

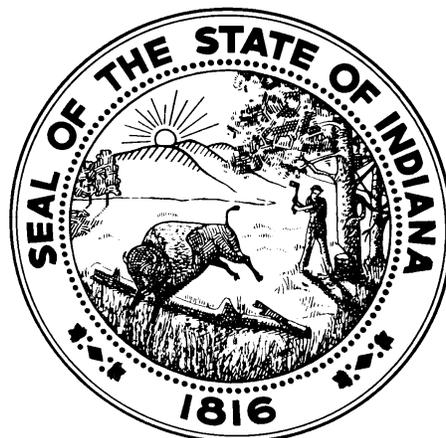
**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

ANNUAL FINANCIAL REPORT

2008

CITY OF SULLIVAN

SULLIVAN COUNTY, INDIANA



**FILED**  
10/27/2009



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Donna Sue Pitts	01-01-08 to 12-31-11
Mayor	J. Scott Biddle Debra J. Ayres (Interim) Edward F. Eble	01-01-08 to 06-02-09 06-03-09 to 06-25-09 06-26-09 to 12-31-11
President of the Board of Public Works and Safety	J. Scott Biddle Debra J. Ayres (Interim) Edward F. Eble	01-01-08 to 06-02-09 06-03-09 to 06-25-09 06-26-09 to 12-31-11
President of the Common Council	Debra J. Ayres	01-01-08 to 12-31-09



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

TO: THE OFFICIALS OF THE CITY OF SULLIVAN, SULLIVAN 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 Sullivan (City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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, 2008, 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 30, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of

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

Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedules of Funding Progress 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 it.

STATE BOARD OF ACCOUNTS

September 30, 2009



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

TO: THE OFFICIALS OF THE CITY OF SULLIVAN, SULLIVAN 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 Sullivan (City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

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

This report is intended solely for the information and use of the City's management 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 30, 2009

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

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 984,725	\$ 185,217	\$ -	\$ -	\$ (799,508)	\$ -	\$ (799,508)
Public safety	779,771	213,022	-	-	(566,749)	-	(566,749)
Highways and streets	316,422	-	59,550	-	(256,872)	-	(256,872)
Health and welfare	103,605	-	-	-	(103,605)	-	(103,605)
Culture and recreation	674,169	15,233	-	500,000	(158,936)	-	(158,936)
Urban redevelopment and housing	29,102	-	29,102	-	-	-	-
Principal and interest on indebtedness	97,793	-	-	-	(97,793)	-	(97,793)
Total governmental activities	<u>2,985,587</u>	<u>413,472</u>	<u>88,652</u>	<u>500,000</u>	<u>(1,983,463)</u>	<u>-</u>	<u>(1,983,463)</u>
Business-type activities:							
Wastewater	1,082,605	1,304,460	-	-	-	221,855	221,855
Trash	212,214	197,975	-	-	-	(14,239)	(14,239)
Total business-type activities	<u>1,294,819</u>	<u>1,502,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>207,616</u>	<u>207,616</u>
Total primary government	<u>\$ 4,280,406</u>	<u>\$ 1,915,907</u>	<u>\$ 88,652</u>	<u>\$ 500,000</u>	<u>(1,983,463)</u>	<u>207,616</u>	<u>(1,775,847)</u>
General receipts:							
Property taxes					1,272,269	-	1,272,269
Intergovernmental					406,143	-	406,143
Other local sources					144,995	19,202	164,197
Loans					65,000	-	65,000
Net transfers					415,604	(428,570)	(12,966)
Total general receipts					<u>2,304,011</u>	<u>(409,368)</u>	<u>1,894,643</u>
Change in net assets					320,548	(201,752)	118,796
Net assets - beginning					<u>407,551</u>	<u>1,759,759</u>	<u>2,167,310</u>
Net assets - ending					<u>\$ 728,099</u>	<u>\$ 1,558,007</u>	<u>\$ 2,286,106</u>
<u>Assets</u>							
Cash and investments					\$ 338,234	\$ 1,026,627	\$ 1,364,861
Restricted assets:							
Cash and investments					<u>389,865</u>	<u>531,380</u>	<u>921,245</u>
Total assets					<u>\$ 728,099</u>	<u>\$ 1,558,007</u>	<u>\$ 2,286,106</u>
<u>Net Assets</u>							
Restricted for:							
Public safety					\$ 79,385	\$ -	\$ 79,385
Highways and streets					63,396	-	63,396
Culture and recreation					14,415	-	14,415
Debt service					-	333,654	333,654
Capital outlay					135,401	-	135,401
Other purposes					97,268	197,726	294,994
Unrestricted					<u>338,234</u>	<u>1,026,627</u>	<u>1,364,861</u>
Total net assets					<u>\$ 728,099</u>	<u>\$ 1,558,007</u>	<u>\$ 2,286,106</u>

