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

ANNUAL FINANCIAL REPORT

2009

CITY OF AUSTIN

SCOTT COUNTY, INDIANA



**FILED**  
06/21/2010



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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<br>Public Works and Safety | Douglas Campbell | 01-01-08 to 12-31-11 |
| President of the Common Council                      | Roger Hawkins    | 01-01-09 to 12-31-10 |
| Superintendent of Wastewater Utility                 | Howard Watts     | 01-01-09 to 12-31-10 |



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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, 2009, 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, 2009, 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 May 25, 2010, 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 integral part of 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

May 25, 2010



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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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 25, 2010. 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

May 25, 2010

CITY OF AUSTIN  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2009

| Functions/Programs                         | Program Receipts    |                         |  | Net (Disbursement) Receipt<br>and Changes in Net Assets |                             | Totals              |
|--|---------------------|-------------------------|--|---|-----------------------------|---------------------|
|  | Disbursements       | Charges for<br>Services | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                              | Business-Type<br>Activities |                     |
| <b>Primary government:</b>                 |                     |                         |  |   |                             |                     |
| Governmental activities:                   |                     |                         |  |   |                             |                     |
| General government                         | \$ 541,887          | \$ -                    | \$ -                                   | \$ (541,887)  | \$ -                        | \$ (541,887)        |
| Public safety                              | 507,588             | 1,722                   | -                                      | (505,866)   | -                           | (505,866)           |
| Highways and streets                       | 241,385             | -                       | -                                      | (241,385)   | -                           | (241,385)           |
| Sanitation                                 | 173,690             | 157,023                 | -                                      | (16,667)  | -                           | (16,667)            |
| Economic development                       | 289,029             | -                       | -                                      | (289,029)   | -                           | (289,029)           |
| Culture and recreation                     | 63,108              | -                       | -                                      | (63,108)  | -                           | (63,108)            |
| Principal and interest on indebtedness     | 24,838              | -                       | -                                      | (24,838)  | -                           | (24,838)            |
| Total governmental activities              | <u>1,841,525</u>    | <u>158,745</u>          | <u>-</u>                               | <u>(1,682,780)</u>                                      | <u>-</u>                    | <u>(1,682,780)</u>  |
| Business-type activities:                  |                     |                         |  |   |                             |                     |
| Wastewater Utility                         | <u>1,993,099</u>    | <u>875,142</u>          | <u>117,375</u>                         | <u>-</u>  | <u>(1,000,582)</u>          | <u>(1,000,582)</u>  |
| Total primary government                   | <u>\$ 3,834,624</u> | <u>\$ 1,033,887</u>     | <u>\$ 117,375</u>                      | <u>(1,682,780)</u>                                      | <u>(1,000,582)</u>          | <u>(2,683,362)</u>  |
| General receipts:                          |                     |                         |  |   |                             |                     |
| Property taxes                             |                     |                         |  | 914,478   | -                           | 914,478             |
| Intergovernmental                          |                     |                         |  | 319,054   | -                           | 319,054             |
| Other local sources                        |                     |                         |  | 655,290   | -                           | 655,290             |
| Net proceeds from borrowings               |                     |                         |  | -   | 955,000                     | 955,000             |
| Investment earnings                        |                     |                         |  | 9,159   | 4,186                       | 13,345              |
| Interfund loans                            |                     |                         |  | 8,000   | (8,000)                     | -                   |
| Total general receipts and interfund loans |                     |                         |  | <u>1,905,981</u>  | <u>951,186</u>              | <u>2,857,167</u>    |
| Change in net assets                       |                     |                         |  | 223,201   | (49,396)                    | 173,805             |
| Net assets - beginning                     |                     |                         |  | <u>1,101,845</u>  | <u>792,714</u>              | <u>1,894,559</u>    |
| Net assets - ending                        |                     |                         |  | <u>\$ 1,325,046</u>                                     | <u>\$ 743,318</u>           | <u>\$ 2,068,364</u> |
| <b>Assets</b>                              |                     |                         |  |   |                             |                     |
| Cash and investments                       |                     |                         |  | \$ 500,716  | \$ 198,870                  | \$ 699,586          |
| Restricted assets:                         |                     |                         |  |   |                             |                     |
| Cash and investments                       |                     |                         |  | <u>824,330</u>  | <u>544,448</u>              | <u>1,368,778</u>    |
| Total assets                               |                     |                         |  | <u>\$ 1,325,046</u>                                     | <u>\$ 743,318</u>           | <u>\$ 2,068,364</u> |
| <b>Net Assets</b>                          |                     |                         |  |   |                             |                     |
| Restricted for:                            |                     |                         |  |   |                             |                     |
| Public safety                              |                     |                         |  | \$ 17,617   | \$ -                        | \$ 17,617           |
| Highways and streets                       |                     |                         |  | 105,713   | -                           | 105,713             |
| Sanitation                                 |                     |                         |  | 70,500  | -                           | 70,500              |
| Economic development                       |                     |                         |  | 340,924   | -                           | 340,924             |
| Culture and recreation                     |                     |                         |  | 108,770   | -                           | 108,770             |
| Debt service                               |                     |                         |  | 144,805   | 480,347                     | 625,152             |
| Capital outlay                             |                     |                         |  | 36,001  | 64,101                      | 100,102             |
| Unrestricted                               |                     |                         |  | <u>500,716</u>  | <u>198,870</u>              | <u>699,586</u>      |
| Total net assets                           |                     |                         |  | <u>\$ 1,325,046</u>                                     | <u>\$ 743,318</u>           | <u>\$ 2,068,364</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, 2009

