

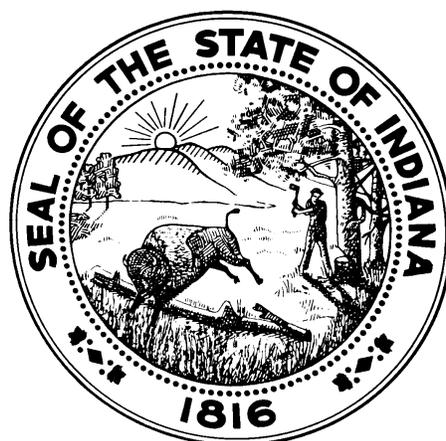
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2006

CITY OF CONNERSVILLE

FAYETTE COUNTY, INDIANA



FILED
11/19/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Julie A. Greeson	01-01-04 to 12-31-07
Mayor	Max A. Ellison	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Max A. Ellison	01-01-04 to 12-31-07
President of the Common Council	Mark Brockman	01-01-06 to 12-31-07
Director of Utilities	Harold J. Ellison	01-01-06 to 12-31-07
Utilities Office Manager	Karen L. Lore	01-01-06 to 12-31-07



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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 CONNERSVILLE, FAYETTE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund and the aggregate remaining fund information of the City of Connersville (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 October 16, 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, 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

October 16, 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 CONNERSVILLE, FAYETTE 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 Connersville (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 October 16, 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.

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.

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

October 16, 2007

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

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	\$ 1,890,444	\$ 434,640	\$ -	\$ 283,212	\$ (1,172,592)	\$ -	\$ (1,172,592)
Public safety	7,846,458	650,856	31,787	859,627	(6,304,188)	-	(6,304,188)
Highways and streets	1,704,198	6,905	-	345,789	(1,351,504)	-	(1,351,504)
Sanitation	1,199,690	399,824	-	-	(799,866)	-	(799,866)
Health and welfare	49,541	-	-	-	(49,541)	-	(49,541)
Culture and recreation	784,860	167,189	-	-	(617,671)	-	(617,671)
Economic development	165,358	-	-	-	(165,358)	-	(165,358)
Interest on long-term debt	105,826	-	-	-	(105,826)	-	(105,826)
Total governmental activities	<u>13,746,375</u>	<u>1,659,414</u>	<u>31,787</u>	<u>1,488,628</u>	<u>(10,566,546)</u>	<u>-</u>	<u>(10,566,546)</u>
Business-type activities:							
Water	2,981,826	2,531,969	-	-	-	(449,857)	(449,857)
Wastewater	3,173,137	2,748,331	-	-	-	(424,806)	(424,806)
Storm Water	625,465	865,623	-	-	-	240,158	240,158
Rotary Fund	89,807	83,664	-	-	-	(6,143)	(6,143)
Total business-type activities	<u>6,870,235</u>	<u>6,229,587</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(640,648)</u>	<u>(640,648)</u>
Total primary government	<u>\$ 20,616,610</u>	<u>\$ 7,889,001</u>	<u>\$ 31,787</u>	<u>\$ 1,488,628</u>	<u>(10,566,546)</u>	<u>(640,648)</u>	<u>(11,207,194)</u>
General receipts:							
Property taxes					6,681,096	-	6,681,096
Other local sources					3,496,971	62,520	3,559,491
Bonds and loans					171,000	585,000	756,000
Grants and contributions not restricted to specific programs					20,272	-	20,272
Unrestricted investment earnings					251,783	379,552	631,335
Total general receipts					<u>10,621,122</u>	<u>1,027,072</u>	<u>11,648,194</u>
Change in net assets					54,576	386,424	441,000
Net assets - beginning					<u>6,428,227</u>	<u>8,073,515</u>	<u>14,501,742</u>
Net assets - ending					<u>\$ 6,482,803</u>	<u>\$ 8,459,939</u>	<u>\$ 14,942,742</u>
<u>Assets</u>							
Cash and investments					\$ 3,618,216	\$ 2,248,501	\$ 5,866,717
Restricted assets:							
Cash and investments					<u>2,864,587</u>	<u>6,211,438</u>	<u>9,076,025</u>
Total assets					<u>\$ 6,482,803</u>	<u>\$ 8,459,939</u>	<u>\$ 14,942,742</u>
<u>Net Assets</u>							
Restricted for:							
General government					\$ 383,423	\$ -	\$ 383,423
Public safety					50,439	-	50,439
Highways and streets					841,858	-	841,858
Culture and recreation					384,439	-	384,439
Economic development					480,277	-	480,277
Debt service					10,576	1,090,783	1,101,359
Insurance premiums					713,575	-	713,575
Construction					-	4,175,164	4,175,164
Customer deposits					-	216,434	216,434
Other purposes					-	729,057	729,057
Unrestricted					<u>3,618,216</u>	<u>2,248,501</u>	<u>5,866,717</u>
Total net assets					<u>\$ 6,482,803</u>	<u>\$ 8,459,939</u>	<u>\$ 14,942,742</u>