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

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

	General	Section Street Infrastructure	Section Street Project	Sullivan Youth Center	Other Governmental Funds	Totals
<b>Receipts:</b>						
Taxes	\$ 994,219	\$ -	\$ -	\$ -	\$ 278,050	\$ 1,272,269
Licenses and permits	2,859	-	-	-	2,260	5,119
Intergovernmental	197,164	-	-	500,000	297,631	994,795
Charges for services	164,520	-	-	-	248,952	413,472
Fines and forfeits	5,534	-	-	-	410	5,944
Other	34,613	-	-	-	99,319	133,932
<b>Total receipts</b>	<b>1,398,909</b>	<b>-</b>	<b>-</b>	<b>500,000</b>	<b>926,622</b>	<b>2,825,531</b>
<b>Disbursements:</b>						
General government	508,981	-	-	-	47,174	556,155
Health and welfare	103,605	-	-	-	-	103,605
Public safety	618,429	-	-	-	161,342	779,771
Highways and streets	-	-	-	-	212,510	212,510
Culture and recreation	-	-	-	-	173,873	173,873
Urban redevelopment and housing	-	-	-	-	29,102	29,102
<b>Debt service:</b>						
Principal	59,315	-	-	-	20,476	79,791
Interest	14,455	-	-	-	3,547	18,002
<b>Capital outlay:</b>						
General government	-	-	428,570	-	-	428,570
Highways and streets	-	-	-	-	103,912	103,912
Culture and recreation	-	-	-	482,190	18,106	500,296
<b>Total disbursements</b>	<b>1,304,785</b>	<b>-</b>	<b>428,570</b>	<b>482,190</b>	<b>770,042</b>	<b>2,985,587</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>94,124</b>	<b>-</b>	<b>(428,570)</b>	<b>17,810</b>	<b>156,580</b>	<b>(160,056)</b>
<b>Other financing sources (uses):</b>						
Loan proceeds	-	-	-	-	65,000	65,000
Transfers in	12,649	123,991	428,570	-	49,170	614,380
Transfers out	-	-	-	-	(198,776)	(198,776)
<b>Total other financing sources (uses)</b>	<b>12,649</b>	<b>123,991</b>	<b>428,570</b>	<b>-</b>	<b>(84,606)</b>	<b>480,604</b>
<b>Excess of receipts and other financing sources over disbursements and other financing uses</b>	<b>106,773</b>	<b>123,991</b>	<b>-</b>	<b>17,810</b>	<b>71,974</b>	<b>320,548</b>
<b>Cash and investment fund balance - beginning</b>	<b>117,231</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>290,320</b>	<b>407,551</b>
<b>Cash and investment fund balance - ending</b>	<b>\$ 224,004</b>	<b>\$ 123,991</b>	<b>\$ -</b>	<b>\$ 17,810</b>	<b>\$ 362,294</b>	<b>\$ 728,099</b>
<b><u>Cash and Investment Assets - Ending</u></b>						
Cash and investments	\$ 224,004	\$ 123,991	\$ -	\$ -	\$ (9,761)	\$ 338,234
<b>Restricted assets:</b>						
Cash and investments	-	-	-	17,810	372,055	389,865
<b>Total cash and investment assets - ending</b>	<b>\$ 224,004</b>	<b>\$ 123,991</b>	<b>\$ -</b>	<b>\$ 17,810</b>	<b>\$ 362,294</b>	<b>\$ 728,099</b>
<b><u>Cash and Investment Fund Balance - Ending</u></b>						
<b>Restricted for:</b>						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 79,385	\$ 79,385
Highways and streets	-	-	-	-	63,396	63,396
Culture and recreation	-	-	-	-	14,415	14,415
Capital outlay	-	-	-	17,810	117,591	135,401
Other purposes	-	-	-	-	97,268	97,268
Unrestricted	224,004	123,991	-	-	(9,761)	338,234
<b>Total cash and investment fund balance - ending</b>	<b>\$ 224,004</b>	<b>\$ 123,991</b>	<b>\$ -</b>	<b>\$ 17,810</b>	<b>\$ 362,294</b>	<b>\$ 728,099</b>