|   | General        | Tax Increment<br>Financing | Sanitation     | Pepsi<br>Water Tank<br>Project | Tax Increment<br>Financing<br>Bond and Interest | Other<br>Governmental<br>Funds | Totals           |
|---|----------------|----------------------------|----------------|--------------------------------|---|--------------------------------|------------------|
| <b>Receipts:</b>  |                |                            |                |                                |   |                                |                  |
| Taxes   | \$ 597,656     | \$ 179,539                 | \$ 28,061      | \$ -                           | \$ -  | \$ 109,222                     | \$ 914,478       |
| Special assessments   | -              | -                          | -              | -                              | -   | 21,200                         | 21,200           |
| Licenses and permits  | 24,485         | -                          | -              | -                              | -   | 2,045                          | 26,530           |
| Intergovernmental   | 54,670         | 90                         | 3,007          | 75,000                         | -   | 186,287                        | 319,054          |
| Charges for services  | -              | -                          | 157,023        | -                              | -   | 1,722                          | 158,745          |
| Fines and forfeits  | 13,812         | -                          | 22,775         | -                              | -   | -                              | 36,587           |
| Interfund loans   | -              | -                          | -              | -                              | -   | 33,000                         | 33,000           |
| Other   | 79,600         | 126,202                    | 5,746          | 8                              | -   | 250,217                        | 461,773          |
| <b>Total receipts</b>   | <b>770,223</b> | <b>305,831</b>             | <b>216,612</b> | <b>75,008</b>                  | <b>-</b>  | <b>603,693</b>                 | <b>1,971,367</b> |
| <b>Disbursements:</b>   |                |                            |                |                                |   |                                |                  |
| General government  | 279,709        | -                          | -              | -                              | -   | 35,716                         | 315,425          |
| Public safety   | 464,749        | -                          | -              | -                              | -   | 42,839                         | 507,588          |
| Highways and streets  | -              | -                          | -              | -                              | -   | 238,885                        | 238,885          |
| Sanitation  | -              | -                          | 168,690        | -                              | -   | -                              | 168,690          |
| Economic development  | -              | 63,780                     | -              | -                              | -   | -                              | 63,780           |
| Culture and recreation  | 9,249          | -                          | -              | -                              | -   | 16,908                         | 26,157           |
| Interfund loans   | -              | -                          | 25,000         | -                              | -   | -                              | 25,000           |
| Debt service:   |                |                            |                |                                |   |                                |                  |
| Principal   | -              | -                          | -              | -                              | -   | 2,500                          | 2,500            |
| Capital outlay:   |                |                            |                |                                |   |                                |                  |
| General government  | -              | -                          | -              | 108,524                        | -   | 117,938                        | 226,462          |
| Sanitation  | -              | -                          | 29,838         | -                              | -   | -                              | 29,838           |
| Economic development  | -              | 225,249                    | -              | -                              | -   | -                              | 225,249          |
| Culture and recreation  | 2,500          | -                          | -              | -                              | -   | 34,451                         | 36,951           |
| <b>Total disbursements</b>  | <b>756,207</b> | <b>289,029</b>             | <b>223,528</b> | <b>108,524</b>                 | <b>-</b>  | <b>489,237</b>                 | <b>1,866,525</b> |
| Excess (deficiency) of receipts over disbursements  | 14,016         | 16,802                     | (6,916)        | (33,516)                       | -   | 114,456                        | 104,842          |
| <b>Other financing sources (uses):</b>  |                |                            |                |                                |   |                                |                  |
| Transfers in  | 16,000         | -                          | -              | -                              | 144,805   | -                              | 160,805          |
| Transfers out   | -              | -                          | -              | (144,805)                      | -   | (16,000)                       | (160,805)        |
| Other receipts  | 5,409          | 93,500                     | -              | -                              | -   | 19,450                         | 118,359          |
| <b>Total other financing sources (uses)</b>   | <b>21,409</b>  | <b>93,500</b>              | <b>-</b>       | <b>(144,805)</b>               | <b>144,805</b>                                  | <b>3,450</b>                   | <b>118,359</b>   |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 35,425         | 110,302                    | (6,916)        | (178,321)                      | 144,805   | 117,906                        | 223,201          |
| Cash and investment fund balance - beginning  | 233,398        | 230,622                    | 77,416         | 178,321                        | -   | 382,088                        | 1,101,845        |
| Cash and investment fund balance - ending   | \$ 268,823     | \$ 340,924                 | \$ 70,500      | \$ -                           | \$ 144,805                                      | \$ 499,994                     | \$ 1,325,046     |
| <b>Cash and Investment Assets - Ending</b>  |                |                            |                |                                |   |                                |                  |
| Cash and investments  | \$ 268,823     | \$ -                       | -              | -                              | -   | \$ 231,893                     | \$ 500,716       |
| Restricted assets:  |                |                            |                |                                |   |                                |                  |
| Cash and investments  | -              | 340,924                    | 70,500         | -                              | 144,805   | 268,101                        | 824,330          |
| Total cash and investment assets - ending   | \$ 268,823     | \$ 340,924                 | \$ 70,500      | \$ -                           | \$ 144,805                                      | \$ 499,994                     | \$ 1,325,046     |
| <b>Cash and Investment Fund Balance - Ending</b>  |                |                            |                |                                |   |                                |                  |
| Restricted for:   |                |                            |                |                                |   |                                |                  |
| Public safety   | \$ -           | \$ -                       | \$ -           | \$ -                           | \$ -  | \$ 17,617                      | \$ 17,617        |
| Highways and streets  | -              | -                          | -              | -                              | -   | 105,713                        | 105,713          |
| Sanitation  | -              | -                          | 70,500         | -                              | -   | -                              | 70,500           |
| Economic development  | -              | 340,924                    | -              | -                              | -   | -                              | 340,924          |
| Culture and recreation  | -              | -                          | -              | -                              | -   | 108,770                        | 108,770          |
| Debt service  | -              | -                          | -              | -                              | 144,805   | -                              | 144,805          |
| Capital outlay  | -              | -                          | -              | -                              | -   | 36,001                         | 36,001           |
| Unrestricted  | 268,823        | -                          | -              | -                              | -   | 231,893                        | 500,716          |
| Total cash and investment fund balance - ending   | \$ 268,823     | \$ 340,924                 | \$ 70,500      | \$ -                           | \$ 144,805                                      | \$ 499,994                     | \$ 1,325,046     |