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

CITY OF CONNERSVILLE
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	Other Governmental Funds	Totals
Receipts:			
Taxes	\$ 5,542,577	\$ 1,138,519	\$ 6,681,096
Licenses and permits	150	-	150
Intergovernmental	2,110,838	2,722,601	4,833,439
Charges for services	1,266,894	392,520	1,659,414
Fines and forfeits	14,941	-	14,941
Other	282,416	98,031	380,447
	<u>9,217,816</u>	<u>4,351,671</u>	<u>13,569,487</u>
Disbursements:			
General government	1,002,621	572,713	1,575,334
Public safety	6,882,998	963,460	7,846,458
Highways and streets	24,755	1,333,654	1,358,409
Sanitation	1,199,690	-	1,199,690
Health and welfare	49,541	-	49,541
Culture and recreation	10,000	674,517	684,517
Economic development	30,358	135,000	165,358
Debt service:			
Principal	-	80,000	80,000
Interest	-	105,826	105,826
Capital outlay:			
General Government	-	315,110	315,110
Highways and streets	-	345,789	345,789
Culture and recreation	-	20,344	20,344
	<u>9,199,963</u>	<u>4,546,413</u>	<u>13,746,376</u>
Excess (deficiency) of receipts over disbursements	<u>17,853</u>	<u>(194,742)</u>	<u>(176,889)</u>
Other financing sources (uses):			
Loans	-	171,000	171,000
Transfers in	-	154,275	154,275
Transfers out	-	(154,275)	(154,275)
	<u>-</u>	<u>171,000</u>	<u>171,000</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	17,853	(23,742)	(5,889)
Cash and investment fund balance - beginning	<u>2,903,900</u>	<u>2,871,217</u>	<u>5,775,117</u>
Cash and investment fund balance - ending	<u>\$ 2,921,753</u>	<u>\$ 2,847,475</u>	5,769,228
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.			<u>713,575</u>
Net assets of governmental activities			<u>\$ 6,482,803</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 2,921,753	\$ 696,464	\$ 3,618,217
Restricted assets:			
Cash and investments	<u>-</u>	<u>2,151,011</u>	<u>2,151,011</u>
Total cash and investment assets - December 31	<u>\$ 2,921,753</u>	<u>\$ 2,847,475</u>	<u>\$ 5,769,228</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
General government	\$ -	\$ 383,423	\$ 383,423
Public safety	-	50,439	50,439
Highways and streets	-	841,858	841,858
Culture and recreation	-	384,439	384,439
Economic development	-	480,277	480,277
Debt service	-	10,576	10,576
Unrestricted	<u>2,921,753</u>	<u>696,463</u>	<u>3,618,216</u>
Total cash and investment fund balance - December 31	<u>\$ 2,921,753</u>	<u>\$ 2,847,475</u>	<u>\$ 5,769,228</u>

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

CITY OF CONNERSVILLE
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	Storm Water Utility	Rotary Fund	Totals	Internal Service Funds
Operating receipts:						
Metered water receipts:						
Residential	\$ 1,376,965	\$ 1,735,429	\$ -	\$ -	\$ 3,112,394	\$ -
Commercial	385,712	501,467	-	-	887,179	-
Industrial	438,384	455,485	-	-	893,869	-
Storm water revenue	-	-	861,035	-	861,035	-
Fuel sales	-	-	-	83,519	83,519	-
Fire protection receipts	158,908	-	-	-	158,908	-
Other receipts	172,000	55,950	4,588	145	232,683	-
Self-insurance collections	-	-	-	-	-	1,887,300
Total operating receipts	2,531,969	2,748,331	865,623	83,664	6,229,587	1,887,300
Operating disbursements:						
Cost of sales and services	-	-	-	89,807	89,807	-
Salaries and wages	987,700	1,538,800	371,612	-	2,898,112	-
Purchased power	127,194	142,799	-	-	269,993	-
Chemicals	10,269	6,628	-	-	16,897	-
Material and supplies	308,190	273,731	24,467	-	606,388	-
Contractual services	183,001	181,027	100,341	-	464,369	-
Rents	545	548	-	-	1,093	-
Office expense	41,702	142,211	49,684	-	233,597	-
Transportation disbursements	40,035	32,397	3,079	-	75,511	-
Health care costs	44,715	71,930	9,790	-	126,435	1,826,835
Payment in lieu of taxes	132,901	111,104	-	-	244,005	-
Construction costs	432,777	169,643	61,093	-	663,513	-
Miscellaneous disbursements	79,559	1,771	5,399	-	86,729	-
Total operating disbursements	2,388,588	2,672,589	625,465	89,807	5,776,449	1,826,835
Excess (deficiency) of operating receipts over operating disbursements	143,381	75,742	240,158	(6,143)	453,138	60,465
Nonoperating receipts (disbursements):						
Bond proceeds	-	-	585,000	-	585,000	-
Interest and investment receipts	204,710	107,418	67,424	-	379,552	-
Miscellaneous receipts	31,575	30,945	-	-	62,520	-
Debt service of principal	(240,000)	(260,000)	-	-	(500,000)	-
Interest and investment disbursement	(336,185)	(228,233)	-	-	(564,418)	-
Miscellaneous disbursements	(17,053)	(12,315)	-	-	(29,368)	-
Total nonoperating receipts (disbursements)	(356,953)	(362,185)	652,424	-	(66,714)	-
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	(213,572)	(286,443)	892,582	(6,143)	386,424	60,465
Cash and investment fund balance - beginning	4,398,712	2,606,488	1,026,649	41,666	8,073,515	653,110
Cash and investment fund balance - ending	\$ 4,185,140	\$ 2,320,045	\$ 1,919,231	\$ 35,523	\$ 8,459,939	\$ 713,575
Cash and Investment Assets - December 31						
Cash and investments	\$ 515,153	\$ 315,422	\$ 1,382,403	\$ 35,523	\$ 2,248,501	\$ -
Restricted assets:						
Cash and investments	3,669,987	2,004,623	536,828	-	6,211,438	713,575
Total cash and investment assets - December 31	\$ 4,185,140	\$ 2,320,045	\$ 1,919,231	\$ 35,523	\$ 8,459,939	\$ 713,575
Cash and Investment Fund Balance - December 31						
Restricted for:						
Debt service	\$ 437,024	\$ 653,759	\$ -	\$ -	\$ 1,090,783	\$ -
Construction	3,095,267	543,069	536,828	-	4,175,164	-
Customer deposits	137,359	79,075	-	-	216,434	-
Insurance premiums	-	-	-	-	-	713,575
Other purposes	337	728,720	-	-	729,057	-
Unrestricted	515,153	315,422	1,382,403	35,523	2,248,501	-
Total cash and investment fund balance - December 31	\$ 4,185,140	\$ 2,320,045	\$ 1,919,231	\$ 35,523	\$ 8,459,939	\$ 713,575

