

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

ANNUAL FINANCIAL REPORT

2008

CITY OF AUSTIN

SCOTT COUNTY, INDIANA



FILED
11/18/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Dillo Bush	01-01-08 to 12-31-11
Mayor	Douglas Campbell	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Douglas Campbell	01-01-08 to 12-31-11
President of the Common Council	Roger Hawkins	01-01-08 to 12-31-09
Superintendent of Wastewater Utility	Howard Watts	01-01-08 to 12-31-09



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

TO: THE OFFICIALS OF THE CITY OF AUSTIN, SCOTT 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 Austin (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 November 10, 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 Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is 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 Schedule, 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 Schedule, as listed in the Table of Contents, 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 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

November 10, 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 AUSTIN, SCOTT 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 Austin (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 November 10, 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 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, Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

November 10, 2009

CITY OF AUSTIN
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	\$ 385,058	\$ 47,926	\$ -	\$ -	\$ (337,132)	\$ -	\$ (337,132)
Public safety	480,566	36,459	-	-	(444,107)	-	(444,107)
Highways and streets	170,716	-	127,552	-	(43,164)	-	(43,164)
Sanitation	193,184	78,657	-	-	(114,527)	-	(114,527)
Economic development	1,075,072	-	-	86,986	(988,086)	-	(988,086)
Culture and recreation	37,422	250	-	-	(37,172)	-	(37,172)
Total governmental activities	<u>2,342,018</u>	<u>163,292</u>	<u>127,552</u>	<u>86,986</u>	<u>(1,964,188)</u>	<u>-</u>	<u>(1,964,188)</u>
Business-type activities:							
Wastewater	<u>5,323,340</u>	<u>853,382</u>	<u>-</u>	<u>4,618,070</u>	<u>-</u>	<u>148,112</u>	<u>148,112</u>
Total primary government	<u>\$ 7,665,358</u>	<u>\$ 1,016,674</u>	<u>\$ 127,552</u>	<u>\$ 4,705,056</u>	<u>(1,964,188)</u>	<u>148,112</u>	<u>(1,816,076)</u>
General receipts:							
Property taxes					604,168	-	604,168
Intergovernmental					351,404	-	351,404
Other local sources					284,879	-	284,879
Grants and contributions not restricted to specific programs					66,937	-	66,937
Investment earnings					<u>20,620</u>	<u>11,228</u>	<u>31,848</u>
Total general receipts					<u>1,328,008</u>	<u>11,228</u>	<u>1,339,236</u>
Change in net assets					(636,180)	159,340	(476,840)
Net assets - beginning					<u>1,738,025</u>	<u>633,374</u>	<u>2,371,399</u>
Net assets - ending					<u>\$ 1,101,845</u>	<u>\$ 792,714</u>	<u>\$ 1,894,559</u>
<u>Assets</u>							
Cash and investments					\$ 436,054	\$ 235,236	\$ 671,290
Restricted assets:							
Cash and investments					<u>665,791</u>	<u>557,478</u>	<u>1,223,269</u>
Total assets					<u>\$ 1,101,845</u>	<u>\$ 792,714</u>	<u>\$ 1,894,559</u>
<u>Net Assets</u>							
Restricted for:							
Public safety					\$ 22,657	\$ -	\$ 22,657
Highways and streets					108,496	-	108,496
Sanitation					77,416	-	77,416
Economic development					408,943	-	408,943
Culture and recreation					8,469	-	8,469
Debt service					-	423,907	423,907
Capital outlay					39,810	133,571	173,381
Unrestricted					<u>436,054</u>	<u>235,236</u>	<u>671,290</u>
Total net assets					<u>\$ 1,101,845</u>	<u>\$ 792,714</u>	<u>\$ 1,894,559</u>