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, 2009

|   | <u>Wastewater<br/>Utility</u> |
|---|-------------------------------|
| Operating receipts:   |                               |
| Metered/measured  | \$ 816,920                    |
| Interfund loan proceeds   | 25,000                        |
| Miscellaneous   | <u>58,222</u>                 |
| Total operating receipts  | <u>900,142</u>                |
| Operating disbursements:  |                               |
| Salaries and wages  | 218,653                       |
| Employee pensions and benefits                                      | 59,896                        |
| Purchased power   | 129,741                       |
| Chemicals   | 13,833                        |
| Material and supplies   | 93,438                        |
| Insurance claims and expense  | 14,918                        |
| Payment in lieu of tax  | 60,000                        |
| Equipment and capital improvements                                  | 1,133,845                     |
| Interfund loan made   | 33,000                        |
| Miscellaneous   | <u>42,723</u>                 |
| Total operating disbursements                                       | <u>1,800,047</u>              |
| Deficiency of operating receipts over operating disbursements       | <u>(899,905)</u>              |
| Nonoperating receipts (disbursements):                              |                               |
| Net proceeds from borrowings  | 955,000                       |
| Investment income   | 4,186                         |
| Debt service of principal   | (2,000)                       |
| Interest disbursements  | <u>(224,052)</u>              |
| Total nonoperating receipts   | <u>733,134</u>                |
| Deficiency of receipts over disbursements and nonoperating receipts | (166,771)                     |
| Capital contributions   | <u>117,375</u>                |
| Deficiency of receipts, and contributions over disbursements        | (49,396)                      |
| Cash and investment fund balance - beginning                        | <u>792,714</u>                |
| Cash and investment fund balance - ending                           | <u>\$ 743,318</u>             |
| <u>Cash and Investment Assets - December 31</u>                     |                               |
| Cash and investments  | \$ 198,870                    |
| Restricted assets:  |                               |
| Cash and investments  | <u>544,448</u>                |
| Total cash and investment assets - December 31                      | <u>\$ 743,318</u>             |
| <u>Cash and Investment Fund Balance - December 31</u>               |                               |
| Restricted for:   |                               |
| Debt service  | \$ 480,347                    |
| Capital outlay  | 64,101                        |
| Unrestricted  | <u>198,870</u>                |
| Total cash and investment fund balance - December 31                | <u>\$ 743,318</u>             |

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

CITY OF AUSTIN  
STATEMENT OF CASH AND INVESTMENT BALANCE  
FIDUCIARY FUND  
December 31, 2009

|   | <u>Agency<br/>Fund</u> |
|---|------------------------|
| Cash and investment fund balance - ending | \$ <u>1,906</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, planning and zoning, general administrative services, wastewater, sanitation, and economic development.

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

Primary Government: City of Austin

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

Joint Venture

The City is a participant in a joint venture to operate County Emergency Communications (E-911) which was created to provide county-wide dispatch services. The City is obligated by contract to remit \$70,000 annually to supplement the County Emergency Communications (E-911). Complete financial statements for the County Emergency Communications (E-911) can be obtained from Scott County Auditor, 1 East McClain Avenue, Scottsburg, IN 47170.