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

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

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Additions:			
Contributions:			
Employer	\$ 689,803	\$ -	\$ -
Plan members	2,797	-	-
State	1,275,882	-	-
Other	-	12,481	-
	<u>1,968,482</u>	<u>12,481</u>	<u>-</u>
Total contributions			
	<u>1,968,482</u>	<u>12,481</u>	<u>-</u>
Investment earnings:			
Interest	-	5,562	-
	<u>-</u>	<u>5,562</u>	<u>-</u>
Agency fund additions	-	-	12,453,582
	<u>-</u>	<u>-</u>	<u>12,453,582</u>
Total additions			
	<u>1,968,482</u>	<u>18,043</u>	<u>12,453,582</u>
Deductions:			
Benefits	1,724,640	320	-
Agency fund deductions	-	-	12,453,582
	<u>1,724,640</u>	<u>320</u>	<u>12,453,582</u>
Total deductions			
	<u>1,724,640</u>	<u>320</u>	<u>12,453,582</u>
Excess of total additions over total deductions	243,842	17,723	-
Cash and investment fund balance - beginning	<u>1,143,032</u>	<u>162,441</u>	<u>-</u>
Cash and investment fund balance - ending	<u>\$ 1,386,874</u>	<u>\$ 180,164</u>	<u>\$ -</u>

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

CITY OF CONNERSVILLE
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, storm water, municipal airport and urban redevelopment.

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

Primary Government: City of Connerville

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

Related Organizations

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments.

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.

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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

The rotary fund accounts for the operation of fuel sales at the City owned airport.

Additionally, the City reports the following fund types:

The internal service fund accounts for health insurance 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, which accumulate resources for pension benefit payments.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the benefactors of the of the individual trust agreements.

Agency funds account for assets held by the City as an agent for payroll and payroll withholdings funds and serve as a control of accounts for certain cash transactions during the time they are a liability to the City.

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.

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 government's water, wastewater and storm water functions of the government. 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. 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.

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Stewardship, Compliance and Accountability

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.

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
Other governmental	Other governmental	\$ 115,781
Other governmental	Other governmental	38,494
Total		<u>\$ 154,275</u>

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

CITY OF CONNERSVILLE
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; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The policy of the City is to purchase commercial insurance for the risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and medical benefits to employees in certain City departments.

Medical Benefits to employees, Retirees, and Dependents

The City has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents. The risk financing fund is accounted for in the Nonreverting Insurance Fund, an internal service fund, where assets are set aside for claim settlements. The City deposits a fixed maximum amount per month based on the number of active participants with a commercial insurance company from which health insurance claims are paid. The insurance company covers all claims exceeding that amount and any claims of more than \$60,000 annually on any one person. Amounts are paid into the fund by all insured funds and are available to make the monthly deposit and to pay administrative costs of the program. Interfund premiums are based upon the insurance coverage selected by employees paid from each fund, and are reported as quasi-external interfund transactions.

Job Related Illnesses or Injuries to Employees

During 2001, the City joined together with other governmental entities to form the Indiana Public Employees Plan, a public entity risk pool currently operating as a common risk management and insurance program for approximately 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 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.

The policy of the City is to not purchase commercial insurance for the risks of loss related to natural disasters. Instead, the primary government records, as an expenditure, any loss as the liability is incurred or replacement items are purchased.

B. Subsequent Events

The Department of Storm Water Management is in the process of a major construction project consisting of building a major trunk line and totally rebuilding West 20th Street, including the street and curbs. The project is being funded by a Federal Indiana Department of Transportation Grant in the amount of \$1,284,000 and local funds consisting of a Bond Anticipation Note in the amount of \$585,000, issued on April 25, 2006. The bonds are expected to be sold by December 31, 2007.

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Conduit Debt Obligation

The City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the primary government, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2006, there was one series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$3,600,000. The proceeds of the bonds were used to finance a portion of plant expansion of Custom Extrusions, Inc.