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

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

	<u>Wastewater Utility</u>	<u>Trash Utility</u>	<u>Totals</u>
Operating receipts:			
Metered receipts:			
Residential	\$ 1,304,460	\$ -	\$ 1,304,460
Flat rate receipts	-	197,975	197,975
Miscellaneous	<u>7,470</u>	<u>2,469</u>	<u>9,939</u>
Total operating receipts	<u>1,311,930</u>	<u>200,444</u>	<u>1,512,374</u>
Operating disbursements:			
Salaries and wages	114,574	90,227	204,801
Employee pensions and benefits	36,578	32,478	69,056
Purchased power	54,309	-	54,309
Material and supplies	5,033	18,665	23,698
Contractual services	341,144	63,298	404,442
Insurance claims and expense	42,814	-	42,814
Miscellaneous disbursements	<u>-</u>	<u>999</u>	<u>999</u>
Total operating disbursements	<u>594,452</u>	<u>205,667</u>	<u>800,119</u>
Excess (deficiency) of operating receipts over operating disbursements	<u>717,478</u>	<u>(5,223)</u>	<u>712,255</u>
Nonoperating receipts (disbursements):			
Interest receipts	9,263	-	9,263
Debt service of principal	(281,907)	(5,341)	(287,248)
Interest disbursements	<u>(206,246)</u>	<u>(1,206)</u>	<u>(207,452)</u>
Total nonoperating receipts (disbursements)	<u>(478,890)</u>	<u>(6,547)</u>	<u>(485,437)</u>
Deficiency of receipts under disbursements and nonoperating receipts (disbursements)	238,588	(11,770)	226,818
Transfers out	<u>(428,570)</u>	<u>-</u>	<u>(428,570)</u>
Deficiency of receipts and contributions under disbursements	(189,982)	(11,770)	(201,752)
Cash and investment fund balance - beginning	<u>1,692,102</u>	<u>67,657</u>	<u>1,759,759</u>
Cash and investment fund balance - ending	<u>\$ 1,502,120</u>	<u>\$ 55,887</u>	<u>\$ 1,558,007</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 970,740	\$ 55,887	\$ 1,026,627
Restricted assets:			
Cash and investments	<u>531,380</u>	<u>-</u>	<u>531,380</u>
Total cash and investment assets - December 31	<u>\$ 1,502,120</u>	<u>\$ 55,887</u>	<u>\$ 1,558,007</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 333,654	\$ -	\$ 333,654
Other purposes	197,726	-	197,726
Unrestricted	<u>970,740</u>	<u>55,887</u>	<u>1,026,627</u>
Total cash and investment fund balance - December 31	<u>\$ 1,502,120</u>	<u>\$ 55,887</u>	<u>\$ 1,558,007</u>

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

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

	<u>Pension Trust Funds</u>	<u>Agency Fund/ Payroll</u>
Additions:		
Contributions:		
Employer	\$ 569	
State	137,981	
Other	<u>4,794</u>	
Total contributions	<u>143,344</u>	
Investment earnings:		
Interest	<u>3,810</u>	
Total additions	<u>147,154</u>	
Deductions:		
Benefits	190,786	
Administrative and general	<u>350</u>	
Total deductions	<u>191,136</u>	
Deficiency of total additions under total deductions	(43,982)	
Cash and investment fund balance - beginning	<u>241,019</u>	
Cash and investment fund balance - ending	<u>\$ 197,037</u>	<u>\$ 3,673</u>

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

CITY OF SULLIVAN  
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 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, wastewater, and urban redevelopment and housing.

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

Primary Government: City of Sullivan

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. The City appoints the board members of the Park Board, Planning Commission, and Board of Zoning Appeals.

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 SULLIVAN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The section street infrastructure fund is used to account for proceeds accumulated to improve section street.

The section street project fund is used to account for proceeds accumulated to improve section street.

The Sullivan youth center fund is used to account for the proceeds accumulated to construct a youth center.

The City reports the following major proprietary funds:

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

The trash utility fund accounts for the operation of trash collection system.

Additionally, the City reports the following fund types:

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

Agency funds account for assets held by the City as an agent for payroll transactions.

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 SULLIVAN  
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 primary government and the wastewater and trash 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.

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 SULLIVAN  
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 SULLIVAN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

B. Disbursements in Excess of Appropriation

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

Fund	2008
Motor Vehicle Highway	\$ 6,876
Park and Recreation	9,508
Total	\$ 16,384

These disbursements were funded by greater than anticipated receipts.

C. Cash and Investment Balance Deficits

At December 31, 2008, the following fund reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2008
Motor Vehicle Highway	\$ 9,761

CITY OF SULLIVAN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits and Investments

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, 2008, were as follows:

Transfer From	Transfer To	2008
Levy Excess Special Revenue	General	\$ 12,649
Levy Excess Special Revenue	Park and Recreation	1,147
Levy Excess Special Revenue	Cumulative Capital Development	334
Levy Excess Special Revenue	Pension Trust Funds	1,394
Tax Draw Clearing	Pension Trust Funds	11,572
Edit Tax	Section Street Infrastructure	123,991
Edit Tax	Rainy Day	47,689
Wastewater Utility	Section Street Project	428,570
Total		<u>\$ 627,346</u>

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

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; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters are covered by commercial insurance

CITY OF SULLIVAN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

B. Conduit Debt Obligation

From time to time, the City has issued Pollution Control 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. The City, the State, and any political subdivision thereof are not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying notes to the financial statements.