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 tax increment financing (TIF) fund accounts for the financial resources for public improvements and economic development within the TIF district.

CITY OF AUSTIN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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.

The tax increment bond and interest fund is used to account for tax increment funds set aside for payment of principal and interest on bonds issued to fund economic development projects within the TIF district.

The City reports the following major enterprise 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 federal and state revenue agencies and serves as a control of accounts for cash transactions during the time they are a liability to the City. 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 City and its enterprise funds. 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.

When both restricted and unrestricted resources are available for use, the City's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

3. Property Taxes

Normally, 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. 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 may become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

4. 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.

5. Long-Term Debt

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

CITY OF AUSTIN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

6. Equity Classification

Government-Wide Statements

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

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

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 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 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 AUSTIN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

Interfund activity, if any, is 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 loans and 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

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, the governing board, through the passage of a resolution/ ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2009, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

| Fund                | 2009   |
|---------------------|--------|
| Park and Recreation | \$ 786 |

CITY OF AUSTIN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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. IC 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, 2009, the City had deposit balances in the amount of \$2,346,557.

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.

Statutory Authorization for Investments

IC 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 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.

CITY OF AUSTIN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2009, were as follows:

| <u>Transfer From</u>     | <u>Transfer To</u>                        | <u>2009</u>       |
|--------------------------|---|-------------------|
| Pepsi Water Tank Project | Tax Increment Financing Bond and Interest | \$ 144,805        |
| Other governmental funds | General Fund                              | <u>16,000</u>     |
| Total                    |   | <u>\$ 160,805</u> |

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

The transfer from the pepsi water tank fund to the tax increment financing bond and interest fund was a transfer of residual funds remaining after the completion of a construction project. Funds transferred are restricted to use to pay related debt on the project.

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 risks covered by commercial insurance 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 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 Funds

Wastewater Utility

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

CITY OF AUSTIN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Receipts Pledged

Wastewater Utility Receipts Pledged

The City has pledged future operating revenues, net of specified operating expenditures, to repay revenue bonds issued in 2002. Proceeds from the bonds provided financing for sewage works improvements. The bonds are payable solely from operating revenues, net of operating expenditures, and are payable through 2042. Annual principal and interest payments are expected to require less than 2% of net receipts.

The City has pledged future operating revenues net of specified operating expenditures, to repay revenue bonds issued in 2002. Proceeds from the bonds provided financing for sewage works improvements. The bonds are payable solely from operating revenues, net of operating expenditures, and are payable through 2042. Annual principal and interest payments are expected to require less than 61% of net receipts.

The City has pledged future operating revenues, net of specified operating expenditures, to repay revenue bonds issued in 2007. Proceeds from the bonds provided financing for sewage works improvements. The bonds are payable solely from operating revenues, net of operating expenditures, and are payable through 2047. Annual principal and interest payments are expected to require less than 59% of net receipts.

Tax Increment Receipts Pledged

The City has pledged a portion of tax increment funding receipts to repay \$935,000 in tax increment bonds issued in 2007 to finance the construction of a water tank. The bonds are payable solely from the incremental tax receipts generated by property taxes in the tax increment financing area. Incremental tax receipts were projected to produce 100% of the debt service requirements over the life of the bonds.

D. 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.

CITY OF AUSTIN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the City during the period were \$42,274.

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

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 during the period were \$40,617.

CITY OF AUSTIN  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

| Actuarial<br>Valuation<br>Date | Actuarial Value<br>Of Assets<br>(a) | Actuarial Accrued<br>Liability<br>(b) | Unfunded AAL<br>(a-b) | Funded Ratio<br>(a/b) | Covered Payroll<br>(c) | Unfunded<br>AAL As<br>a Percentage of<br>Covered Payroll<br>((a-b)/c) |
|--------------------------------|-------------------------------------|---------------------------------------|-----------------------|-----------------------|------------------------|---|
| 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%)   |
| 07-01-09                       | 316,811                             | 558,897                               | (242,086)             | 57%                   | 436,700                | (55%)   |