D. Postemployment Benefits

The City provides postemployment health insurance and life insurance benefits as authorized by Indiana Code 5-10-8, to all police and fire employees who retire after attaining age 52 with at least 20 years of service and to all other City employees on or after attaining age 60 with a least 15 years of service. Currently, 49 retirees meet these eligibility requirements. The City provides 100% of these benefits. Disbursements for these postemployment benefits are recognized on a pay as you go basis. During the year ended December 31, 2006, expenditures of \$482,113 were recognized for postemployment benefits.

E. Rate Structure – Enterprise Funds

Water Utility

The current rate structure was approved by the City Council on November 1, 2004.

Wastewater Utility

The current rate structure was approved by the City Council on November 1, 2004.

Department of Storm Water Management

The current rate structure was approved by the City Council on December 16, 2002.

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.

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

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 CONNERSVILLE
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>Utility PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Annual required contribution	\$ 153,690	\$ 210,795	\$ 730,400	\$ 1,313,800
Interest on net pension obligation	(3,123)	7,782	444,100	873,900
Adjustment to annual required contribution	<u>3,559</u>	<u>(8,868)</u>	<u>(484,200)</u>	<u>(952,600)</u>
Annual pension cost	154,126	209,709	690,300	1,235,100
Contributions made	<u>134,797</u>	<u>190,013</u>	<u>249,274</u>	<u>270,462</u>
Increase in net pension obligation	19,329	19,696	441,026	964,638
Net pension obligation, beginning of year	<u>(43,078)</u>	<u>107,336</u>	<u>6,579,603</u>	<u>12,946,327</u>
Net pension obligation, end of year	<u>\$ (23,749)</u>	<u>\$ 127,032</u>	<u>\$ 7,020,629</u>	<u>\$ 13,910,965</u>

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF	Utility PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:				
City	6.25%	10.75%	34%	21%
Plan members	3%	3%	6%	6%
Actuarial valuation date	07-01-06	07-01-06	01-01-05	01-01-05
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed 40 years	Level percentage of projected payroll, closed 40 years	Level percentage of projected payroll, closed 30 years	Level percentage of projected payroll, closed 30 years
Amortization period				
Amortization period (from date)	07-01-97	07-01-97	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	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

Actuarial Assumptions

Investment rate of return	7.25%	7.25%	6%	6%
Projected future salary increases:				
Total	5%	5%	4%	4%
Attributed to inflation	4%	4%	4%	4%
Attributed to merit/seniority	1%	1%	0%	0%
Cost-of-living adjustments	2%	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	\$ 110,829	104%	\$ (33,784)
	06-30-05	116,890	108%	(43,078)
	06-30-06	154,126	115%	(23,749)
Utility PERF	06-30-04	181,555	89%	83,868
	06-30-05	199,431	88%	107,336
	06-30-06	209,709	95%	127,032

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1925 Police Officers' Pension Plan	12-31-03	\$ 842,400	33%	\$ 5,979,471
	12-31-04	865,300	31%	6,579,603
	12-31-05	690,300	36%	7,020,629
1937 Firefighters' Pension Plan	12-31-03	1,600,500	16%	11,695,157
	12-31-04	1,519,800	18%	12,946,327
	12-31-05	1,235,100	22%	13,910,965

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	23	42
Terminated employees entitled to but not yet receiving benefits	-	-
Current active employees	1	2

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

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 \$689,803, \$519,736, and \$533,798, respectively, equal to the required contributions for each year.

CITY OF CONNERSVILLE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund - Government Employees

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	\$ 1,062,326	\$ 1,376,524	\$ (314,198)	77%	\$ 1,820,995	(17%)
07-01-05	1,162,903	1,738,648	(575,745)	67%	2,080,688	(28%)
07-01-06	1,439,787	2,278,468	(838,681)	63%	2,163,336	(39%)

Utilities' Public Employees' Retirement 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)
07-01-04	\$ 1,478,782	\$ 3,148,766	\$ (1,669,984)	47%	\$ 1,550,987	(108%)
07-01-05	1,618,743	3,302,056	(1,683,313)	49%	1,698,240	(99%)
07-01-06	2,332,750	3,189,925	(857,175)	73%	1,664,239	(52%)

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)
01-01-01	\$ 562,683	\$ 10,385,300	\$ (9,822,617)	5%	\$ 108,400	\$ (9,061)
01-01-02	600,507	10,048,400	(9,447,893)	6%	74,200	(12,733)
01-01-03	730,151	8,340,000	(7,609,849)	9%	228,700	(3,327)
01-01-04	578,246	10,047,700	(9,469,454)	6%	78,300	(12,094)
01-01-05	600,557	9,294,400	(8,693,843)	6%	39,200	(22,178)
01-01-06	691,800	10,033,200	(9,341,400)	7%	41,000	(22,784)

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)
01-01-01	\$ 573,617	\$ 18,105,800	\$ (17,532,183)	3%	\$ 429,200	\$ (4,085)
01-01-02	668,657	18,363,400	(17,694,743)	4%	220,500	(8,025)
01-01-03	854,561	16,847,200	(15,992,639)	5%	528,300	(3,027)
01-01-04	753,561	17,984,200	(17,230,639)	4%	232,600	(7,408)
01-01-05	608,219	16,700,400	(16,092,181)	4%	155,100	(10,375)
01-01-06	451,233	17,851,800	(17,400,567)	3%	121,600	(14,310)

