

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

ANNUAL FINANCIAL REPORT

2008

CITY OF CONNERSVILLE

FAYETTE COUNTY, INDIANA



**FILED**  
01/14/2010



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Julie A. Greeson	01-01-08 to 10-31-11
Mayor	Leonard E. Urban	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Leonard Urban	01-01-08 to 12-31-11
President of the Common Council	David Jobe Richard C. O'Neal	01-01-08 to 12-31-08 01-01-09 to 12-31-09
Director of Utilities	Harold Ellison William Ammerman	01-01-08 to 12-31-08 01-01-09 to 12-31-09
Utilities Office Manager	Karen L. Lore	01-01-08 to 12-31-09



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE CITY OF CONNERSVILLE, FAYETTE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Connersville (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 December 21, 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.

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

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

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

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

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

STATE BOARD OF ACCOUNTS

December 21, 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 CONNERSVILLE, FAYETTE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Connerville (City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 21, 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 and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

December 21, 2009

CITY OF CONNERSVILLE  
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		Totals
					Governmental Activities	Business-Type Activities	
Primary government:							
Governmental activities:							
General government	\$ 4,208,909	\$ 330,902	\$ -	\$ 3,991,012	\$ 113,005	\$ -	\$ 113,005
Public safety	6,741,237	685,609	-	-	(6,055,628)	-	(6,055,628)
Highways and streets	1,917,879	53,291	-	-	(1,864,588)	-	(1,864,588)
Sanitation	578,705	443,138	-	-	(135,567)	-	(135,567)
Health and welfare	51,274	-	-	-	(51,274)	-	(51,274)
Economic development	163,174	-	-	-	(163,174)	-	(163,174)
Culture and recreation	778,387	158,752	-	-	(619,635)	-	(619,635)
Urban redevelopment and housing	92,558	-	-	92,558	-	-	-
Principal and interest on indebtedness	198,381	-	-	-	(198,381)	-	(198,381)
<b>Total governmental activities</b>	<b>14,730,504</b>	<b>1,671,692</b>	<b>-</b>	<b>4,083,570</b>	<b>(8,975,242)</b>	<b>-</b>	<b>(8,975,242)</b>
Business-type activities:							
Airport Rotary	171,005	141,346	-	-	-	(29,659)	(29,659)
Stormwater Utility	541,627	865,753	-	-	-	324,126	324,126
Wastewater Utility	3,215,736	2,794,967	-	-	-	(420,769)	(420,769)
Water Utility	3,115,260	2,334,109	-	-	-	(781,151)	(781,151)
<b>Total business-type activities</b>	<b>7,043,628</b>	<b>6,136,175</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(907,453)</b>	<b>(907,453)</b>
<b>Total primary government</b>	<b>\$ 21,774,132</b>	<b>\$ 7,807,867</b>	<b>\$ -</b>	<b>\$ 4,083,570</b>	<b>(8,975,242)</b>	<b>(907,453)</b>	<b>(9,882,695)</b>
General receipts:							
Property taxes					4,670,195	-	4,670,195
Intergovernmental					2,962,565	-	2,962,565
Other local sources					199,680	-	199,680
Grants and contributions not restricted to specific programs					38,860	-	38,860
Investment earnings					112,721	135,420	248,141
<b>Total general receipts and special items</b>					<b>7,984,021</b>	<b>135,420</b>	<b>8,119,441</b>
Change in net assets					(991,221)	(772,033)	(1,763,254)
Net assets - beginning					7,665,272	7,774,814	15,440,086
Net assets - ending					<b>\$ 6,674,051</b>	<b>\$ 7,002,781</b>	<b>\$ 13,676,832</b>
<b>Assets</b>							
Cash and investments					\$ 2,842,075	\$ 2,992,279	\$ 5,834,354
Restricted assets:							
Cash and investments					3,831,976	4,010,502	7,842,478
<b>Total assets</b>					<b>\$ 6,674,051</b>	<b>\$ 7,002,781</b>	<b>\$ 13,676,832</b>
<b>Net Assets</b>							
Restricted for:							
General government					\$ 1,710,872	\$ -	\$ 1,710,872
Public safety					49,093	-	49,093
Highways and streets					715,140	-	715,140
Economic development					523,863	-	523,863
Culture and recreation					220,750	-	220,750
Debt service					9,333	1,221,672	1,231,005
Health costs					602,925	-	602,925
Other purposes					-	2,788,830	2,788,830
Unrestricted					2,842,075	2,992,279	5,834,354
<b>Total net assets</b>					<b>\$ 6,674,051</b>	<b>\$ 7,002,781</b>	<b>\$ 13,676,832</b>