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, 2009

|   | Motor Vehicle<br>Highway | Local Road<br>And Street | Donations       | 1977 Police<br>Pension<br>Contribution | Law<br>Enforcement<br>Continuing<br>Education | Parks<br>And<br>Recreation |
|---|--------------------------|--------------------------|-----------------|--|---|----------------------------|
| <b>Receipts:</b>  |                          |                          |                 |  |   |                            |
| Taxes   | \$ 18,669                | \$ -                     | \$ -            | \$ 41,060                              | \$ -  | \$ 10,173                  |
| Special assessments   | -                        | -                        | -               | -                                      | -   | -                          |
| Licenses and permits  | -                        | -                        | -               | -                                      | 2,045   | -                          |
| Intergovernmental   | 126,790                  | 24,019                   | -               | -                                      | -   | -                          |
| Charges for services  | -                        | -                        | -               | -                                      | 1,722   | -                          |
| Interfund loans   | 33,000                   | -                        | -               | -                                      | -   | -                          |
| Other   | 41,677                   | -                        | 8,380           | -                                      | 700   | 3,593                      |
| <b>Total receipts</b>   | <b>220,136</b>           | <b>24,019</b>            | <b>8,380</b>    | <b>41,060</b>                          | <b>4,467</b>                                  | <b>13,766</b>              |
| <b>Disbursements:</b>   |                          |                          |                 |  |   |                            |
| General government  | -                        | -                        | 9,317           | -                                      | -   | -                          |
| Public safety   | -                        | -                        | -               | 40,617                                 | 1,772   | -                          |
| Highways and streets  | 211,307                  | 27,578                   | -               | -                                      | -   | -                          |
| Culture and recreation  | -                        | -                        | -               | -                                      | -   | 16,486                     |
| Debt service:   |                          |                          |                 |  |   |                            |
| Principal   | 2,500                    | -                        | -               | -                                      | -   | -                          |
| Capital outlay:   |                          |                          |                 |  |   |                            |
| General government  | -                        | -                        | -               | -                                      | -   | -                          |
| Culture and recreation  | -                        | -                        | -               | -                                      | -   | -                          |
| <b>Total disbursements</b>  | <b>213,807</b>           | <b>27,578</b>            | <b>9,317</b>    | <b>40,617</b>                          | <b>1,772</b>                                  | <b>16,486</b>              |
| Excess (deficiency) of receipts over disbursements  | 6,329                    | (3,559)                  | (937)           | 443                                    | 2,695   | (2,720)                    |
| <b>Other financing sources (uses):</b>  |                          |                          |                 |  |   |                            |
| Transfers out   | -                        | -                        | -               | -                                      | -   | -                          |
| Other receipts  | -                        | -                        | -               | -                                      | -   | -                          |
| <b>Total other financing sources (uses)</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 | 6,329                    | (3,559)                  | (937)           | 443                                    | 2,695   | (2,720)                    |
| Cash and investment fund balance - beginning  | 98,621                   | 4,322                    | 3,685           | 17,174                                 | 2,980   | 8,469                      |
| Cash and investment fund balance - ending   | \$ 104,950               | \$ 763                   | \$ 2,748        | \$ 17,617                              | \$ 5,675                                      | \$ 5,749                   |
| <b>Cash and Investment Assets - Ending</b>  |                          |                          |                 |  |   |                            |
| Cash and investments  | \$ -                     | \$ -                     | \$ 2,748        | \$ -                                   | \$ 5,675                                      | \$ -                       |
| Restricted assets:  |                          |                          |                 |  |   |                            |
| Cash and investments  | 104,950                  | 763                      | -               | 17,617                                 | -   | 5,749                      |
| <b>Total cash and investment assets - ending</b>  | <b>\$ 104,950</b>        | <b>\$ 763</b>            | <b>\$ 2,748</b> | <b>\$ 17,617</b>                       | <b>\$ 5,675</b>                               | <b>\$ 5,749</b>            |
| <b>Cash and Investment Fund Balance - Ending</b>  |                          |                          |                 |  |   |                            |
| Restricted for:   |                          |                          |                 |  |   |                            |
| Public safety   | \$ -                     | \$ -                     | \$ -            | \$ 17,617                              | \$ -  | \$ -                       |
| Highways and streets  | 104,950                  | 763                      | -               | -                                      | -   | -                          |
| Culture and recreation  | -                        | -                        | -               | -                                      | -   | 5,749                      |
| Capital outlay  | -                        | -                        | -               | -                                      | -   | -                          |
| Unrestricted  | -                        | -                        | 2,748           | -                                      | 5,675   | -                          |
| <b>Total cash and investment fund balance - ending</b>  | <b>\$ 104,950</b>        | <b>\$ 763</b>            | <b>\$ 2,748</b> | <b>\$ 17,617</b>                       | <b>\$ 5,675</b>                               | <b>\$ 5,749</b>            |

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, 2009  
 (Continued)

