscal agent	-	-	-	-	-	-
Restricted assets:						
Cash and investments	1,566	3,507	420	224	-	20,314
Total cash and investment assets - December 31	<u>\$ 1,566</u>	<u>\$ 3,507</u>	<u>\$ 420</u>	<u>\$ 224</u>	<u>\$ -</u>	<u>\$ 20,314</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Public safety	\$ -	\$ -	\$ 420	\$ -	\$ -	\$ -
Highways and streets	-	-	-	-	-	-
Urban redevelopment and housing	-	3,507	-	224	-	20,314
Health and welfare	1,566	-	-	-	-	-
Debt service	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-
Total cash and investment fund balance - December 31	<u>\$ 1,566</u>	<u>\$ 3,507</u>	<u>\$ 420</u>	<u>\$ 224</u>	<u>\$ -</u>	<u>\$ 20,314</u>

CITY OF RUSHVILLE
 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, 2006
 (Continued)

	Sanitation Nonreverting Landfill	Brownfields Grant	Booker T. Washington	2nd and Perkins Turn Radius	CEDIT	Redevelopment Bond
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,160
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	10,026	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	979	616	22,353	-	119,928	3,225
Total receipts	11,005	616	22,353	-	119,928	67,385
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	15,000	-	-	-	-	-
Culture and recreation	-	-	13,991	-	-	-
Urban redevelopment and housing	-	-	-	-	81,815	-
Debt service:						
Principal	-	-	-	-	35,000	46,804
Interest	-	-	-	-	22,320	44,201
Capital outlay:						
General government	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	15,000	-	13,991	-	139,135	91,005
Excess (deficiency) of receipts over (under) disbursements	(3,995)	616	8,362	-	(19,207)	(23,620)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(7,500)	-	-	-
Total other financing sources (uses)	-	-	(7,500)	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(3,995)	616	862	-	(19,207)	(23,620)
Cash and investment fund balance - beginning	26,207	18,052	13,058	3,350	260,990	119,833
Cash and investment fund balance - ending	\$ 22,212	\$ 18,668	\$ 13,920	\$ 3,350	\$ 241,783	\$ 96,213
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ 22,212	\$ -	\$ 13,920	\$ 3,350	\$ 241,783	\$ -
Cash with fiscal agent	-	-	-	-	-	96,213
Restricted assets:						
Cash and investments	-	18,668	-	-	-	-
Total cash and investment assets - December 31	\$ 22,212	\$ 18,668	\$ 13,920	\$ 3,350	\$ 241,783	\$ 96,213
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and streets	-	-	-	-	-	-
Urban redevelopment and housing	-	18,668	-	-	-	-
Health and welfare	-	-	-	-	-	-
Debt service	-	-	-	-	-	96,213
Other purposes	-	-	-	-	-	-
Unrestricted	22,212	-	13,920	3,350	241,783	-
Total cash and investment fund balance - December 31	\$ 22,212	\$ 18,668	\$ 13,920	\$ 3,350	\$ 241,783	\$ 96,213

CITY OF RUSHVILLE
 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, 2006
 (Continued)