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

	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed City
1925 Police Officers' Pension Plan	12-31-00	\$ 1,032,600	21%
	12-31-01	1,069,300	23%
	12-31-02	1,067,300	25%
	12-31-03	1,086,800	26%
	12-31-04	1,166,800	23%
	12-31-05	730,400	34%
1937 Firefighters' Pension Plan	12-31-00	1,838,000	9%
	12-31-01	1,920,700	10%
	12-31-02	1,969,800	13%
	12-31-03	2,067,700	13%
	12-31-04	2,109,500	13%
	12-31-05	1,313,800	21%

CITY OF CONNERSVILLE
 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 and Recreation	Restricted Donation	Cable Education
Receipts:						
Taxes	\$ 518,801	\$ -	\$ -	\$ 473,389	\$ -	\$ -
Intergovernmental	595,691	219,142	-	30,869	-	-
Charges for services	6,905	-	8,791	110,026	-	167,117
Other	33,348	-	-	6,689	8,544	1,060
Total receipts	1,154,745	219,142	8,791	620,973	8,544	168,177
Disbursements:						
General government	-	-	-	-	6,615	138,311
Public safety	-	-	11,733	-	-	-
Highways and streets	978,177	355,477	-	-	-	-
Culture and recreation	-	-	-	640,096	-	-
Economic development	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General Government	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	978,177	355,477	11,733	640,096	6,615	138,311
Excess (deficiency) of receipts over disbursements	176,568	(136,335)	(2,942)	(19,123)	1,929	29,866
Other financing sources (uses):						
Loans	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(38,494)	-	-
Total other financing sources (uses)	-	-	-	(38,494)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	176,568	(136,335)	(2,942)	(57,617)	1,929	29,866
Cash and investment fund balance - beginning	411,307	390,318	6,168	329,132	13,044	149,163
Cash and investment fund balance - ending	<u>\$ 587,875</u>	<u>\$ 253,983</u>	<u>\$ 3,226</u>	<u>\$ 271,515</u>	<u>\$ 14,973</u>	<u>\$ 179,029</u>
Cash and Investment Assets - December 31						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 179,029
Restricted assets:						
Cash and investments	587,875	253,983	3,226	271,515	14,973	-
Total cash and investment assets - December 31	<u>\$ 587,875</u>	<u>\$ 253,983</u>	<u>\$ 3,226</u>	<u>\$ 271,515</u>	<u>\$ 14,973</u>	<u>\$ 179,029</u>
Cash and Investment Fund Balance - December 31						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ 14,973	\$ -
Public safety	-	-	3,226	-	-	-
Highways and streets	587,875	253,983	-	-	-	-
Culture and recreation	-	-	-	271,515	-	-
Economic development	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	179,029
Total cash and investment fund balance - December 31	<u>\$ 587,875</u>	<u>\$ 253,983</u>	<u>\$ 3,226</u>	<u>\$ 271,515</u>	<u>\$ 14,973</u>	<u>\$ 179,029</u>

CITY OF CONNERSVILLE
 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)

	Aviation Commission	Cemetery	Parking Ordinance	Tax Abatement	R.U.F.F. Drug	Park Restricted Donation
Receipts:						
Taxes	\$ 54,128	\$ 10,551	\$ -	\$ -	\$ -	\$ -
Intergovernmental	3,567	691	-	-	23,750	-
Charges for services	23,168	-	-	350	19,000	-
Other	28,726	-	-	-	3,273	850
Total receipts	<u>109,589</u>	<u>11,242</u>	<u>-</u>	<u>350</u>	<u>46,023</u>	<u>850</u>
Disbursements:						
General government	369,592	12,946	-	163	-	-
Public safety	-	-	-	-	62,669	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	3,417
Economic development	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General Government	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	<u>369,592</u>	<u>12,946</u>	<u>-</u>	<u>163</u>	<u>62,669</u>	<u>3,417</u>
Excess (deficiency) of receipts over disbursements	<u>(260,003)</u>	<u>(1,704)</u>	<u>-</u>	<u>187</u>	<u>(16,646)</u>	<u>(2,567)</u>
Other financing sources (uses):						
Loans	171,000	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>171,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(89,003)</u>	<u>(1,704)</u>	<u>-</u>	<u>187</u>	<u>(16,646)</u>	<u>(2,567)</u>
Cash and investment fund balance - beginning	<u>295,376</u>	<u>25,439</u>	<u>6,151</u>	<u>2,639</u>	<u>63,601</u>	<u>4,292</u>
Cash and investment fund balance - ending	<u>\$ 206,373</u>	<u>\$ 23,735</u>	<u>\$ 6,151</u>	<u>\$ 2,826</u>	<u>\$ 46,955</u>	<u>\$ 1,725</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ -	\$ 23,735	\$ 6,151	\$ 2,826	\$ -	\$ -
Restricted assets:						
Cash and investments	<u>206,373</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,955</u>	<u>1,725</u>
Total cash and investment assets - December 31	<u>\$ 206,373</u>	<u>\$ 23,735</u>	<u>\$ 6,151</u>	<u>\$ 2,826</u>	<u>\$ 46,955</u>	<u>\$ 1,725</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
General government	\$ 206,373	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	46,955	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	1,725
Economic development	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Unrestricted	<u>-</u>	<u>23,735</u>	<u>6,151</u>	<u>2,826</u>	<u>-</u>	<u>-</u>
Total cash and investment fund balance - December 31	<u>\$ 206,373</u>	<u>\$ 23,735</u>	<u>\$ 6,151</u>	<u>\$ 2,826</u>	<u>\$ 46,955</u>	<u>\$ 1,725</u>