|   | Grant #1      | Land<br>Acquisition | Planning Grant | Rainy Day        | Police Activity | Christie Fund     |
|---|---------------|---------------------|----------------|------------------|-----------------|-------------------|
| <b>Receipts:</b>  |               |                     |                |                  |                 |                   |
| Taxes   | \$ -          | \$ -                | \$ -           | \$ -             | \$ -            | \$ -              |
| Special assessments   | -             | -                   | -              | -                | -               | -                 |
| Licenses and permits  | -             | -                   | -              | -                | -               | -                 |
| Intergovernmental   | -             | -                   | 5,400          | 7,412            | -               | -                 |
| Charges for services  | -             | -                   | -              | -                | -               | -                 |
| Interfund loans   | -             | -                   | -              | -                | -               | -                 |
| Other   | 15,263        | -                   | 48,600         | -                | 1               | 132,003           |
| <b>Total receipts</b>   | <b>15,263</b> | <b>-</b>            | <b>54,000</b>  | <b>7,412</b>     | <b>1</b>        | <b>132,003</b>    |
| <b>Disbursements:</b>   |               |                     |                |                  |                 |                   |
| General government  | -             | -                   | -              | 5,400            | -               | -                 |
| Public safety   | -             | -                   | -              | -                | 450             | -                 |
| Highways and streets  | -             | -                   | -              | -                | -               | -                 |
| Culture and recreation  | -             | -                   | -              | -                | -               | -                 |
| Debt service:   |               |                     |                |                  |                 |                   |
| Principal   | -             | -                   | -              | -                | -               | -                 |
| Capital outlay:   |               |                     |                |                  |                 |                   |
| General government  | 20,000        | -                   | 54,000         | -                | -               | -                 |
| Culture and recreation  | -             | -                   | -              | -                | -               | 29,463            |
| <b>Total disbursements</b>  | <b>20,000</b> | <b>-</b>            | <b>54,000</b>  | <b>5,400</b>     | <b>450</b>      | <b>29,463</b>     |
| Excess (deficiency) of receipts over disbursements  | (4,737)       | -                   | -              | 2,012            | (449)           | 102,540           |
| <b>Other financing sources (uses):</b>  |               |                     |                |                  |                 |                   |
| Transfers out   | -             | -                   | -              | -                | -               | -                 |
| Other receipts  | -             | -                   | -              | -                | -               | -                 |
| <b>Total other financing sources (uses)</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 | (4,737)       | -                   | -              | 2,012            | (449)           | 102,540           |
| Cash and investment fund balance - beginning  | 5,553         | 125,000             | -              | 73,937           | 2,503           | -                 |
| Cash and investment fund balance - ending   | \$ 816        | \$ 125,000          | \$ -           | \$ 75,949        | \$ 2,054        | \$ 102,540        |
| <b>Cash and Investment Assets - Ending</b>  |               |                     |                |                  |                 |                   |
| Cash and investments  | \$ 816        | \$ 125,000          | \$ -           | \$ 75,949        | \$ 2,054        | \$ -              |
| Restricted assets:  |               |                     |                |                  |                 |                   |
| Cash and investments  | -             | -                   | -              | -                | -               | 102,540           |
| <b>Total cash and investment assets - ending</b>  | <b>\$ 816</b> | <b>\$ 125,000</b>   | <b>\$ -</b>    | <b>\$ 75,949</b> | <b>\$ 2,054</b> | <b>\$ 102,540</b> |
| <b>Cash and Investment Fund Balance - Ending</b>  |               |                     |                |                  |                 |                   |
| Restricted for:   |               |                     |                |                  |                 |                   |
| Public safety   | \$ -          | \$ -                | \$ -           | \$ -             | \$ -            | \$ -              |
| Highways and streets  | -             | -                   | -              | -                | -               | -                 |
| Culture and recreation  | -             | -                   | -              | -                | -               | 102,540           |
| Capital outlay  | -             | -                   | -              | -                | -               | -                 |
| Unrestricted  | 816           | 125,000             | -              | 75,949           | 2,054           | -                 |
| <b>Total cash and investment fund balance - ending</b>  | <b>\$ 816</b> | <b>\$ 125,000</b>   | <b>\$ -</b>    | <b>\$ 75,949</b> | <b>\$ 2,054</b> | <b>\$ 102,540</b> |

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, 2009  
 (Continued)