As of December 31, 2008, there was one series of Pollution Control Revenue Bonds outstanding. The aggregate principal amount payable for the Pollution Control Revenue Bonds series issued after July 1, 1995, was \$128,100,000.

C. Rate Structure – Enterprise Funds

Wastewater Utility

The current rate structure was approved by the Common Council on June 8, 2004.

Trash Utility

The current rate structure was approved by the Common Council on April 28, 2001.

D. Pension Plans

1. Single-Employer Defined Benefit Pension Plans

a. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy and Annual Pension Cost

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

CITY OF SULLIVAN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

b. 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

	1925 Police Officers' Pension	1937 Firefighters' Pension
	<u>                    </u>	<u>                    </u>
Annual required contribution	\$ 81,900	\$ 82,300
Interest on net pension obligation	19,000	10,800
Adjustment to annual required contribution	<u>(24,000)</u>	<u>(13,600)</u>
Annual pension cost	76,900	79,500
Contributions made	<u>67,315</u>	<u>76,029</u>
Increase in net pension obligation	9,585	3,471
Net pension obligation, beginning of year	<u>317,276</u>	<u>179,229</u>
Net pension obligation, end of year	<u>\$ 326,861</u>	<u>\$ 182,700</u>

CITY OF SULLIVAN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	1925 Police Officers' Pension	1937 Firefighters' Pension
Actuarial valuation date	01-01-08	01-01-08
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed 30 years	Level percentage of projected payroll, closed 30 years
Amortization period	01-01-05	01-01-05
Amortization period (from date)	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital
Asset valuation method		
	1925 Police Officers' Pension	1937 Firefighters' Pension
<u>Actuarial Assumptions</u>		
Investment rate of return	6%	6%
Projected future salary increases:		
Total	4%	4%
Attributed to inflation	4%	4%
Attributed to merit/seniority	0%	0%
Cost-of-living adjustments	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
1925 Police Officers' Pension Plan	12-31-06	\$ 73,400	155%	\$ 316,128
	12-31-07	72,000	98%	317,276
	12-31-08	76,900	88%	326,861
1937 Firefighters' Pension Plan	12-31-06	78,200	189%	184,372
	12-31-07	77,100	107%	179,229
	12-31-08	79,500	96%	182,700

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

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retirees and beneficiaries currently receiving benefits	6	7

CITY OF SULLIVAN  
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, 2008, 2007, and 2006, were \$84,307, \$80,728, and \$86,142, respectively, equal to the required contributions for each year.

CITY OF SULLIVAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF FUNDING PROGRESS

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)
01-01-02	\$ 54,893	\$ 1,557,100	\$ (1,502,207)	4%	\$ 46,800	(3,210%)
01-01-03	111,620	1,586,200	(1,474,580)	7%	48,300	(3,053%)
01-01-04	88,427	1,608,300	(1,519,873)	5%	49,200	(3,089%)
01-01-05	92,157	1,598,800	(1,506,643)	6%	50,200	(3,001%)
01-01-06	90,602	1,095,200	(1,004,598)	8%	-	N/A
01-01-07	119,894	1,057,700	(937,806)	11%	-	N/A
01-01-08	101,713	1,113,700	(1,011,987)	9%	-	N/A

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)
01-01-02	\$ 9,986	\$ 1,385,400	\$ (1,375,414)	1%	\$ 23,400	(5,878%)
01-01-03	124,136	1,066,700	(942,564)	12%	48,300	(1,951%)
01-01-04	118,736	1,382,900	(1,264,164)	9%	24,600	(5,139%)
01-01-05	217,024	1,395,800	(1,178,776)	16%	25,100	(4,696%)
01-01-06	107,370	1,143,400	(1,036,030)	9%	-	N/A
01-01-07	153,830	1,099,700	(945,870)	14%	-	N/A
01-01-08	139,306	1,117,800	(978,494)	12%	-	N/A

N/A - Not applicable due to no covered payroll

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

	<u>Year Ending</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>
1925 Police Officers' Pension Plan	12-31-02	\$ 174,300	67%
	12-31-03	187,800	22%
	12-31-04	195,500	25%
	12-31-05	127,000	41%
	12-31-06	78,300	155%
	12-31-07	76,600	98%
	12-31-08	81,900	88%
1937 Firefighters' Pension Plan	12-31-02	150,000	144%
	12-31-03	157,700	31%
	12-31-04	163,500	32%
	12-31-05	103,900	60%
	12-31-06	81,700	180%
	12-31-07	79,700	103%
	12-31-08	82,300	92%