	Cumulative Capital Improvement	Intat Storm Sewer Grant	Flatrock Project	Build Indiana Community Center	Cumulative Capital Development	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 67,011	\$ 191,305
Licenses and permits	-	-	-	-	-	1,101
Intergovernmental	21,417	-	-	-	7,208	310,275
Charges for services	-	-	-	-	-	64,988
Fines and forfeits	-	-	-	-	-	2,817
Other	479	-	1,232	8,072	17,672	289,195
Total receipts	21,896	-	1,232	8,072	91,891	859,681
Disbursements:						
General government	-	-	-	-	-	6,705
Public safety	-	-	-	-	-	24,359
Highways and streets	-	-	-	-	-	544,043
Sanitation	-	-	-	-	-	15,000
Culture and recreation	-	-	-	-	-	101,798
Urban redevelopment and housing	-	-	-	-	-	122,826
Debt service:						
Principal	-	-	-	-	-	81,804
Interest	-	-	-	-	-	66,521
Capital outlay:						
General government	-	-	-	18,834	7,536	26,370
Urban redevelopment and housing	-	-	3,969	-	-	3,969
Total disbursements	-	-	3,969	18,834	7,536	993,395
Excess (deficiency) of receipts over (under) disbursements	21,896	-	(2,737)	(10,762)	84,355	(133,714)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	45,300
Transfers out	(18,900)	-	-	-	(33,611)	(71,162)
Total other financing sources (uses)	(18,900)	-	-	-	(33,611)	(25,862)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,996	-	(2,737)	(10,762)	50,744	(159,576)
Cash and investment fund balance - beginning	18,703	7,167	35,889	258,105	44,365	1,688,763
Cash and investment fund balance - ending	\$ 21,699	\$ 7,167	\$ 33,152	\$ 247,343	\$ 95,109	\$ 1,529,187
Cash and Investment Assets - December 31						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 680,867
Cash with fiscal agent	-	-	-	-	-	96,213
Restricted assets:						
Cash and investments	21,699	7,167	33,152	247,343	95,109	752,107
Total cash and investment assets - December 31	\$ 21,699	\$ 7,167	\$ 33,152	\$ 247,343	\$ 95,109	\$ 1,529,187
Cash and Investment Fund Balance - December 31						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,469
Highways and streets	-	-	-	-	-	210,185
Urban redevelopment and housing	-	-	-	247,343	-	354,689
Health and welfare	-	-	-	-	-	1,566
Debt service	-	-	-	-	-	96,213
Other purposes	21,699	7,167	33,152	-	95,109	174,198
Unrestricted	-	-	-	-	-	680,867
Total cash and investment fund balance - December 31	\$ 21,699	\$ 7,167	\$ 33,152	\$ 247,343	\$ 95,109	\$ 1,529,187

CITY OF RUSHVILLE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2006

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Supplemental Police and Fire Pension</u>	<u>Totals</u>
Additions:				
Contributions:				
Employer	\$ 346,532	\$ 117,434	\$ -	\$ 463,966
Investment receipts:				
Interest	5,056	6,912	5,581	17,549
Transfer in	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>
Total additions	<u>351,588</u>	<u>124,346</u>	<u>25,581</u>	<u>501,515</u>
Deductions:				
Benefits	292,340	98,916	-	391,256
Administrative and general	100	100	-	200
Transfers out	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>20,000</u>
Total deductions	<u>302,440</u>	<u>109,016</u>	<u>-</u>	<u>411,456</u>
Excess of total additions over total deductions	49,148	15,330	25,581	90,059
Cash and investment fund balance - beginning	<u>207,493</u>	<u>211,809</u>	<u>104,360</u>	<u>523,662</u>
Cash and investment fund balance - ending	<u>\$ 256,641</u>	<u>\$ 227,139</u>	<u>\$ 129,941</u>	<u>\$ 613,721</u>

CITY OF RUSHVILLE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2006

	<u>City Payroll</u>	<u>Utility Payroll</u>	<u>Flexible Spending Account</u>	<u>Totals</u>
Additions:				
Agency fund additions	\$ 2,377,671	\$ 366,416	\$ 22,446	\$ 2,766,533
Deductions:				
Agency fund deductions	<u>2,387,375</u>	<u>363,457</u>	<u>20,959</u>	<u>2,771,791</u>
Excess (deficiency) of total additions over (under) total deductions	(9,704)	2,959	1,487	(5,258)
Cash and investment fund balance - beginning	<u>89,097</u>	<u>-</u>	<u>8,651</u>	<u>97,748</u>
Cash and investment fund balance - ending	<u>\$ 79,393</u>	<u>\$ 2,959</u>	<u>\$ 10,138</u>	<u>\$ 92,490</u>