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

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

	General	Airport Improvement	Other Governmental Funds	Totals
<b>Receipts:</b>				
Taxes	\$ 4,026,459	\$ -	\$ 643,736	\$ 4,670,195
Licenses and permits	50	-	10,345	10,395
Intergovernmental	1,951,561	3,991,012	1,103,562	7,046,135
Charges for services	1,244,075	-	427,617	1,671,692
Fines and forfeits	12,159	-	-	12,159
Other	218,160	-	110,545	328,705
<b>Total receipts</b>	<b><u>7,452,464</u></b>	<b><u>3,991,012</u></b>	<b><u>2,295,805</u></b>	<b><u>13,739,281</u></b>
<b>Disbursements:</b>				
General government	1,038,390	256,168	303,236	1,597,794
Public safety	6,630,758	-	50,428	6,681,186
Highways and streets	711,700	-	1,122,598	1,834,298
Sanitation	578,705	-	-	578,705
Health and welfare	51,274	-	-	51,274
Economic development	31,223	-	131,951	163,174
Culture and recreation	10,000	-	726,602	736,602
Urban redevelopment and housing	-	-	92,558	92,558
Debt service:				
Principal	-	-	100,000	100,000
Interest	-	-	98,381	98,381
Capital outlay:				
General government	5,331	2,319,579	87,409	2,412,319
Public safety	60,051	-	-	60,051
Highways and streets	22,267	-	61,314	83,581
Culture and recreation	-	-	41,785	41,785
<b>Total disbursements</b>	<b><u>9,139,699</u></b>	<b><u>2,575,747</u></b>	<b><u>2,816,262</u></b>	<b><u>14,531,708</u></b>
Excess (deficiency) of receipts over disbursements	<u>(1,687,235)</u>	<u>1,415,265</u>	<u>(520,457)</u>	<u>(792,427)</u>
<b>Other financing sources (uses):</b>				
Transfers in	500,000	-	885,750	1,385,750
Transfers out	(500,000)	-	(885,750)	(1,385,750)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,687,235)	1,415,265	(520,457)	(792,427)
Cash and investment fund balance - beginning	<u>3,418,125</u>	<u>184,831</u>	<u>3,260,597</u>	<u>6,863,553</u>
Cash and investment fund balance - ending	<u>\$ 1,730,890</u>	<u>\$ 1,600,096</u>	<u>\$ 2,740,140</u>	6,071,126
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because:				
Internal services funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.				
				<u>602,925</u>
Net assets of governmental activities				<u>\$ 6,674,051</u>
<b><u>Cash and Investment Assets - Ending</u></b>				
Cash and investments	\$ 1,730,890	\$ -	\$ 1,111,185	\$ 2,842,075
Restricted assets:				
Cash and investments	-	1,600,096	1,628,955	3,229,051
<b>Total cash and investment assets - ending</b>	<b><u>\$ 1,730,890</u></b>	<b><u>\$ 1,600,096</u></b>	<b><u>\$ 2,740,140</u></b>	<b><u>\$ 6,071,126</u></b>
<b><u>Cash and Investment Fund Balance - Ending</u></b>				
Restricted for:				
General government	\$ -	\$ 1,600,096	\$ 110,776	\$ 1,710,872
Public safety	-	-	49,093	49,093
Highways and streets	-	-	715,140	715,140
Economic development	-	-	523,863	523,863
Culture and recreation	-	-	220,750	220,750
Debt service	-	-	9,333	9,333
Unrestricted	1,730,890	-	1,111,185	2,842,075
<b>Total cash and investment fund balance - ending</b>	<b><u>\$ 1,730,890</u></b>	<b><u>\$ 1,600,096</u></b>	<b><u>\$ 2,740,140</u></b>	<b><u>\$ 6,071,126</u></b>

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

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

	Business Type Activities					Internal Service Fund
	Airport Rotary	Stormwater	Wastewater	Water	Totals	
Operating receipts:						
Metered/measured	\$ -	\$ 863,010	\$ 2,734,229	\$ 1,876,837	\$ 5,474,076	\$ -
Fuel sales	141,117	-	-	-	141,117	-
Fire protection receipts	-	-	-	162,464	162,464	-
Self-insurance collections	-	-	-	-	-	1,852,354
Miscellaneous	229	2,743	60,738	294,808	358,518	-
<b>Total operating receipts</b>	<b>141,346</b>	<b>865,753</b>	<b>2,794,967</b>	<b>2,334,109</b>	<b>6,136,175</b>	<b>1,852,354</b>
Operating disbursements:						
Salaries and wages	-	258,668	952,271	674,015	1,884,954	-
Employee pensions and benefits	-	122,384	503,620	347,495	973,499	-
Self-insurance costs	-	-	-	-	-	2,051,148
Purchased power	-	-	154,209	137,235	291,444	-
Chemicals	-	-	-	16,528	16,528	-
Material and supplies	154,379	106,464	200,595	246,126	707,564	-
Contractual services	9,790	39,266	215,553	753,202	1,017,811	-
Transportation	-	3,793	28,224	24,594	56,611	-
Insurance claims and expense	-	7,799	64,235	35,766	107,800	-
Refunds	-	-	29,225	24,575	53,800	-
Miscellaneous	6,836	3,253	577,344	281,559	868,992	-
<b>Total operating disbursements</b>	<b>171,005</b>	<b>541,627</b>	<b>2,725,276</b>	<b>2,541,095</b>	<b>5,979,003</b>	<b>2,051,148</b>
Excess (deficiency) of operating receipts over operating disbursements	(29,659)	324,126	69,691	(206,986)	157,172	(198,794)
Nonoperating receipts (disbursements):						
Investment income	-	29,709	41,365	64,346	135,420	-
Debt service of principal	-	-	(285,000)	(260,000)	(545,000)	-
Interest disbursements	-	-	(205,460)	(314,165)	(519,625)	-
<b>Total nonoperating receipts (disbursements)</b>	<b>-</b>	<b>29,709</b>	<b>(449,095)</b>	<b>(509,819)</b>	<b>(929,205)</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	(29,659)	353,835	(379,404)	(716,805)	(772,033)	(198,794)
Cash and investment fund balance - beginning	56,306	1,550,826	2,469,976	3,697,706	7,774,814	801,719
Cash and investment fund balance - ending	\$ 26,647	\$ 1,904,661	\$ 2,090,572	\$ 2,980,901	\$ 7,002,781	\$ 602,925
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ 26,647	\$ 1,902,439	\$ 814,600	\$ 248,593	\$ 2,992,279	\$ -
Restricted assets:						
Cash and investments	-	2,222	1,275,972	2,732,308	4,010,502	602,925
<b>Total cash and investment assets - December 31</b>	<b>\$ 26,647</b>	<b>\$ 1,904,661</b>	<b>\$ 2,090,572</b>	<b>\$ 2,980,901</b>	<b>\$ 7,002,781</b>	<b>\$ 602,925</b>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ 652,742	\$ 568,930	\$ 1,221,672	\$ -
Construction	-	2,222	498,245	2,029,921	2,530,388	-
Customer deposits	-	-	82,360	133,457	215,817	-
Health costs	-	-	-	-	-	602,925
Other purposes	-	-	42,625	-	42,625	-
Unrestricted	26,647	1,902,439	814,600	248,593	2,992,279	-
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 26,647</b>	<b>\$ 1,904,661</b>	<b>\$ 2,090,572</b>	<b>\$ 2,980,901</b>	<b>\$ 7,002,781</b>	<b>\$ 602,925</b>