|   | Manaugh Park  | PILOA            | Rental<br>Income | Cumulative<br>Capital<br>Improvement | Cumulative<br>Capital<br>Development | Totals            |
|---|---------------|------------------|------------------|--------------------------------------|--------------------------------------|-------------------|
| <b>Receipts:</b>  |               |                  |                  |                                      |                                      |                   |
| Taxes   | \$ -          | \$ -             | \$ -             | \$ -                                 | \$ 39,320                            | \$ 109,222        |
| Special assessments   | -             | 21,200           | -                | -                                    | -                                    | 21,200            |
| Licenses and permits  | -             | -                | -                | -                                    | -                                    | 2,045             |
| Intergovernmental   | 5,857         | -                | -                | 14,485                               | 2,324                                | 186,287           |
| Charges for services  | -             | -                | -                | -                                    | -                                    | 1,722             |
| Interfund loans   | -             | -                | -                | -                                    | -                                    | 33,000            |
| Other   | -             | -                | -                | -                                    | -                                    | 250,217           |
| <b>Total receipts</b>   | <b>5,857</b>  | <b>21,200</b>    | <b>-</b>         | <b>14,485</b>                        | <b>41,644</b>                        | <b>603,693</b>    |
| <b>Disbursements:</b>   |               |                  |                  |                                      |                                      |                   |
| General government  | -             | 20,976           | 23               | -                                    | -                                    | 35,716            |
| Public safety   | -             | -                | -                | -                                    | -                                    | 42,839            |
| Highways and streets  | -             | -                | -                | -                                    | -                                    | 238,885           |
| Culture and recreation  | 422           | -                | -                | -                                    | -                                    | 16,908            |
| Debt service:   |               |                  |                  |                                      |                                      |                   |
| Principal   | -             | -                | -                | -                                    | -                                    | 2,500             |
| Capital outlay:   |               |                  |                  |                                      |                                      |                   |
| General government  | -             | -                | -                | -                                    | 43,938                               | 117,938           |
| Culture and recreation  | 4,988         | -                | -                | -                                    | -                                    | 34,451            |
| <b>Total disbursements</b>  | <b>5,410</b>  | <b>20,976</b>    | <b>23</b>        | <b>-</b>                             | <b>43,938</b>                        | <b>489,237</b>    |
| Excess (deficiency) of receipts over disbursements  | 447           | 224              | (23)             | 14,485                               | (2,294)                              | 114,456           |
| <b>Other financing sources (uses):</b>  |               |                  |                  |                                      |                                      |                   |
| Transfers out   | -             | -                | -                | (16,000)                             | -                                    | (16,000)          |
| Other receipts  | -             | 15,850           | 3,600            | -                                    | -                                    | 19,450            |
| <b>Total other financing sources (uses)</b>   | <b>-</b>      | <b>15,850</b>    | <b>3,600</b>     | <b>(16,000)</b>                      | <b>-</b>                             | <b>3,450</b>      |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 447           | 16,074           | 3,577            | (1,515)                              | (2,294)                              | 117,906           |
| Cash and investment fund balance - beginning  | 34            | -                | -                | 17,652                               | 22,158                               | 382,088           |
| Cash and investment fund balance - ending   | \$ 481        | \$ 16,074        | \$ 3,577         | \$ 16,137                            | \$ 19,864                            | \$ 499,994        |
| <b>Cash and Investment Assets - Ending</b>  |               |                  |                  |                                      |                                      |                   |
| Cash and investments  | \$ -          | \$ 16,074        | \$ 3,577         | \$ -                                 | \$ -                                 | \$ 231,893        |
| Restricted assets:  |               |                  |                  |                                      |                                      |                   |
| Cash and investments  | 481           | -                | -                | 16,137                               | 19,864                               | 268,101           |
| <b>Total cash and investment assets - ending</b>  | <b>\$ 481</b> | <b>\$ 16,074</b> | <b>\$ 3,577</b>  | <b>\$ 16,137</b>                     | <b>\$ 19,864</b>                     | <b>\$ 499,994</b> |
| <b>Cash and Investment Fund Balance - Ending</b>  |               |                  |                  |                                      |                                      |                   |
| Restricted for:   |               |                  |                  |                                      |                                      |                   |
| Public safety   | \$ -          | \$ -             | \$ -             | \$ -                                 | \$ -                                 | \$ 17,617         |
| Highways and streets  | -             | -                | -                | -                                    | -                                    | 105,713           |
| Culture and recreation  | 481           | -                | -                | -                                    | -                                    | 108,770           |
| Capital outlay  | -             | -                | -                | 16,137                               | 19,864                               | 36,001            |
| Unrestricted  | -             | 16,074           | 3,577            | -                                    | -                                    | 231,893           |
| <b>Total cash and investment fund balance - ending</b>  | <b>\$ 481</b> | <b>\$ 16,074</b> | <b>\$ 3,577</b>  | <b>\$ 16,137</b>                     | <b>\$ 19,864</b>                     | <b>\$ 499,994</b> |

CITY OF AUSTIN  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2009

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 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.

| <u>Primary Government</u>  | <u>Ending<br/>Balance</u> |
|--|---------------------------|
| Governmental activities:   |                           |
| Capital assets, not being depreciated:                                     |                           |
| Land   | \$ 336,490                |
| Infrastructure   | 1,145,927                 |
| Buildings  | 934,107                   |
| Improvements other than buildings  | 210,378                   |
| Machinery and equipment  | <u>795,490</u>            |
| <br>Total governmental activities, capital<br>assets not being depreciated | <br><u>\$ 3,422,392</u>   |

| <u>Primary Government</u>                   | <u>Ending<br/>Balance</u> |
|---|---------------------------|
| Business-type activities:                   |                           |
| Wastewater Utility:                         |                           |
| Capital assets, not being depreciated:      |                           |
| Land  | \$ 131,855                |
| Buildings                                   | 310,253                   |
| Improvements other than buildings           | 17,932,374                |
| Machinery and equipment                     | <u>169,008</u>            |
| <br>Total Wastewater Utility capital assets | <br><u>\$ 18,543,490</u>  |

CITY OF AUSTIN  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2009

The City has entered into the following debt:

| Description of Debt                         | Ending<br>Principal<br>Balance | Principal and<br>Interest Due<br>Within One<br>Year |
|---|--------------------------------|---|
| Governmental activities:                    |                                |   |
| Notes and loans payable:                    |                                |   |
| Garbage packer 2009                         | \$ 91,641                      | \$ 24,838   |
| Bonds payable:                              |                                |   |
| Revenue bonds:                              |                                |   |
| Tax increment revenue bonds of 2007         | <u>935,000</u>                 | <u>58,438</u>                                       |
| Total governmental activities debt          | <u>\$ 1,026,641</u>            | <u>\$ 83,276</u>                                    |
| Business-type activities:                   |                                |   |
| Wastewater Utility:                         |                                |   |
| Notes and loans payable                     |                                |   |
| Sewer belt press 2009                       | \$ 50,000                      | \$ 11,159   |
| Revenue bonds:                              |                                |   |
| Sewage works revenue bonds of 2002 series A | 88,000                         | 4,938   |
| Sewage works revenue bonds of 2002 series B | 2,512,000                      | 117,928   |
| Sewage works revenue bonds of 2007          | <u>2,760,000</u>               | <u>144,211</u>                                      |
| Total Wastewater Utility                    | <u>5,410,000</u>               | <u>\$ 278,236</u>                                   |