CITY OF CONNERSVILLE
 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)

	Drug Coalition	Seminar Training	FEMA Grant Project	Riverboat Revenue	Park Nonreverting
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	3,532	-	559,528	96,978	-
Charges for services	-	-	-	-	29,113
Other	-	878	-	-	-
	<u>3,532</u>	<u>878</u>	<u>559,528</u>	<u>96,978</u>	<u>29,113</u>
Total receipts	<u>3,532</u>	<u>878</u>	<u>559,528</u>	<u>96,978</u>	<u>29,113</u>
Disbursements:					
General government	-	-	-	45,086	-
Public safety	1,198	-	587,761	-	-
Highways and streets	-	-	-	-	-
Culture and recreation	-	-	-	-	31,004
Economic development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay:					
General Government	-	-	-	-	-
Highways and streets	-	-	-	-	-
Culture and recreation	-	-	-	-	-
	<u>1,198</u>	<u>-</u>	<u>587,761</u>	<u>45,086</u>	<u>31,004</u>
Total disbursements	<u>1,198</u>	<u>-</u>	<u>587,761</u>	<u>45,086</u>	<u>31,004</u>
Excess (deficiency) of receipts over disbursements	<u>2,334</u>	<u>878</u>	<u>(28,233)</u>	<u>51,892</u>	<u>(1,891)</u>
Other financing sources (uses):					
Loans	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,334	878	(28,233)	51,892	(1,891)
Cash and investment fund balance - beginning	<u>3,666</u>	<u>1,576</u>	<u>28,491</u>	<u>253,687</u>	<u>7,903</u>
Cash and investment fund balance - ending	<u>\$ 6,000</u>	<u>\$ 2,454</u>	<u>\$ 258</u>	<u>\$ 305,579</u>	<u>\$ 6,012</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 6,000	\$ 2,454	\$ -	\$ 305,579	\$ -
Restricted assets:					
Cash and investments	-	-	258	-	6,012
	<u>6,000</u>	<u>2,454</u>	<u>258</u>	<u>305,579</u>	<u>6,012</u>
Total cash and investment assets - December 31	<u>\$ 6,000</u>	<u>\$ 2,454</u>	<u>\$ 258</u>	<u>\$ 305,579</u>	<u>\$ 6,012</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
General government	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	258	-	-
Highways and streets	-	-	-	-	-
Culture and recreation	-	-	-	-	6,012
Economic development	-	-	-	-	-
Debt service	-	-	-	-	-
Unrestricted	<u>6,000</u>	<u>2,454</u>	<u>-</u>	<u>305,579</u>	<u>-</u>
Total cash and investment fund balance - December 31	<u>\$ 6,000</u>	<u>\$ 2,454</u>	<u>\$ 258</u>	<u>\$ 305,579</u>	<u>\$ 6,012</u>

CITY OF CONNERSVILLE
 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)

	Brownsfield Grant	Economic Development Income Tax	Eastern Avenue Grant	Park Bond Debt Service	Park Pool Debt Service
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	300,099	199,378	345,789	-	-
Charges for services	-	-	-	28,050	-
Other	-	-	-	-	-
Total receipts	300,099	199,378	345,789	28,050	-
Disbursements:					
General government	-	-	-	-	-
Public safety	300,099	-	-	-	-
Highways and streets	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Economic development	-	135,000	-	-	-
Debt service:					
Principal	-	-	-	30,000	50,000
Interest	-	-	-	40,045	65,781
Capital outlay:					
General Government	-	-	-	-	-
Highways and streets	-	-	345,789	-	-
Culture and recreation	-	-	-	-	-
Total disbursements	300,099	135,000	345,789	70,045	115,781
Excess (deficiency) of receipts over disbursements	-	64,378	-	(41,995)	(115,781)
Other financing sources (uses):					
Loans	-	-	-	-	-
Transfers in	-	-	-	38,494	115,781
Transfers out	-	(115,781)	-	-	-
Total other financing sources (uses)	-	(115,781)	-	38,494	115,781
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(51,403)	-	(3,501)	-
Cash and investment fund balance - beginning	-	205,744	-	14,077	-
Cash and investment fund balance - ending	\$ -	\$ 154,341	\$ -	\$ 10,576	\$ -
Cash and Investment Assets - December 31					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:					
Cash and investments	-	154,341	-	10,576	-
Total cash and investment assets - December 31	\$ -	\$ 154,341	\$ -	\$ 10,576	\$ -
Cash and Investment Fund Balance - December 31					
Restricted for:					
General government	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-
Highways and streets	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Economic development	-	154,341	-	-	-
Debt service	-	-	-	10,576	-
Unrestricted	-	-	-	-	-
Total cash and investment fund balance - December 31	\$ -	\$ 154,341	\$ -	\$ 10,576	\$ -