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

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

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Employer	\$ 293,856	\$ -	
Plan members	2,545	-	
State	1,233,499	-	
Other	-	24,232	
	1,529,900	24,232	
Total additions			
Deductions:			
Benefits	1,760,326	-	
Administrative and general	6,358	69,044	
	1,766,684	69,044	
Total deductions			
Deficiency of total additions over total deductions	(236,784)	(44,812)	
Cash and investment fund balance - beginning	1,339,600	157,971	
Cash and investment fund balance - ending	\$ 1,102,816	\$ 113,159	\$ 2,806

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

CITY OF CONNERSVILLE  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

Primary Government: City of Connerville

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

Related Organizations

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, 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 airport improvement fund finances all major construction projects at the airport.

CITY OF CONNERSVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The City reports the following major proprietary funds:

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

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

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

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

Additionally, the City reports the following fund types:

The internal service fund accounts for health insurance provided to other departments on a cost-reimbursement basis.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

CITY OF CONNERSVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. 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. The November 10th distribution was not made by the County Auditor until February 6, 2009.

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:

CITY OF CONNERSVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

Fund Financial Statements

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

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

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

F. Internal and Interfund Balances and Activities

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

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.

CITY OF CONNERSVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 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

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.

CITY OF CONNERSVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Interfund Transfers

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

Transfer From	Transfer To	2008
General Fund	Other governmental funds	\$ 500,000
Other governmental funds	General Fund	500,000
	Other governmental funds	385,750
Total		\$ 1,385,750

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

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

Medical Benefits to employees, Retirees, and Dependents

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

Job Related Illnesses or Injuries to Employees

During 2001, the city joined together with other governmental entities in the Indiana Public Employees Plan, a public entity risk pool currently operating as a common risk management and insurance program for approximately 350 member governmental entities. This risk pool was

CITY OF CONNERSVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

formed in 1990. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries to employees. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

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

B. Subsequent Events

1. Beginning in 2009, the State Pension Relief Fund shall pay to each unit of local government with Pre-1977 Local Police and Fire Fighter Pension obligations, the total amount of pension, disability, and survivor benefit payments. The Pre-1977 funds include the 1925 Police Pension Fund, the 1937 Firefighters' Fund, and the 1953 Police Pension Fund. For property taxes due and payable after December 31, 2008, the Indiana Department of Local Government Finance shall reduce the maximum permissible property tax levy of any civil taxing unit and special service district by the amount of the payment to be made in 2009 by the State for the obligations.
2. The Department of Stormwater Management is in the process of a major construction project consisting of building a major trunk line and total reconstruction of West 20<sup>th</sup> Street, including the street and curbs. The project is being funded by a federal grant through the Indiana Department of Transportation in the amount of \$1,284,000 and local funds consisting of a Bond Anticipation Note in the amount of \$585,000 (issued on April 25, 2006). The bonds were originally expected to be sold by December 31, 2007. However, due to legal issues involving two separate easements, the bond sale date is unknown. The local costs of the project are being funded by operating revenue of the Department of Stormwater Management.
3. On June 1, 2009, the City Council approved Ordinance No. 5063, which states in part: "The Board of Public Works and Safety of the City of Connersville, Indiana shall replace the Utility Service Board and said Board shall have all of the powers and duties previously vested in the Utility Service Board by IC-1.5-3-1 through IC 8-1.5-3-15 and the control of all utilities owned by the City of Connersville. . . ."
4. In February 2009, the City Council increased Water and Wastewater Utility rates. The rates approximate a 13% increase and are effective with the next billing.