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

CITY OF AUSTIN
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	Motor Vehicle Highway	Sanitation	Tax Increment Financing	Land Acquisition	Pepsi Water Tank Project	Other Governmental Funds	Totals
Receipts:								
Taxes	\$ 347,735	\$ 5,034	\$ 74,810	\$ 98,087	\$ -	\$ -	\$ 78,502	\$ 604,168
Licenses and permits	940	-	-	-	-	-	1,900	2,840
Intergovernmental	272,228	128,097	8,132	444	-	89,686	131,542	630,129
Charges for services	20,096	-	106,487	-	-	-	660	127,243
Fines and forfeits	32,224	-	-	-	-	-	985	33,209
Other	2,929	3,873	6,600	2,938	150,000	110,412	6,127	282,879
Total receipts	676,152	137,004	196,029	101,469	150,000	200,098	219,716	1,680,468
Disbursements:								
General government	284,330	-	-	-	25,000	-	1,530	310,860
Public safety	442,465	-	-	-	-	-	38,075	480,540
Highways and streets	-	146,263	-	-	-	-	24,453	170,716
Sanitation	-	-	193,184	-	-	-	-	193,184
Economic development	-	-	-	39,700	-	1,019,372	16,000	1,075,072
Culture and recreation	8,999	-	-	-	-	-	6,666	15,665
Capital outlay:								
General government	-	-	-	-	-	-	74,198	74,198
Public safety	-	-	-	-	-	-	26	26
Culture and recreation	-	-	-	-	-	-	21,757	21,757
Total disbursements	735,794	146,263	193,184	39,700	25,000	1,019,372	182,705	2,342,018
Excess (deficiency) of receipts over (under) disbursements	(59,642)	(9,259)	2,845	61,769	125,000	(819,274)	37,011	(661,550)
Other financing sources (uses):								
Other receipts	22,170	-	-	-	-	-	3,200	25,370
Total other financing sources (uses)	22,170	-	-	-	-	-	3,200	25,370
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(37,472)	(9,259)	2,845	61,769	125,000	(819,274)	40,211	(636,180)
Cash and investment fund balance - beginning	270,870	107,880	74,571	168,853	-	997,595	118,256	1,738,025
Cash and investment fund balance - ending	\$ 233,398	\$ 98,621	\$ 77,416	\$ 230,622	\$ 125,000	\$ 178,321	\$ 158,467	\$ 1,101,845
Cash and Investment Assets - Ending								
Cash and investments	\$ 233,398	\$ -	\$ -	\$ -	\$ 125,000	\$ -	\$ 77,656	\$ 436,054
Restricted assets:								
Cash and investments	-	98,621	77,416	230,622	-	178,321	80,811	665,791
Total cash and investment assets - ending	\$ 233,398	\$ 98,621	\$ 77,416	\$ 230,622	\$ 125,000	\$ 178,321	\$ 158,467	\$ 1,101,845
Cash and Investment Fund Balance - Ending								
Restricted for:								
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,657	\$ 22,657
Highways and streets	-	98,621	-	-	-	-	9,875	108,496
Sanitation	-	-	77,416	-	-	-	-	77,416
Economic development	-	-	-	230,622	-	178,321	-	408,943
Culture and recreation	-	-	-	-	-	-	8,469	8,469
Capital outlay	-	-	-	-	-	-	39,810	39,810
Unrestricted	233,398	-	-	-	125,000	-	77,656	436,054
Total cash and investment fund balance - ending	\$ 233,398	\$ 98,621	\$ 77,416	\$ 230,622	\$ 125,000	\$ 178,321	\$ 158,467	\$ 1,101,845