CITY OF RUSHVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Fire truck	\$ 131,700	\$ 46,101
Trash packer	17,501	17,501
Backhoe	48,243	23,632
Notes and loans payable	31,607	10,371
Bonds payable:		
General obligation bond:		
Park district bonds	<u>470,000</u>	<u>40,000</u>
Total governmental activities long-term debt	<u>\$ 699,051</u>	<u>\$ 137,605</u>
Governmental Activities - Economic Development:		
Tax Increment Financing (TIF) Bonds:		
INTAT redevelopment bonds	<u>\$ 187,380</u>	<u>\$ 64,909</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
2001 Water works refunding bonds	\$ 600,000	\$ 110,000
2005 Water line extension bonds	<u>794,000</u>	<u>5,000</u>
Total Water Utility	<u>1,394,000</u>	<u>115,000</u>
Wastewater Utility		
Capital lease:		
Sewage jet truck	55,917	27,336
Revenue bonds:		
1995 Sewage works revenue bonds	1,315,000	115,000
2005 Sewer line extension bonds	<u>965,000</u>	<u>8,700</u>
Total Wastewater Utility	<u>2,335,917</u>	<u>151,036</u>
Total business-type activities long-term debt:	<u>\$ 3,729,917</u>	<u>\$ 266,036</u>

CITY OF RUSHVILLE
AUDIT RESULTS AND COMMENTS

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>
CEDIT	2006	<u>\$ 19,485</u>

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

CAPITAL ASSET RECORDS (City and Utilities)

The City of Rushville and its Water and Wastewater Utilities do not maintain any capital asset records. Records providing historical cost for the capital asset acquisitions and disposals were not available for audit.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE CITY OF RUSHVILLE, RUSH COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Rushville (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, 2006. 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, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2006-1.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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 are described in the accompanying Official Response section of the report. We did not audit the City's response and, accordingly, we express no opinion on it.

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

STATE BOARD OF ACCOUNTS

September 19, 2007

CITY OF RUSHVILLE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended December 31, 2006

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 AGRICULTURE</u>			
Direct Grant			
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 3,799,000
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Department of Commerce			
Community Development Block Grants/State's Program	14.228	CF-04-220	163,370
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Bulletproof Vest Partnership Program	16.607		2,548
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601		
		OP-06-02-05-10	3,005
		OP-07-01-01-78	447
Total for federal grantor agency			3,452
Total federal awards expended			\$ 3,968,370

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

CITY OF RUSHVILLE
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 Rushville (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 RUSHVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	yes

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2006-1, CAPITAL ASSETS

Federal Agency: U.S. Department of Agriculture
Federal Program: Water and Waste Disposal Systems for Rural Communities
CFDA Number: 10.760

The City of Rushville has not maintained an adequate capital asset system which would account for capital asset acquisitions, dispositions, and the identification or earmarking of those assets acquired with federal funds.

Each governmental unit should have a complete inventory of all capital assets owned, in accordance with their own capitalization policy. Such inventory should be recorded in the Capital Assets Ledger or properly approved form, as applicable. Additions, deletions, and transfers should be recorded in the prescribed form on a regular basis. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Failure to properly account for capital assets may result in property and equipment being lost, stolen, or otherwise misappropriated, and not being detected.

We recommended that City officials design and properly monitor procedures that would ensure that capital assets are properly recorded and inventoried.

CITY OF RUSHVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



Mayor
Robert M. Bridges
(765) 932-3735

Fax (765) 932-4355

Clerk-Treasurer
Ann Copley
(765) 932-2672

August 14, 2007

**Re: U.S. Department of Agriculture
Water & Waste Disposal Systems for Rural Communities
CFDA #10.760**

To Whom It May Concern:

The City of Rushville is aware that the City and utilities have not maintained the necessary capital asset records. I am in the process of developing a comprehensive list of City and utility owned assets. I have appropriated money in the budget for assistance in this regard.

Sincerely,

Ann L. Copley,
Clerk-Treasurer

ALC

CITY OF RUSHVILLE
EXIT CONFERENCE

The contents of this report were discussed on September 19, 2007, with Ann L. Copley, Clerk-Treasurer; and Robert M. Bridges, Mayor. The officials concurred with our audit findings.