C. Postemployment Benefits

The City provides postemployment health insurance and life insurance benefits as authorized by IC-5-10-8, to all police and fire employees who retire after attaining age fifty-two with at least twenty years of service and Utility employees on or after attaining age sixty with at least fifteen years of service. Currently, thirty-seven retirees meet these eligibility requirements. The City provides 100% of these benefits. Disbursements for these postemployment benefits are recognized on a pay as you go basis. During the year ended December 31, 2008, expenditures of \$461,232 were recognized for postemployment benefits.

CITY OF CONNERSVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

D. Rate Structure – Enterprise Funds

Water Utility

The current rate structure was approved by the City Council on November 1, 2004. On February 2, 2009, the City Council approved a new rate structure which approximates a 13% rate increase effective immediately.

Wastewater Utility

The current rate structure was approved by the City Council on November 1, 2004. On February 17, 2009, the City Council approved a new rate structure which approximates a 13% rate increase effective immediately.

Department of Stormwater Management

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

E. Pension Plans

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

a. Public Employees' Retirement Fund

Plan Description

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

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.

CITY OF CONNERSVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

b. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy and Annual Pension Cost

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

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

c. 1937 Firefighters' Pension Plan

Plan Description

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

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.

CITY OF CONNERSVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plans

	PERF	Utility PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Annual required contribution	\$ 178,893	\$ 159,482	\$ 671,400	\$ 1,290,800
Interest on net pension obligation	1,605	2,533	521,200	903,400
Adjustment to annual required contribution	(1,829)	(2,886)	(657,600)	(1,139,800)
Annual pension cost	178,669	159,129	535,000	1,054,400
Contributions made	159,121	249,373	65,161	228,695
Increase (decrease) in net pension obligation	19,548	(90,244)	469,839	825,705
Net pension obligation, beginning of year	22,142	34,935	8,687,444	15,056,829
Net pension obligation, end of year	<u>\$ 41,690</u>	<u>\$ (55,309)</u>	<u>\$ 9,157,283</u>	<u>\$ 15,882,534</u>

	PERF	Utility PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:				
City	8%	11.75%	21%	21%
Plan members	3%	3%	6%	6%
Actuarial valuation date	07-01-08	07-01-08	01-01-08	01-01-08
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level	Level	Level	Level
	percentage of projected payroll, closed	percentage of projected payroll, closed	percentage of projected payroll, closed	percentage of projected payroll, closed
Amortization period	30 years	30 years	30 years	30 years
Amortization period (from date)	07-01-97	07-01-97	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital

CITY OF CONNERSVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

\*2.75% converted members; 4% nonconverted members

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 154,126	87%	\$ (23,749)
	06-30-07	184,211	75%	22,142
	06-30-08	178,669	89%	41,690
Utility PERF	06-30-06	209,709	91%	127,032
	06-30-07	154,732	160%	34,935
	06-30-08	159,129	157%	(55,309)
1925 Police Officers' Pension Plan	12-31-06	625,000	30%	8,202,252
	12-31-07	590,100	18%	8,687,444
	12-31-08	535,000	12%	9,157,283
1937 Firefighters' Pension Plan	12-31-06	1,127,200	45%	14,361,356
	12-31-07	1,062,900	35%	15,056,829
	12-31-08	1,054,400	22%	15,882,534

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	20	38
Terminated employees entitled to but not yet receiving benefits	-	-
Current active employees	1	2

CITY OF CONNERSVILLE  
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 \$531,482, \$524,521, and \$517,966, respectively, equal to the required contributions for each year.

CITY OF CONNERSVILLE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund - Government Employees

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 1,439,787	\$ 2,278,468	\$ (838,681)	63%	\$ 2,163,336	(39%)
07-01-07	1,712,404	2,470,597	(758,193)	69%	2,116,198	(36%)
07-01-08	1,970,820	2,786,136	(815,316)	71%	2,143,279	(38%)

Utilities' Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 2,332,750	\$ 3,189,925	\$ (857,175)	73%	\$ 1,664,239	(52%)
07-01-07	2,468,720	3,356,435	(887,715)	74%	1,655,721	(54%)
07-01-08	2,745,570	3,521,448	(775,878)	78%	1,690,199	(46%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-03	\$ 730,151	\$ 8,340,000	\$ (7,609,849)	9%	\$ 228,700	(3,327%)
01-01-04	578,246	10,047,700	(9,469,454)	6%	78,300	(12,094%)
01-01-05	600,557	9,294,400	(8,693,843)	6%	39,200	(22,178%)
01-01-06	691,800	10,033,200	(9,341,400)	7%	41,000	(22,784%)
01-01-07	646,943	9,610,400	(8,963,457)	7%	41,700	(21,495%)
01-01-08	568,034	8,951,700	(8,383,666)	6%	42,900	(19,542%)