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

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

	Wastewater Utility
Operating receipts:	
Metered/measured	\$ 797,225
Miscellaneous	56,157
Total operating receipts	853,382
Operating disbursements:	
Salaries and wages	206,641
Employee pensions and benefits	34,099
Purchased power	113,005
Chemicals	10,545
Material and supplies	95,540
Contractual services	6,950
Insurance claims and expense	30,034
Regulatory commission	35,178
Equipment and capital improvements	4,611,773
Miscellaneous	47,767
Total operating disbursements	5,191,532
Deficiency of operating receipts under operating disbursements	(4,338,150)
Nonoperating receipts (disbursements):	
Investment income	11,228
Debt service of principal	(2,000)
Interest disbursements	(129,808)
Total nonoperating receipts (disbursements)	(120,580)
Deficiency of receipts under disbursements and nonoperating receipts	(4,458,730)
Capital contributions	4,618,070
Excess of receipts, contributions and transfers in over disbursements and transfers out	159,340
Cash and investment fund balance - beginning	633,374
Cash and investment fund balance - ending	\$ 792,714
<u>Cash and Investment Assets - December 31</u>	
Cash and investments	\$ 235,236
Restricted assets:	
Cash and investments	557,478
Total cash and investment assets - December 31	\$ 792,714
<u>Cash and Investment Fund Balance - December 31</u>	
Restricted for:	
Debt service	\$ 423,907
Other purposes	133,571
Unrestricted	235,236
Total cash and investment fund balance - December 31	\$ 792,714

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

CITY OF AUSTIN
STATEMENT OF CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
December 31, 2008

	<u>Agency Funds</u>
Cash and investment fund balance - ending	<u>\$ 1,710</u>

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

CITY OF AUSTIN
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, culture and recreation, public improvements, sanitation, planning and zoning, general administrative services, wastewater, and economic development.

The City's financial reporting entity is composed of the Primary Government.

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

The City reports the following major governmental funds:

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

The motor vehicle highway fund is used to account for state motor vehicle highway distributions. The fund is primarily used for the construction and maintenance of streets and alleys.

The sanitation fund is used to account for the taxes and fees received for the collection of solid waste. The fund is used to pay the costs of collection and disposal.

The tax increment financing fund accounts for taxes received from tax increment finance (TIF) districts used for the acquisition and redevelopment of property and/or the repayment of debt associated with the acquisition and redevelopment of property located in the TIF districts.

CITY OF AUSTIN
NOTES TO FINANCIAL STATEMENTS
(Continued)

The land acquisition fund is used to purchase, depose or rent city properties. The fund is primarily used for purchase of real property, costs associated with the purchase or sale of real estate, improvements to city property or for other needs as determined by the council.

The pepsi water tank project fund is used to account for transfers, bond proceeds, and grants used for the purpose of constructing a water tank and/or the repayment of debt associated with the project.

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund type:

The agency fund accounts for assets held by the City as an agent for payroll and benefits to employees. The payroll fund is the City's only agency fund.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

CITY OF AUSTIN
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. Property Taxes

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

3. Capital Assets

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

4. Long-Term Debt

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

5. Equity Classification

Government-Wide Statements

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

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

CITY OF AUSTIN
NOTES TO FINANCIAL STATEMENTS
(Continued)

- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

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

Fund Financial Statements

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

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

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

F. Internal and Interfund Balances and Activities

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

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:

CITY OF AUSTIN
NOTES TO FINANCIAL STATEMENTS
(Continued)

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

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

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 City does not have a deposit policy for custodial credit risk. At December 31, 2008, the City had deposit balances in the amount of \$1,896,266. All bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

CITY OF AUSTIN
NOTES TO FINANCIAL STATEMENTS
(Continued)

Statutory Authorization for Investments

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

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

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

IV. Other Information

A. Risk Management

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

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

Job Related Illnesses or Injuries to Employees

During 2008, the City joined with other governmental entities in the Indiana Public Employer's Plan, a public entity risk pool currently operating as a common risk management and insurance program for 934 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of coverage for job-related illnesses and injuries to employees. The City pays an annual premium to the risk pool for

CITY OF AUSTIN
NOTES TO FINANCIAL STATEMENTS
(Continued)

its coverage of job-related illnesses and 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.

B. Rate Structure – Enterprise Fund

Wastewater Utility

The current rate structure was approved by the City Council on May 29, 2007.

C. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

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

CITY OF AUSTIN
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 39,812
Interest on net pension obligation	(2,954)
Adjustment to annual required contribution	3,366
Annual pension cost	40,224
Contributions made	36,068
Increase in net pension obligation	4,156
Net pension obligation, beginning of year	(40,743)
Net pension obligation, end of year	\$ (36,587)

	PERF
Contribution rates:	
City	9.25%
Plan members	3%
Actuarial valuation date	07-01-08
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

<u>Actuarial Assumptions</u>	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

CITY OF AUSTIN
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 38,691	95%	\$ (38,249)
	06-30-07	35,585	107%	(40,743)
	06-30-08	40,224	90%	(36,587)

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 \$34,372, \$38,905, and \$33,971, respectively, equal to the required contributions for each year.

CITY OF AUSTIN
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 226,451	\$ 346,658	\$ (120,207)	65%	\$ 437,950	(27%)
07-01-07	184,675	391,834	(207,159)	47%	405,500	(51%)
07-01-08	238,708	433,909	(195,201)	55%	347,791	(56%)

CITY OF AUSTIN
 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

	Local Road And Street	Donations	Grants/Police	Law Enforcement Continuing Education	Grant #1	Parks And Recreation	Rainy Day
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,989	\$ -
Licenses and permits	-	-	-	1,900	-	-	-
Intergovernmental	25,137	-	-	-	59,237	2,573	26,073
Charges for services	-	-	-	410	-	-	-
Fines and forfeits	-	-	-	985	-	-	-
Other	-	2,750	-	646	-	2,730	-
Total receipts	25,137	2,750	-	3,941	59,237	8,292	26,073
Disbursements:							
General government	-	1,530	-	-	-	-	-
Public safety	-	-	-	3,703	-	-	-
Highways and streets	24,453	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	5,812	-
Capital outlay:							
General government	-	-	-	-	53,684	-	-
Public safety	-	-	26	-	-	-	-
Culture and recreation	-	-	-	-	-	10,757	-
Total disbursements	24,453	1,530	26	3,703	53,684	16,569	-
Excess (deficiency) of receipts over (under) disbursements	684	1,220	(26)	238	5,553	(8,277)	26,073
Other financing sources:							
Other receipts	-	-	-	-	-	3,200	-
Total other financing sources	-	-	-	-	-	3,200	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	684	1,220	(26)	238	5,553	(5,077)	26,073
Cash and investment fund balance - beginning	3,638	2,465	26	2,742	-	13,546	47,864
Cash and investment fund balance - ending	\$ 4,322	\$ 3,685	\$ -	\$ 2,980	\$ 5,553	\$ 8,469	\$ 73,937
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 3,685	\$ -	\$ -	\$ -	\$ -	\$ 73,937
Restricted assets:							
Cash and investments	4,322	-	-	2,980	5,553	8,469	-
Total cash and investment assets - ending	\$ 4,322	\$ 3,685	\$ -	\$ 2,980	\$ 5,553	\$ 8,469	\$ 73,937
Cash and Investment Fund Balance - Ending							
Restricted for:							
Public safety	\$ -	\$ -	\$ -	\$ 2,980	\$ -	\$ -	\$ -
Highways and streets	4,322	-	-	-	5,553	-	-
Culture and recreation	-	-	-	-	-	8,469	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	-	3,685	-	-	-	-	73,937
Total cash and investment fund balance - ending	\$ 4,322	\$ 3,685	\$ -	\$ 2,980	\$ 5,553	\$ 8,469	\$ 73,937

CITY OF AUSTIN
 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)