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

	Motor Vehicle Highway	Crime Control	Local Road and Street	Law Enforcement Continuing Education	Unsafe Building	Riverboat	Park and Recreation
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,323
Licenses and permits	-	-	-	2,210	-	-	-
Intergovernmental	149,711	-	15,290	-	-	28,963	-
Charges for services	-	-	-	690	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	14,695
<b>Total receipts</b>	<b>149,711</b>	<b>-</b>	<b>15,290</b>	<b>2,900</b>	<b>-</b>	<b>28,963</b>	<b>87,018</b>
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	2,955	500	-	-
Highways and streets	209,596	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	66,906
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	5,614
Interest	-	-	-	-	-	-	2,415
Capital outlay:							
Highways and streets	-	-	12,806	-	-	-	-
Culture and recreation	-	-	-	-	-	-	18,106
<b>Total disbursements</b>	<b>209,596</b>	<b>-</b>	<b>12,806</b>	<b>2,955</b>	<b>500</b>	<b>-</b>	<b>93,041</b>
Excess (deficiency) of receipts over disbursements	(59,885)	-	2,484	(55)	(500)	28,963	(6,023)
Other financing sources (uses):							
Loan proceeds	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	1,147
Transfers out	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,147</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(59,885)	-	2,484	(55)	(500)	28,963	(4,876)
Cash and investment fund balance - beginning	50,124	915	56,262	2,412	13,570	169	9,028
Cash and investment fund balance - ending	<u>\$ (9,761)</u>	<u>\$ 915</u>	<u>\$ 58,746</u>	<u>\$ 2,357</u>	<u>\$ 13,070</u>	<u>\$ 29,132</u>	<u>\$ 4,152</u>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ (9,761)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	-	915	58,746	2,357	13,070	29,132	4,152
<b>Total cash and investment assets - ending</b>	<u>\$ (9,761)</u>	<u>\$ 915</u>	<u>\$ 58,746</u>	<u>\$ 2,357</u>	<u>\$ 13,070</u>	<u>\$ 29,132</u>	<u>\$ 4,152</u>
<b>Cash and Investment Fund Balance - Ending</b>							
Restricted for:							
Public safety	\$ -	\$ 915	\$ -	\$ 2,357	\$ -	\$ -	\$ -
Highways and streets	-	-	58,746	-	-	-	-
Culture and recreation	-	-	-	-	-	-	4,152
Capital outlay	-	-	-	-	-	-	-
Other purposes	-	-	-	-	13,070	29,132	-
Unrestricted	(9,761)	-	-	-	-	-	-
<b>Total cash and investment fund balance - ending</b>	<u>\$ (9,761)</u>	<u>\$ 915</u>	<u>\$ 58,746</u>	<u>\$ 2,357</u>	<u>\$ 13,070</u>	<u>\$ 29,132</u>	<u>\$ 4,152</u>

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

	Levy Excess Special Revenue	Tax Draw Clearing	Adopt A Spot	Rainy Day	Fire Nonreverting	Street Cut Deposit	Fire Reports/ Donations
Receipts:							
Taxes	\$ -	\$ 11,572	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	50	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	12,572	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	10,026	-	-	-	-	10
<b>Total receipts</b>	<b>-</b>	<b>21,598</b>	<b>-</b>	<b>-</b>	<b>12,572</b>	<b>50</b>	<b>10</b>
Disbursements:							
General government	-	10,106	-	10,000	-	-	-
Public safety	-	-	-	-	11,021	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
Highways and streets	-	51,493	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>61,599</b>	<b>-</b>	<b>10,000</b>	<b>11,021</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	-	(40,001)	-	(10,000)	1,551	50	10
Other financing sources (uses):							
Loan proceeds	-	65,000	-	-	-	-	-
Transfers in	-	-	-	47,689	-	-	-
Transfers out	(15,524)	(11,572)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(15,524)</b>	<b>53,428</b>	<b>-</b>	<b>47,689</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(15,524)	13,427	-	37,689	1,551	50	10
Cash and investment fund balance - beginning	15,524	80	241	-	6,813	4,600	269
Cash and investment fund balance - ending	\$ -	\$ 13,507	\$ 241	\$ 37,689	\$ 8,364	\$ 4,650	\$ 279
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	-	13,507	241	37,689	8,364	4,650	279
<b>Total cash and investment assets - ending</b>	<b>\$ -</b>	<b>\$ 13,507</b>	<b>\$ 241</b>	<b>\$ 37,689</b>	<b>\$ 8,364</b>	<b>\$ 4,650</b>	<b>\$ 279</b>
<b>Cash and Investment Fund Balance - Ending</b>							
Restricted for:							
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 8,364	\$ -	\$ 279
Highways and streets	-	-	-	-	-	4,650	-
Culture and recreation	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other purposes	-	13,507	241	37,689	-	-	-
Unrestricted	-	-	-	-	-	-	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ -</b>	<b>\$ 13,507</b>	<b>\$ 241</b>	<b>\$ 37,689</b>	<b>\$ 8,364</b>	<b>\$ 4,650</b>	<b>\$ 279</b>