CITY OF CONNERSVILLE
 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	Cumulative Capital Development	Airport Improvement	Park Pool Construction	Totals
Receipts:					
Taxes	\$ -	\$ 81,650	\$ -	\$ -	\$ 1,138,519
Intergovernmental	55,056	5,319	283,212	-	2,722,601
Charges for services	-	-	-	-	392,520
Other	-	-	-	14,663	98,031
Total receipts	55,056	86,969	283,212	14,663	4,351,671
Disbursements:					
General government	-	-	-	-	572,713
Public safety	-	-	-	-	963,460
Highways and streets	-	-	-	-	1,333,654
Culture and recreation	-	-	-	-	674,517
Economic development	-	-	-	-	135,000
Debt service:					
Principal	-	-	-	-	80,000
Interest	-	-	-	-	105,826
Capital outlay:					
General Government	70,007	-	245,103	-	315,110
Highways and streets	-	-	-	-	345,789
Culture and recreation	-	-	-	20,344	20,344
Total disbursements	70,007	-	245,103	20,344	4,546,413
Excess (deficiency) of receipts over disbursements	(14,951)	86,969	38,109	(5,681)	(194,742)
Other financing sources (uses):					
Loans	-	-	-	-	171,000
Transfers in	-	-	-	-	154,275
Transfers out	-	-	-	-	(154,275)
Total other financing sources (uses)	-	-	-	-	171,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(14,951)	86,969	38,109	(5,681)	(23,742)
Cash and investment fund balance - beginning	185,640	238,967	123,968	110,868	2,871,217
Cash and investment fund balance - ending	\$ 170,689	\$ 325,936	\$ 162,077	\$ 105,187	\$ 2,847,475
Cash and Investment Assets - December 31					
Cash and investments	\$ 170,689	\$ -	\$ -	\$ -	\$ 696,463
Restricted assets:					
Cash and investments	-	325,936	162,077	105,187	2,151,012
Total cash and investment assets - December 31	\$ 170,689	\$ 325,936	\$ 162,077	\$ 105,187	\$ 2,847,475
Cash and Investment Fund Balance - December 31					
Restricted for:					
General government	\$ -	\$ -	\$ 162,077	\$ -	\$ 383,423
Public safety	-	-	-	-	50,439
Highways and streets	-	-	-	-	841,858
Culture and recreation	-	-	-	105,187	384,439
Economic development	-	325,936	-	-	480,277
Debt service	-	-	-	-	10,576
Unrestricted	170,689	-	-	-	696,463
Total cash and investment fund balance - December 31	\$ 170,689	\$ 325,936	\$ 162,077	\$ 105,187	\$ 2,847,475

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

	Police Pension	Fire Pension	Totals
Additions:			
Contributions:			
Employer	\$ 185,694	\$ 504,109	\$ 689,803
Plan members	-	2,797	2,797
State	468,107	807,775	1,275,882
Total contributions	653,801	1,314,681	1,968,482
Deductions:			
Benefits	613,684	1,110,957	1,724,641
Excess of total additions over total deductions	40,117	203,724	243,841
Cash and investment fund balance - beginning	691,800	451,232	1,143,032
Cash and investment fund balance - ending	\$ 731,917	\$ 654,956	\$ 1,386,873

CITY OF CONNERSVILLE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For The Year Ended December 31, 2006

	J. E. Roberts Trust	Community Improvement Program	D.O.E. Springs Trust	Totals
Additions:				
Contributions:				
Other	\$ -	\$ 12,481	\$ -	\$ 12,481
Investment earnings:				
Interest	<u>320</u>	<u>5,242</u>	<u>-</u>	<u>5,562</u>
Total additions	<u>320</u>	<u>17,723</u>	<u>-</u>	<u>18,043</u>
Deductions:				
Administrative and general	<u>320</u>	<u>-</u>	<u>-</u>	<u>320</u>
Excess of total additions over total deductions	-	17,723	-	17,723
Cash and investment fund balance - beginning	<u>16,000</u>	<u>142,441</u>	<u>4,000</u>	<u>162,441</u>
Cash and investment fund balance - ending	<u>\$ 16,000</u>	<u>\$ 160,164</u>	<u>\$ 4,000</u>	<u>\$ 180,164</u>

CITY OF CONNERSVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

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.

General infrastructure assets completed in the current and prior year have been reported.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 2,740,549
Infrastructure	4,308,926
Buildings	1,218,182
Improvements other than buildings	5,345,665
Machinery and equipment	1,776,857
Construction in progress	<u>-</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 15,390,178</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 58,099
Buildings	2,683,214
Infrastructure	4,463,709
Machinery and equipment	<u>2,097,368</u>
 Total Water Utility capital assets	 <u>9,302,390</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	338,737

Land	338,737
Buildings	5,490,649
Infrastructure	5,318,775
Improvements other than buildings	54,195
Machinery and equipment	<u>2,884,147</u>

Total Wastewater Utility capital assets 14,086,503

Storm Water Utility:

Capital assets, not being depreciated:

Land	8,533
Buildings	25,793
Infrastructure	30,774
Improvements other than buildings	70,440
Machinery and equipment	<u>145,821</u>