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-03	\$ 668,657	\$ 16,847,200	\$ (16,178,543)	4%	\$ 528,300	(3,062%)
01-01-04	854,651	17,984,200	(17,129,549)	5%	232,600	(7,364%)
01-01-05	753,561	16,700,400	(15,946,839)	5%	155,100	(10,282%)
01-01-06	608,216	17,851,800	(17,243,584)	3%	121,600	(14,181%)
01-01-07	451,233	17,217,000	(16,765,767)	3%	82,600	(20,298%)
01-01-08	692,657	17,259,300	(16,566,643)	4%	84,800	(19,536%)

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

	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed City
1925 Police Officers' Pension Plan	12-31-03	\$ 1,086,800	26%
	12-31-04	1,166,800	23%
	12-31-05	668,400	37%
	12-31-06	730,400	25%
	12-31-07	709,700	15%
	12-31-08	671,400	10%
1937 Firefighters' Pension Plan	12-31-03	2,067,700	13%
	12-31-04	2,109,500	13%
	12-31-05	1,226,500	22%
	12-31-06	1,313,800	38%
	12-31-07	1,272,100	29%
	12-31-08	1,290,800	18%

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

	Motor Vehicle Highway	Local Road and Street	Cemetery Operating	Aviation	Park Nonreverting Operating	Restricted Donation	Parking Ordinance
Receipts:							
Taxes	\$ 214,343	\$ -	\$ 11,946	\$ 69,685	\$ -	\$ -	\$ -
Licenses and permits	575	-	-	-	-	-	-
Intergovernmental	565,204	63,901	391	2,118	-	-	-
Charges for services	53,291	-	-	41,506	20,237	-	-
Other	39,412	-	-	2,514	-	8,195	-
<b>Total receipts</b>	<b>872,825</b>	<b>63,901</b>	<b>12,337</b>	<b>115,823</b>	<b>20,237</b>	<b>8,195</b>	<b>-</b>
Disbursements:							
General government	-	-	1,606	163,534	-	2,523	-
Public safety	-	-	-	-	-	-	-
Highways and streets	1,072,598	50,000	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	18,959	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	9,800	16,529	-	5,100	-
Highways and streets	61,314	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>1,133,912</b>	<b>50,000</b>	<b>11,406</b>	<b>180,063</b>	<b>18,959</b>	<b>7,623</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	(261,087)	13,901	931	(64,240)	1,278	572	-
Other financing sources (uses):							
Transfers in	30,000	-	-	-	-	-	-
Transfers out	(180,000)	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(150,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(411,087)	13,901	931	(64,240)	1,278	572	-
Cash and investment fund balance - beginning	941,176	171,150	13,325	160,965	10,335	13,479	6,151
Cash and investment fund balance - ending	\$ 530,089	\$ 185,051	\$ 14,256	\$ 96,725	\$ 11,613	\$ 14,051	\$ 6,151
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ -	\$ -	\$ 14,256	\$ -	\$ -	\$ -	\$ 6,151
Restricted assets:							
Cash and investments	530,089	185,051	-	96,725	11,613	14,051	-
<b>Total cash and investment assets - ending</b>	<b>\$ 530,089</b>	<b>\$ 185,051</b>	<b>\$ 14,256</b>	<b>\$ 96,725</b>	<b>\$ 11,613</b>	<b>\$ 14,051</b>	<b>\$ 6,151</b>
<b>Cash and Investment Fund Balance - Ending</b>							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ 96,725	\$ -	\$ 14,051	\$ -
Public safety	-	-	-	-	-	-	-
Highways and streets	530,089	185,051	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	11,613	-	-
Unrestricted	-	-	14,256	-	-	-	6,151
<b>Total cash and investment fund balance - ending</b>	<b>\$ 530,089</b>	<b>\$ 185,051</b>	<b>\$ 14,256</b>	<b>\$ 96,725</b>	<b>\$ 11,613</b>	<b>\$ 14,051</b>	<b>\$ 6,151</b>

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

	Housing Grant	Continuing Education	Riverboat	Drug Coalition	Parks and Recreation	Park Restricted
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 296,903	\$ -
Licenses and permits	-	9,770	-	-	-	-
Intergovernmental	92,558	-	96,675	400	13,402	-
Charges for services	-	840	-	-	115,131	-
Other	-	26	-	905	12,860	30,010
<b>Total receipts</b>	<b>92,558</b>	<b>10,636</b>	<b>96,675</b>	<b>1,305</b>	<b>438,296</b>	<b>30,010</b>
Disbursements:						
General government	-	-	12,978	-	-	-
Public safety	-	12,182	-	2,193	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	685,799	21,844
Urban redevelopment and housing	92,558	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	33,697	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	20,626	-
<b>Total disbursements</b>	<b>92,558</b>	<b>12,182</b>	<b>46,675</b>	<b>2,193</b>	<b>706,425</b>	<b>21,844</b>
Excess (deficiency) of receipts over disbursements	-	(1,546)	50,000	(888)	(268,129)	8,166
Other financing sources (uses):						
Transfers in	-	-	-	-	180,000	-
Transfers out	-	-	-	-	(84,537)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>95,463</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(1,546)	50,000	(888)	(172,666)	8,166
Cash and investment fund balance - beginning	-	8,498	352,535	1,903	286,383	1,722
Cash and investment fund balance - ending	\$ -	\$ 6,952	\$ 402,535	\$ 1,015	\$ 113,717	\$ 9,888
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ -	\$ 402,535	\$ 1,015	\$ -	\$ -
Restricted assets:						
Cash and investments	-	6,952	-	-	113,717	9,888
<b>Total cash and investment assets - ending</b>	<b>\$ -</b>	<b>\$ 6,952</b>	<b>\$ 402,535</b>	<b>\$ 1,015</b>	<b>\$ 113,717</b>	<b>\$ 9,888</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	6,952	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	113,717	9,888
Unrestricted	-	-	402,535	1,015	-	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ -</b>	<b>\$ 6,952</b>	<b>\$ 402,535</b>	<b>\$ 1,015</b>	<b>\$ 113,717</b>	<b>\$ 9,888</b>