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

	Humane Shelter	Park Nonreverting	Park/Pool Donations	Police Ordinance Violation	Edit Tax	Ambulance
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 171,680	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	15,233	-	-	-	199,760
Fines and forfeits	-	-	-	410	-	-
Other	10,000	62,148	-	-	-	673
<b>Total receipts</b>	<b>10,000</b>	<b>77,381</b>	<b>-</b>	<b>410</b>	<b>171,680</b>	<b>200,433</b>
Disbursements:						
General government	10,000	-	-	-	-	-
Public safety	-	-	-	221	-	146,645
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	91,567	15,400	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	14,862
Interest	-	-	-	-	-	1,132
Capital outlay:						
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
<b>Total disbursements</b>	<b>10,000</b>	<b>91,567</b>	<b>15,400</b>	<b>221</b>	<b>-</b>	<b>162,639</b>
Excess (deficiency) of receipts over disbursements	-	(14,186)	(15,400)	189	171,680	37,794
Other financing sources (uses):						
Loan proceeds	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(171,680)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(171,680)</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(14,186)	(15,400)	189	-	37,794
Cash and investment fund balance - beginning	-	24,429	15,420	1,112	-	28,375
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 10,243</u>	<u>\$ 20</u>	<u>\$ 1,301</u>	<u>\$ -</u>	<u>\$ 66,169</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	-	10,243	20	1,301	-	66,169
<b>Total cash and investment assets - ending</b>	<u>\$ -</u>	<u>\$ 10,243</u>	<u>\$ 20</u>	<u>\$ 1,301</u>	<u>\$ -</u>	<u>\$ 66,169</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ 1,301	\$ -	\$ 66,169
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	10,243	20	-	-	-
Capital outlay	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-
<b>Total cash and investment fund balance - ending</b>	<u>\$ -</u>	<u>\$ 10,243</u>	<u>\$ 20</u>	<u>\$ 1,301</u>	<u>\$ -</u>	<u>\$ 66,169</u>

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

	Cumulative Capital Improvement	Cumulative Capital Development	Cemetery Nonreverting	Indiana Housing Grant	Street Department Nonreverting	Totals
<b>Receipts:</b>						
Taxes	\$ -	\$ 22,475	\$ -	\$ -	\$ -	\$ 278,050
Licenses and permits	-	-	-	-	-	2,260
Intergovernmental	15,015	-	-	29,102	59,550	297,631
Charges for services	-	-	20,697	-	-	248,952
Fines and forfeits	-	-	-	-	-	410
Other	-	-	-	-	1,767	99,319
<b>Total receipts</b>	<b>15,015</b>	<b>22,475</b>	<b>20,697</b>	<b>29,102</b>	<b>61,317</b>	<b>926,622</b>
<b>Disbursements:</b>						
General government	-	-	17,068	-	-	47,174
Public safety	-	-	-	-	-	161,342
Highways and streets	-	-	-	-	2,914	212,510
Culture and recreation	-	-	-	-	-	173,873
Urban redevelopment and housing	-	-	-	29,102	-	29,102
<b>Debt service:</b>						
Principal	-	-	-	-	-	20,476
Interest	-	-	-	-	-	3,547
<b>Capital outlay:</b>						
Highways and streets	14,807	24,806	-	-	-	103,912
Culture and recreation	-	-	-	-	-	18,106
<b>Total disbursements</b>	<b>14,807</b>	<b>24,806</b>	<b>17,068</b>	<b>29,102</b>	<b>2,914</b>	<b>770,042</b>
Excess (deficiency) of receipts over disbursements	208	(2,331)	3,629	-	58,403	156,580
<b>Other financing sources (uses):</b>						
Loan proceeds	-	-	-	-	-	65,000
Transfers in	-	334	-	-	-	49,170
Transfers out	-	-	-	-	-	(198,776)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>334</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(84,606)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	208	(1,997)	3,629	-	58,403	71,974
Cash and investment fund balance - beginning	29,722	31,255	-	-	-	290,320
Cash and investment fund balance - ending	\$ 29,930	\$ 29,258	\$ 3,629	\$ -	\$ 58,403	\$ 362,294
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (9,761)
<b>Restricted assets:</b>						
Cash and investments	29,930	29,258	3,629	-	58,403	372,055
<b>Total cash and investment assets - ending</b>	<b>\$ 29,930</b>	<b>\$ 29,258</b>	<b>\$ 3,629</b>	<b>\$ -</b>	<b>\$ 58,403</b>	<b>\$ 362,294</b>
<b>Cash and Investment Fund Balance - Ending</b>						
<b>Restricted for:</b>						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79,385
Highways and streets	-	-	-	-	-	63,396
Culture and recreation	-	-	-	-	-	14,415
Capital outlay	29,930	29,258	-	-	58,403	117,591
Other purposes	-	-	3,629	-	-	97,268
Unrestricted	-	-	-	-	-	(9,761)
<b>Total cash and investment fund balance - ending</b>	<b>\$ 29,930</b>	<b>\$ 29,258</b>	<b>\$ 3,629</b>	<b>\$ -</b>	<b>\$ 58,403</b>	<b>\$ 362,294</b>