	Manaugh Park	Police Activity	1977 Police Pension Contribution	Cumulative Capital Improvement	Cumulative Capital Development	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ 46,524	\$ -	\$ 28,989	\$ 78,502
Licenses and permits	-	-	-	-	-	1,900
Intergovernmental	-	-	-	15,363	3,159	131,542
Charges for services	250	-	-	-	-	660
Fines and forfeits	-	-	-	-	-	985
Other	-	1	-	-	-	6,127
Total receipts	250	1	46,524	15,363	32,148	219,716
Disbursements:						
General government	-	-	-	-	-	1,530
Public safety	-	-	34,372	-	-	38,075
Highways and streets	-	-	-	-	-	24,453
Economic development	-	-	-	16,000	-	16,000
Culture and recreation	854	-	-	-	-	6,666
Capital outlay:						
General government	-	-	-	-	20,514	74,198
Public safety	-	-	-	-	-	26
Culture and recreation	11,000	-	-	-	-	21,757
Total disbursements	11,854	-	34,372	16,000	20,514	182,705
Excess (deficiency) of receipts over (under) disbursements	(11,604)	1	12,152	(637)	11,634	37,011
Other financing sources:						
Other receipts	-	-	-	-	-	3,200
Total other financing sources	-	-	-	-	-	3,200
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(11,604)	1	12,152	(637)	11,634	40,211
Cash and investment fund balance - beginning	11,638	2,502	5,022	18,289	10,524	118,256
Cash and investment fund balance - ending	\$ 34	\$ 2,503	\$ 17,174	\$ 17,652	\$ 22,158	\$ 158,467
Cash and Investment Assets - Ending						
Cash and investments	\$ 34	\$ -	\$ -	\$ -	\$ -	\$ 77,656
Restricted assets:						
Cash and investments	-	2,503	17,174	17,652	22,158	80,811
Total cash and investment assets - ending	\$ 34	\$ 2,503	\$ 17,174	\$ 17,652	\$ 22,158	\$ 158,467
Cash and Investment Fund Balance - Ending						
Restricted for:						
Public safety	\$ -	\$ 2,503	\$ 17,174	\$ -	\$ -	\$ 22,657
Highways and streets	-	-	-	-	-	9,875
Culture and recreation	-	-	-	-	-	8,469
Capital outlay	-	-	-	17,652	22,158	39,810
Unrestricted	34	-	-	-	-	77,656
Total cash and investment fund balance - ending	\$ 34	\$ 2,503	\$ 17,174	\$ 17,652	\$ 22,158	\$ 158,467

CITY OF AUSTIN
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2008

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 365,115
Infrastructure	1,262,001
Buildings	900,107
Improvements other than buildings	218,696
Machinery and equipment	<u>367,029</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 3,112,948</u>
	 <u>Ending Balance</u>
Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 34,277
Construction in progress	6,186,273
Buildings	250,253
Improvements other than buildings	6,932,375
Machinery and equipment	<u>138,538</u>
 Total Wastewater Utility capital assets	 <u>\$ 13,541,716</u>

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

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Revenue bonds:		
Taxable Tax Increment Revenue Bonds of 2007	\$ 935,000	\$ 58,438
Business-type activities:		
Wastewater Utility:		
Revenue bonds:		
Sewage Works Revenue Bonds of 2002 Series A	\$ 89,000	\$ 4,960
Sewage Works Revenue Bonds of 2002 Series B	2,513,000	114,063
Sewage Works Revenue Bonds of 2007	2,760,000	144,850
Total Wastewater Utility	\$ 5,362,000	\$ 263,873

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE CITY OF AUSTIN, SCOTT COUNTY, INDIANA

Compliance

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

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

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

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

STATE BOARD OF ACCOUNTS

November 10, 2009

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

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Direct			
Water and Waste Disposal Loans and Grants	10.770		
Austin Sewer Improvement Project Phase II			\$ <u>2,532,840</u>
<u>U.S. DEPARTMENT OF COMMERCE</u>			
Direct Through U.S. Department of Agriculture			
Investment For Public Works and Economic Development Facilities	11.300		
Austin Sewer Improvement Project Phase II			<u>2,078,933</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Office of Community and Rural Affairs			
Community Development Block Grants/State's Program	14.228		
Austin Pepsi Water Tank Project		EDS #A192-7-ID-04-003	<u>125,000</u>
Total federal awards expended			<u>\$ <u>4,736,773</u></u>

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

CITY OF AUSTIN
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 Austin (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 AUSTIN
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
Significant deficiencies 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
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.770	Water and Waste Disposal Loans and Grants

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

No matters are reportable.

CITY OF AUSTIN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF AUSTIN
EXIT CONFERENCE

The contents of this report were discussed on November 10, 2009, with Dillo Bush, Clerk-Treasurer; and Douglas Campbell, Mayor. Our audit disclosed no material items that warrant comment at this time.