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

	Cable Education	Rainy Day	Seminar Training	RUFF Drug Task Force	Tax Abatement	Park Pool Debt Service
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	17,413	-	14,000	-	-
Charges for services	167,243	-	35	5,800	150	-
Other	695	-	425	13,956	-	-
<b>Total receipts</b>	<b>167,938</b>	<b>17,413</b>	<b>460</b>	<b>33,756</b>	<b>150</b>	<b>-</b>
Disbursements:						
General government	122,560	-	-	-	35	-
Public safety	-	-	-	36,053	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	60,000
Interest	-	-	-	-	-	61,213
Capital outlay:						
General government	22,283	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
<b>Total disbursements</b>	<b>144,843</b>	<b>-</b>	<b>-</b>	<b>36,053</b>	<b>35</b>	<b>121,213</b>
Excess (deficiency) of receipts over disbursements	23,095	17,413	460	(2,297)	115	(121,213)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	121,213
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>121,213</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	23,095	17,413	460	(2,297)	115	-
Cash and investment fund balance - beginning	188,812	271,555	2,454	44,438	2,826	-
Cash and investment fund balance - ending	<u>\$ 211,907</u>	<u>\$ 288,968</u>	<u>\$ 2,914</u>	<u>\$ 42,141</u>	<u>\$ 2,941</u>	<u>\$ -</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 211,907	\$ 288,968	\$ 2,914	\$ -	\$ 2,941	\$ -
Restricted assets:						
Cash and investments	-	-	-	42,141	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ 211,907</u>	<u>\$ 288,968</u>	<u>\$ 2,914</u>	<u>\$ 42,141</u>	<u>\$ 2,941</u>	<u>\$ -</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	42,141	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Unrestricted	211,907	288,968	2,914	-	2,941	-
<b>Total cash and investment fund balance - ending</b>	<u>\$ 211,907</u>	<u>\$ 288,968</u>	<u>\$ 2,914</u>	<u>\$ 42,141</u>	<u>\$ 2,941</u>	<u>\$ -</u>

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

	Miller Building Debt Service	Cumulative Capital Improvement	Cumulative Capital Development	Park Pool Construction	Edit Fund	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ 50,859	\$ -	\$ -	\$ 643,736
Licenses and permits	-	-	-	-	-	10,345
Intergovernmental	-	50,117	2,282	-	185,101	1,103,562
Charges for services	23,384	-	-	-	-	427,617
Other	-	-	-	1,547	-	110,545
<b>Total receipts</b>	<b>23,384</b>	<b>50,117</b>	<b>53,141</b>	<b>1,547</b>	<b>185,101</b>	<b>2,295,805</b>
Disbursements:						
General government	-	-	-	-	-	303,236
Public safety	-	-	-	-	-	50,428
Highways and streets	-	-	-	-	-	1,122,598
Economic development	-	21,951	-	-	110,000	131,951
Culture and recreation	-	-	-	-	-	726,602
Urban redevelopment and housing	-	-	-	-	-	92,558
Debt service:						
Principal	40,000	-	-	-	-	100,000
Interest	37,168	-	-	-	-	98,381
Capital outlay:						
General government	-	-	-	-	-	87,409
Highways and streets	-	-	-	-	-	61,314
Culture and recreation	-	-	-	21,159	-	41,785
<b>Total disbursements</b>	<b>77,168</b>	<b>21,951</b>	<b>-</b>	<b>21,159</b>	<b>110,000</b>	<b>2,816,262</b>
Excess (deficiency) of receipts over disbursements	(53,784)	28,166	53,141	(19,612)	75,101	(520,457)
Other financing sources (uses):						
Transfers in	54,537	100,000	400,000	-	-	885,750
Transfers out	-	(100,000)	(400,000)	-	(121,213)	(885,750)
<b>Total other financing sources (uses)</b>	<b>54,537</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(121,213)</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	753	28,166	53,141	(19,612)	(46,112)	(520,457)
Cash and investment fund balance - beginning	8,580	152,332	410,459	105,144	106,375	3,260,597
Cash and investment fund balance - ending	<u>\$ 9,333</u>	<u>\$ 180,498</u>	<u>\$ 463,600</u>	<u>\$ 85,532</u>	<u>\$ 60,263</u>	<u>\$ 2,740,140</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ 180,498	\$ -	\$ -	\$ -	\$ 1,111,185
Restricted assets:						
Cash and investments	9,333	-	463,600	85,532	60,263	1,628,955
<b>Total cash and investment assets - ending</b>	<b>\$ 9,333</b>	<b>\$ 180,498</b>	<b>\$ 463,600</b>	<b>\$ 85,532</b>	<b>\$ 60,263</b>	<b>\$ 2,740,140</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,776
Public safety	-	-	-	-	-	49,093
Highways and streets	-	-	-	-	-	715,140
Economic development	-	-	463,600	-	60,263	523,863
Culture and recreation	9,333	-	-	85,532	-	230,083
Unrestricted	-	180,498	-	-	-	1,111,185
<b>Total cash and investment fund balance - ending</b>	<b>\$ 9,333</b>	<b>\$ 180,498</b>	<b>\$ 463,600</b>	<b>\$ 85,532</b>	<b>\$ 60,263</b>	<b>\$ 2,740,140</b>