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

	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Totals</u>
Additions:			
Contributions:			
Employer	\$ 569	\$ -	\$ 569
State	64,761	73,220	137,981
Other	<u>1,985</u>	<u>2,809</u>	<u>4,794</u>
Total contributions	<u>67,315</u>	<u>76,029</u>	<u>143,344</u>
Investment receipts:			
Interest	<u>1,677</u>	<u>2,133</u>	<u>3,810</u>
Total additions	<u>68,992</u>	<u>78,162</u>	<u>147,154</u>
Deductions:			
Benefits	89,555	101,231	190,786
Administrative and general	<u>175</u>	<u>175</u>	<u>350</u>
Total deductions	<u>89,730</u>	<u>101,406</u>	<u>191,136</u>
Deficiency of total additions under total deductions	(20,738)	(23,244)	(43,982)
Cash and investment fund balance - beginning	<u>101,713</u>	<u>139,306</u>	<u>241,019</u>
Cash and investment fund balance - ending	<u>\$ 80,975</u>	<u>\$ 116,062</u>	<u>\$ 197,037</u>



# SULLIVAN, INDIANA

*"Take Time to Care"*

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Clerk/Treasurer Sue Pitts  
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CITY OF SULLIVAN  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT  
December 31, 2008

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
<b>Governmental Activities:</b>		
Notes and loans payable:		
Police Car	\$ 77,611	\$ 21,306
Ambulance	23,136	15,994
Fire Truck	233,049	44,081
Pool Liner	40,386	8,029
Cemetery Mower	5,331	2,866
Playground Equipment	10,000	924
Dura Patcher/Dump Truck	65,000	14,802
Rescue Truck	10,620	5,517
Total governmental activities debt	<u>\$ 465,132</u>	<u>\$ 113,519</u>
<b>Business-type Activities:</b>		
Wastewater Utility		
Notes and loans payable:		
Mower	\$ 1,196	\$ 1,211
Sewer Improvements	196,580	61,930
Sewer Improvements - State Revolving Loan	6,666,693	412,108
Total Wastewater Utility	<u>6,864,469</u>	<u>475,249</u>
Other Utility:		
Notes and loans payable:		
Dump Truck	<u>23,659</u>	<u>6,536</u>
Total business-type activities debt	<u>\$ 6,888,128</u>	<u>\$ 481,785</u>

CITY HALL

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CITY OF SULLIVAN  
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES (Applies to City)

The cash balance of the Motor Vehicle Highway Fund was overdrawn in 2008.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS (Applies to City)

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Motor Vehicle Highway	2008	\$ 6,876
Park and Recreation	2008	9,508

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

CAPITAL ASSET RECORDS (Applies to City and Utilities)

As noted in the prior Report B32596, the City does not maintain any capital asset records. Capital assets should be recorded on City and Town Form 211, Capital Assets Ledger. An inventory of all capital assets owned has not been taken.

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)

DELINQUENT WASTEWATER ACCOUNTS (Applies to Utility)

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

IC 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

CITY OF SULLIVAN  
AUDIT RESULTS AND COMMENTS  
(Continued)

(A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.

(B) A description of the premises, as shown by the records of the county auditor.

(C) The amount of the delinquent fees, together with the penalty.

(2) An individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

1925 POLICE PENSION AND 1937 FIREFIGHTERS PENSION UNDERPAYMENTS (Applies to City)

During 2008, pension recipients participating in the 1925 Police Pension and 1937 Firefighters Pension Funds were underpaid.

IC 36-8-6 and 36-8-7-12 outline the computation of benefits for the members of the 1925 Police Pension Fund and 1937 Firefighters Pension Fund, respectively.