Total Storm Water Utility capital assets 281,361

Total business-type activities
capital assets

\$ 23,670,254

CITY OF CONNERSVILLE
 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:		
Loader & Dump Truck	\$ 157,073	\$ 19,501
Bonds payable:		
General obligation bonds:		
Edin-Park Pool	1,400,000	115,781
Revenue bonds:		
John Miller Bldg.	775,000	69,645
Total governmental activities long-term debt	<u>\$ 2,332,073</u>	<u>\$ 204,927</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
Water Improvements	6,865,000	576,185
Total Water Utility	<u>6,865,000</u>	<u>576,185</u>
Wastewater Utility		
Revenue bonds:		
Wastewater Utility Improvements	4,485,000	488,233
Total Wastewater Utility	<u>4,485,000</u>	<u>488,233</u>
Storm Water Utility		
Bond Anticipation Note	585,000	-
Total Storm Water Utility	<u>585,000</u>	<u>-</u>
Total business-type activities long-term debt:	<u>\$ 11,935,000</u>	<u>\$ 1,064,418</u>

CITY OF CONNERSVILLE
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER RUFF DRUG TASK FORCE DISBURSEMENTS

The City is the administrator of the Byrne Formula Grants received by the RUFF (Multi-County) Drug Task Force. The funds for this grant are often disbursed in cash as confidential funds to the Grant Administrator. Ted McQuinley held this position through March 28, 2007, serving under Fayette County Sheriff, Frank Jackson, until December 31, 2006, and Sheriff Billy Wayson after January 1, 2007. Beginning on March 28, 2007, David Joseph Laughlin became the new Grant Administrator. The Task Force is under the direction of a local Board composed of the County Sheriffs and Police Chiefs of the participating counties.

A review of the transactions of the confidential funds of the RUFF Task Force disclosed the following deficiencies:

1. 54% of the receipt forms reviewed did not contain a witness signature or the witness signature was illegible;
2. 75% of receipt forms for expended funds were not approved by a supervisor;
3. 4% of the receipt forms did not contain a corresponding case number; and
4. 12% of the receipt forms did not contain a description of the information or services provided.

According to the Office of Justice Programs Financial Guide, Part III Chapter 8, confidential funds should only be expended for purchases of services, purchases of evidence and purchase of specific information related to a specific case or investigation. The receipt for the funds expended must include:

1. The jurisdiction initiating the payment;
2. A description of the information/evidence received;
3. The amount of payment;
4. The date on which the payment was made;
5. The signature of the informant payee;
6. The signature of the case agent or the officer making the payment;
7. The signature of at least one other officer witnessing the payment; and
8. The signature of the first line supervisor authorizing and certifying the payment.

The Office of Justice Programs Financial Guide requires that the participating agencies ensure that the controls over disbursements of confidential funds are adequate to safeguard against the misuse of such funds.

In addition, governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF CONNERSVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

OPERATING EXPENSES PAID OUT OF DRUG BUY MONEY

During the year 2006, and for the period from January 1, 2007 to March 28, 2007, Ted McQuinley disbursed \$9,027 from confidential funds that were unrelated to an investigation. These disbursements included such expenses as office rent, motel rooms and per diems paid to officers attending training seminars. These expenditures are operational in nature and are required to be paid through the normal claims process of the City. Paying these expenses in cash circumvents the safeguards provided by law.

According to the Office of Justice Programs Financial Guide, Part III Chapter 8, confidential funds should only be expended for purchases of services, purchases of evidence and purchase of specific information related to a specific case or investigation.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

RUFF DRUG TASK FORCE - CONDITION OF RECORDS

Financial records presented for audit were incomplete and not wholly reflective of the activity of the RUFF Drug Task Force Confidential Funds. The following deficiencies were noted during the audit:

1. The ledger presented for audit was not maintained after October 2, 2006, and did not provide sufficient information to audit or establish receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.
2. Cash funds given to officers working in Rush and Shelby Counties were not recorded in the ledger and had not been reconciled or counted in over nine months.

CITY OF CONNERSVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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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 CONNERSVILLE, FAYETTE COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Connersville (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.

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.

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

October 16, 2007

CITY OF CONNERSVILLE
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 HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Economic Development Corporation Community Development Block Grants/State's Program Brownsfields Redevelopment Program	14.228	BR-01-001	\$ 268,577
Pass-Through Indiana Office of Community and Rural Affairs Storm Water Grant		CF-05-215	<u>345,789</u>
Total for program			<u>614,366</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Pass-Through Indiana Criminal Justice Institute Edward Byrne Memorial Formula Grant Program	16.579	04-DB-009 05-DJ-024	29,615 <u>18,536</u>
Total for program			<u>48,151</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Direct Grant Airport Improvement Program	20.106	AIP 3-18-0013-09 AIP 3-18-0013-10	71,377 <u>169,611</u>
Total for program			<u>240,988</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant Assistance to Firefighters Grant	97.044	EMW-2004-FG-17216	<u>52,767</u>
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance	97.036	DR 1573	<u>18,210</u>
Total for federal grantor agency			<u>70,977</u>
Total federal awards expended			<u>\$ 974,482</u>

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

CITY OF CONNERSVILLE
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 Connersville (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 CONNERSVILLE
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? none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grant/Entitlement Grants

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.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF CONNERSVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF CONNERSVILLE
EXIT CONFERENCE

The contents of this report were discussed on October 16, 2007, with Max A. Ellison, Mayor; Julie A. Greeson, Clerk-Treasurer; Robert L. Beeson, Chairman of the Utility Service Board; Mark Brockman, President of Common Council; and Karen Lore, Utilities Office Manager. The officials concurred with our audit findings.