CITY OF CONNERSVILLE  
 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	\$ 65,161	\$ 228,695	\$ 293,856
Plan members	-	2,545	2,545
State	<u>452,451</u>	<u>781,048</u>	<u>1,233,499</u>
Total contributions	<u>517,612</u>	<u>1,012,288</u>	<u>1,529,900</u>
Deductions:			
Benefits	593,373	1,166,953	1,760,326
Administrative and general	<u>3,148</u>	<u>3,210</u>	<u>6,358</u>
Total deductions	<u>596,521</u>	<u>1,170,163</u>	<u>1,766,684</u>
Excess (deficiency) of total additions over total deductions	(78,909)	(157,875)	(236,784)
Cash and investment fund balance - beginning	<u>646,943</u>	<u>692,657</u>	<u>1,339,600</u>
Cash and investment fund balance - ending	<u>\$ 568,034</u>	<u>\$ 534,782</u>	<u>\$ 1,102,816</u>

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

	James E. Roberts Trust	D.O.E. Springs Trust	Community Improvement Program	Totals
Additions:				
Contributions:				
Other	\$ -	\$ -	\$ 20,150	\$ 20,150
Investment earnings:				
Interest	882	-	3,200	4,082
Total additions	882	-	23,350	24,232
Deductions:				
Administrative and general	-	4,000	65,044	69,044
Excess (deficiency) of total additions over total deductions	882	(4,000)	(41,694)	(44,812)
Cash and investment fund balance - beginning	673	4,000	153,298	157,971
Cash and investment fund balance - ending	<u>\$ 1,555</u>	<u>\$ -</u>	<u>\$ 111,604</u>	<u>\$ 113,159</u>

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

	Payroll
Additions:	
Agency fund additions	\$ 12,599,107
Deductions:	
Agency fund deductions	12,596,301
Excess of total additions over total deductions	2,806
Cash and investment fund balance - beginning	-
Cash and investment fund balance - ending	\$ 2,806

CITY OF CONNERSVILLE  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS

FOR THE YEAR ENDING DECEMBER 31, 2008

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

General infrastructure assets ( those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 2,740,549
Infrastructure	2,900,967
Buildings	4,252,055
Improvements other than buildings	2,527,011
Machinery and equipment	5,663,261
Construction in progress	<u>2,676,842</u>
Total governmental activities, capital Assets not being depreciated	<u>\$20,760,685</u>
 <u>Primary Government</u>	
Business-type activities:	
Water Utility:	
Land	\$ 58,099
Buildings	2,798,240
Infrastructure	4,812,328
Machinery and equipment	2,826,521
Improvements other than buildings	<u>68,012</u>
Total Water Utility capital assets	<u>\$10,563,200</u>
Wastewater Utility:	
Land	338,737
Buildings	5,490,649
Infrastructure	5,900,573
Improvements other than buildings	56,604
Machinery and equipment	<u>2,911,179</u>
Total Wastewater Utility capital assets	<u>14,697,742</u>
Storm Water Utility:	
Land	8,533
Buildings	25,793
Infrastructure	1,616,684
Improvements other than buildings	54,409
Machinery and equipment	<u>151,701</u>
Total Storm Water Utility capital assets	<u>1,857,120</u>
Total business-type activities Capital assets	<u>\$27,118,062</u>

CITY OF CONNERSVILLE  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

For The Year Ending December 31, 2008

<u>Description of Asset</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:		
Capital leases:		
Loader & Dump Truck	\$ 91,178	\$ 39,003
Ambulance	159,659	6,987
Bonds payable:		
General obligation bonds:		
Edit-Park Pool	1,315,000	118,663
Revenue bonds:		
John Miller Bldg.	<u>705,000</u>	<u>76,768</u>
Total governmental activities long-term debt	<u>\$ 2,270,837</u>	<u>\$ 241,421</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
Water Improvements	<u>\$ 6,355,000</u>	<u>\$ 574,165</u>
Wastewater Utility		
Revenue bonds:		
Wastewater Utility Improvements	<u>3,925,000</u>	<u>490,460</u>
Storm Water Utility		
Bond Anticipation Note	<u>585,000</u>	<u>-</u>
Total business-type activities long-term debt:	<u>\$ 10,865,000</u>	<u>\$ 1,064,625</u>