OPTICAL IMAGES OF WARRANTS (Applies to City and Utilities)

As noted the prior Report B32596, Harris Bank did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

IC 5-15-6-3 concerning optical imaging of checks states in part:

"(a) . . . 'original records' . . . includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Further, IC 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

CITY OF SULLIVAN  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
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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 SULLIVAN, SULLIVAN COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Sullivan (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2008. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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.

As described in item 2008-1 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with the requirements regarding Equipment and Real Property Management that are applicable to its Community Development Block Grant/Entitlement Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2008.

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

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)

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in item 2008-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

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. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider item 2008-1 to be a material weakness.

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

This report is intended solely for the information and use of the City's management 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 30, 2009

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

Federal Grantor Agency/Pass-Through Entity Cluster Title/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 Office of Community and Rural Affairs Community Development Block Grant/Entitlement Program	14.218	CF-06-234	\$ <u>500,000</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation Highway Planning and Construction	20.205	STP-7977(003)	<u>252,339</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance	97.036	Disaster #1766	<u>87,183</u>
Total federal awards expended			<u>\$ <u>839,522</u></u>

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

CITY OF SULLIVAN  
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 Sullivan (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 SULLIVAN  
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?	yes
Reportable conditions identified that are not considered to be material weaknesses?	no

Type of auditor's report issued on compliance for major program: Qualified

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
14.218	Community Development Block Grant/Entitlement Program

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

FINDING 2008-1, EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: Housing and Urban Development  
Federal Program: Community Development Block Grant/Entitlement Program  
CFDA Number: 14.218

The City does not maintain any capital asset records. Capital assets should be recorded on City and Town Form 211, Capital Assets Ledger. An inventory of all capital assets owned has not been taken.

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

Pursuant to 24 CFR 84.34 (f)(1) through (3):

"(f) The recipient's property management standards for equipment acquired with Federal funds and federally-owned equipment shall include all of the following.

- (1) Equipment records shall be maintained accurately and shall include the following information.
  - (i) A description of the equipment.
  - (ii) Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number.
  - (iii) Source of the equipment, including the award number.
  - (iv) Whether title vests in the recipient or the Federal Government.
  - (v) Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost.
  - (vi) Information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government).
  - (vii) Location and condition of the equipment and the date the information was reported.
  - (viii) Unit acquisition cost.
  - (ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates EPA for its share.
- (2) Equipment owned by the Federal Government shall be identified to indicate Federal ownership.
- (3) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment."

Failure to maintain detailed and accurate equipment and property records and to reconcile physical inventory could result in assets being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time.

We recommended that the City design and properly monitor procedures that would ensure accurate detailed capital asset records are maintained and that inventories of property and equipment and construction-in-progress are conducted at least once every two years and reconciled to the detailed capital asset ledger. Any significant differences should be investigated and the appropriate adjustments made to the records. Also any assets acquired with Federal Funds must be designated as such so that they are not disposed of improperly.



# SULLIVAN, INDIANA

*"Take Time to Care"*

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Clerk/Treasurer Sue Pitts  
Email: sullincity@joink.com

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September 30, 2009

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### FINDING NO. 2007-1

Federal Agency: U.S. Environmental Protection Agency  
Federal Program: Capitalization Grants for Clean Water State Revolving Funds  
CFDA Number: 66.458

The City is fully aware of the requirement to maintain proper capital asset records. We are in the process of electronically implementing the Capital Assets Ledger, compiling the cost data and, will conduct a physical inventory of all capital assets owned. Upon completion, the assets identified will be posted to City and Town Form No. 211, Capital Assets Ledger. All subsequent additions and deletions will be posted to the Capital Assets Ledger.

A handwritten signature in cursive script that reads "Donna Sue Pitts".

Donna Sue Pitts  
Clerk-Treasurer  
City of Sullivan

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CITY HALL

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# SULLIVAN, INDIANA

*"Take Time to Care"*

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Clerk/Treasurer Sue Pitts  
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## CORRECTIVE ACTION PLAN

FINDING NO. 2008-1

Federal Agency: Housing and Urban Development  
Federal Program: Community Development Block Grant Program  
CFDA Number: 14.218

The City is fully aware of the requirement to maintain proper capital asset records. By the end of the year, we plan to conduct a physical inventory of all capital assets owned. Upon completion, the assets identified will be posted to City and Town Form No. 211, Capital Assets Ledger. All subsequent additions and deletions will be posted to the Capital Assets Ledger.

*Donna Sue Pitts*

Donna Sue Pitts  
Clerk-Treasurer  
City of Sullivan

---

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CITY OF SULLIVAN  
EXIT CONFERENCE

The contents of this report were discussed on September 30, 2009, with Donna Sue Pitts, Clerk-Treasurer; Edward F. Eble, Mayor; and Debra J. Ayres, President of the Common Council. The officials concurred with our audit findings.