CITY OF AUSTIN  
AUDIT RESULTS AND COMMENTS

ERRORS IN THE ANNUAL REPORT (Applies to Clerk-Treasurer)

The Annual City and Town Financial Report (CTAR-1) was prepared and submitted electronically as required. However, the following items were noted that resulted in errors being reported on the CTAR Report:

- (1) Transfers in did not agree with transfers out.
- (2) All Wastewater Utility funds were classified as governmental funds rather than enterprise funds resulting in Part 4 of the report, "Enterprise Fund Report," not being generated.
- (3) General Fund property tax receipts of \$357,168 were misclassified and reported as riverboat revenue receipts.
- (4) The 1977 Police Pension Contribution Fund was reported as a Pension Trust Fund. It should have been reported as a governmental fund.
- (5) The Tax Increment Financing Bond and Interest Fund is a separate fund included on the City's records. However, it was not reported separately in the CTAR Report but was combined with the Tax Increment Financing Fund.
- (6) The Tax Increment Financing Bond and Interest Fund was established by a transfer in of remaining funds from the Pepsi Water Tank Project Fund. However, this transaction was not recorded as a transfer in and a transfer out of the respective funds.
- (7) A \$123,152 payment from the Austin Regional Economic Community was misclassified as a property tax receipt in the Tax Increment Financing Fund.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

LOAN FROM THE WASTEWATER UTILITY TO THE CITY (Applies to Council and Clerk-Treasurer)

The Common Council passed Resolution 2009-19 authorizing a \$33,000 loan from the Wastewater Utility to the Motor Vehicle Highway Fund for the purpose of funding part of the cost of repaving a City street. We noted the following items regarding this loan:

- (1) The loan was not made by the issuance of a check from the Wastewater Utility Fund to the Motor Vehicle Fund. Instead, a \$33,000 check was issued and made payable to the vendor from the Wastewater Utility Fund. As a result, the loan receipt and the payment of the Motor Vehicle Highway expenditure were not recorded in the Motor Vehicle Highway Fund.

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF AUSTIN  
AUDIT RESULTS AND COMMENTS  
(Continued)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

- (2) The resolution requires the repayment of the loan by December 31, 2012.

IC 36-1-8-4 states in part the following:

"(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met:

- (1) It must be necessary to borrow money to enhance the fund that is in need of money for cash flow purposes.
- (2) There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred.
- (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.
- (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . ."

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
  - (A) A statement that the fiscal body has determined that an emergency exists.
  - (B) A brief description of the grounds for the emergency.
- (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. . . ."

APPROPRIATIONS (Applies to Clerk-Treasurer)

The records presented for audit indicated the 2009 expenditures for the Park and Recreation Fund of \$16,486 were in excess of the budgeted appropriation of \$15,700 by \$786.

IC 6-1.1-18-4 states in part:

". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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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 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, 2009. 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, 2009.

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

May 25, 2010

CITY OF AUSTIN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2009

| Federal Grantor Agency/Pass-Through Entity<br>Program Title/Project Title | Federal<br>CFDA<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Total<br>Federal Awards<br>Expended |
|---|---------------------------|--|-------------------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u>                                     |                           |  |                                     |
| Direct Grant  |                           |  |                                     |
| Water and Waste Disposal Loans and Grants                                 | 10.770                    |  |                                     |
| Austin Sewer Improvement Project Phase II                                 |                           | 2009   | \$ <u>777,490</u>                   |
| <u>U.S. DEPARTMENT OF COMMERCE</u>  |                           |  |                                     |
| Direct-Through U.S. Department of Agriculture                             |                           |  |                                     |
| Investments for Public Works and Economic Development Facilities          | 11.300                    |  |                                     |
| Austin Sewer Improvement Project Phase II                                 |                           | 2009   | <u>117,375</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   |                           | EDS #A192-7-ID-04-003                                      | 75,000                              |
| Austin Comprehensive Plan   |                           | PL-05-061  | <u>48,600</u>                       |
| Total for federal grantor agency  |                           |  | <u>123,600</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                    |  |                                     |
|   |                           | Disaster #1795   | <u>51,787</u>                       |
| Total federal awards expended   |                           |  | <u>\$ <u>1,070,252</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 cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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<br>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 May 25, 2010, with Dillo Bush, Clerk-Treasurer; Douglas Campbell, Mayor; and Roger Hawkins, President of the Common Council. The officials concurred with our audit findings.