CITY OF CONNERSVILLE  
AUDIT RESULT AND COMMENT

DECLINING FINANCIAL CONDITION OF THE WATER UTILITY

The cash balance of the funds available for operations for the Water Utility has declined dramatically over the period from December 31, 2006 to June 30, 2009. The cash balances reported below do not reflect those cash balances that are restricted by bond ordinances or other external legal requirements and cannot be used to fund operations. The following table summarizes the decline in the cash balances for the funds available for operations over this period:

	<u>12-30-06</u>	<u>12-31-07</u>	<u>12-31-08</u>	<u>06-30-09</u>
<u>Water Utility</u>				
Operating	\$ 515,153	\$ 572,001	\$ 247,720	\$ 245,173
Depreciation	<u>337</u>	<u>324</u>	<u>872</u>	<u>155</u>
Subtotal	515,490	572,325	248,592	245,328
Deferred expenses:				
Payment in lieu of taxes, (PILT)	<u>-</u>	<u>-</u>	<u>(132,901)</u>	<u>(199,352)</u>
Funds available for operations	<u>\$ 515,490</u>	<u>\$ 572,325</u>	<u>\$ 115,691</u>	<u>\$ 45,976</u>

The above financial information reflects a 91% decline in the cash balance for operations of the Water Utility.

On December 15, 2008, due to the declining financial condition of the Water Utility, the Common Council of the City agreed to defer the Payment in Lieu of Taxes, (PILT), due to the City and usually paid in semiannual payments in June and December. The annual amount of PILT is \$132,901 for the Water Utility. The amount of the liability is reflected in the above chart as deferred expenses.

The decline in finances is largely due to the loss of revenue from the City's largest industrial customer. The industrial customer ended operations at their Connersville plant in 2007; however, no provisions were made by the Utility Service Board to compensate for this loss of revenue. Considering that the average monthly expenses of the Water Utility are \$194,956, during the period January 1, 2006 to December 31, 2008, the cash available to fund operations became dangerously low.

CITY OF CONNERSVILLE  
AUDIT RESULT AND COMMENT  
(Continued)

On June 1, 2009, the Common Council of the City approved Ordinance No. 5063, which states in part:

". . . The Board of Public Works and Safety of the City of Connerville, Indiana shall replace the Utility Service Board and said Board shall have all of the powers and duties previously vested in the Utility Service Board by IC-1.5-3-1 through IC 8-1.5-3-15 and the control of all utilities owned by the City of Connerville. . . ."

The City has chosen to address the financial decline both by increasing water rates and by reducing expenses. There have been several layoffs of employees, elimination of unnecessary overtime, and reductions in employee benefits. In February 2009, the Common Council increased Water Utility rates. The rates approximate a 13% increase and are effective with the next billing.

IC 8-1.5-3-8 which establishes the rules and regulations for setting the rates and charges of the Water utility. IC 8-1.5-3-8 states in part: "A municipality owning a utility under this chapter shall furnish reasonably adequate services and facilities. (b) The rates and charges made by a municipality for a service rendered or to be rendered, either directly or in connection therewith, must be nondiscriminatory, reasonable, and just. (c) 'Reasonable and just rates and charges for services' means rates and charges that produce sufficient revenue to: (1) pay all the legal and other necessary expenses incident to the operation of the utility." Subsection (d) of this code further states that: "It is the intent of this section that the rates and charges produce an income sufficient to maintain the utility property in a sound physical and financial condition to render adequate and efficient service. Rates and charges too low to meet these requirements are unlawful."

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE CITY OF CONNERSVILLE, FAYETTE COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Connersville (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 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, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

December 21, 2009

CITY OF CONNERSVILLE  
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 HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Housing and Community Development Authority Community Development Block Grants/State's Program	14.228	HD-006-011	\$ 92,558
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Pass-Through Indiana Criminal Justice Institute Edward Byrne Memorial Formula Grant Program	16.579	07-DJ-024	10,103
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Direct Grant			
Airport Improvement Program	20.106	AIP 3-18-0013-10 AIP 3-18-0013-11 AIP 3-18-0013-12	104,099 1,123,904 <u>2,234,846</u>
Total for program			<u>3,462,849</u>
Pass-Through Indiana Department of Transportation State and Community Highway Safety Operation Pullover	20.600	OP-09-01-01-78	<u>7,615</u>
Total for federal grantor agency			<u>3,470,464</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security Disaster Grants- Public Assistance (Presidentially Declared Disasters)	97.036	PW-00004 PW-00005 PW-00021 PW-00024 PW-00025 PW-00030	797 1,670 53,210 980 7,592 <u>28</u>
Total for program			<u>64,277</u>
Total federal awards expended			<u>\$ 3,637,402</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF CONNERSVILLE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Connersville (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

II. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2008:

Program Title	Federal CFDA Number	2008
Community Development Block Grants/State's Program	14.228	\$ <u>92,558</u>

CITY OF CONNERSVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
 Material weaknesses identified? no  
 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
20.106	Airport Improvement Program

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF CONNERSVILLE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF CONNERSVILLE  
EXIT CONFERENCE

The contents of this report were discussed on December 21, 2009, with Leonard E. Urban, Mayor; Julie A. Greeson, Clerk-Treasurer; Richard C. O'Neal, President of the Common Council; William Ammerman, Director of Utilities; and Karen L. Lore, Utilities Office Manager. The officials concurred with our audit finding.