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

ANNUAL FINANCIAL REPORT

2009

CITY OF CONNERSVILLE

FAYETTE COUNTY, INDIANA



FILED
08/10/2010

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SCHEDULE OF OFFICIALS

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



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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Connersville (City), as of and for the year ended December 31, 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 June 23, 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 audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

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

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

STATE BOARD OF ACCOUNTS

June 23, 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 CONNERSVILLE, FAYETTE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Connersville (City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 23, 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, City 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

June 23, 2010

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

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 6,641,642	\$ 668,067	\$ 733,021	\$ -	\$ (5,240,554)	\$ -	\$ (5,240,554)
Public safety	5,663,263	477,674	21,165	63,181	(5,101,243)	-	(5,101,243)
Highways and streets	1,779,026	3,300	485,123	59,672	(1,230,931)	-	(1,230,931)
Sanitation	598,682	566,169	-	-	(32,513)	-	(32,513)
Economic development	223,295	-	-	219,370	(3,925)	-	(3,925)
Culture and recreation	730,012	161,235	-	-	(568,777)	-	(568,777)
Principal and interest on indebtedness	193,581	-	-	-	(193,581)	-	(193,581)
Total governmental activities	15,829,501	1,876,445	1,239,309	342,223	(12,371,524)	-	(12,371,524)
Business-type activities:							
Airport rotary fund	52,548	66,672	-	-	-	14,124	14,124
Stormwater	1,135,098	857,612	-	-	-	(277,486)	(277,486)
Wastewater	2,984,930	3,034,116	-	-	-	49,186	49,186
Water	2,685,903	2,326,174	-	-	-	(359,729)	(359,729)
Total business-type activities	6,858,479	6,284,574	-	-	-	(573,905)	(573,905)
Total primary government	\$ 22,687,980	\$ 8,161,019	\$ 1,239,309	\$ 342,223	(12,371,524)	(573,905)	(12,945,429)
General receipts:							
Property taxes					9,496,709	-	9,496,709
Intergovernmental					3,966,468	-	3,966,468
Payment in lieu of taxes					366,008	-	366,008
Other local sources					159,624	-	159,624
Grants and contributions not restricted to specific programs					120,961	-	120,961
Investment earnings					5,670	6,058	11,728
Total general receipts, special items, and transfers					14,115,440	6,058	14,121,498
Change in net assets					1,743,916	(567,847)	1,176,069
Net assets - beginning					6,674,051	7,002,781	13,676,832
Net assets - ending					\$ 8,417,967	\$ 6,434,934	\$ 14,852,901
Assets							
Cash and investments					\$ 7,279,562	\$ 2,256,403	\$ 9,535,965
Restricted assets:							
Cash and investments					1,138,405	4,178,531	5,316,936
Total assets					\$ 8,417,967	\$ 6,434,934	\$ 14,852,901
Net Assets							
Restricted for:							
General government					\$ 478,144	\$ -	\$ 478,144
Highways and streets					194,723	-	194,723
Culture and recreation					18,416	-	18,416
Debt service					-	1,243,422	1,243,422
Capital outlay					447,122	-	447,122
Other purposes					-	2,935,109	2,935,109
Unrestricted					7,279,562	2,256,403	9,535,965
Total net assets					\$ 8,417,967	\$ 6,434,934	\$ 14,852,901

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

CITY OF CONNERSVILLE
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2009

	<u>General</u>	<u>Airport Improvement</u>	<u>Other Governmental</u>	<u>Totals</u>
Receipts:				
Taxes	\$ 8,625,021	\$ -	\$ 1,237,698	\$ 9,862,719
Licenses and permits	100	-	9,770	9,870
Intergovernmental	3,076,767	288,452	2,158,939	5,524,158
Charges for services	1,467,275	-	235,457	1,702,732
Fines and forfeits	255	-	-	255
Interfund loans	-	171,000	171,000	342,000
Other	18,061	-	217,701	235,762
	<u>13,187,479</u>	<u>459,452</u>	<u>4,030,565</u>	<u>17,677,496</u>
Total receipts				
Disbursements:				
General government	3,097,527	233,530	926,402	4,257,459
Public safety	5,514,281	-	80,383	5,594,664
Highways and streets	621,659	-	1,100,054	1,721,713
Sanitation	598,682	-	-	598,682
Economic development	-	-	171,014	171,014
Culture and recreation	-	-	721,183	721,183
Interfund loans	-	171,000	171,000	342,000
Debt service:				
Principal	-	-	100,000	100,000
Interest	-	-	93,581	93,581
Capital outlay:				
General government	2,709	1,589,999	548,032	2,140,740
Public safety	68,599	-	-	68,599
Highways and streets	19,501	-	37,813	57,314
Economic development	-	-	52,280	52,280
Culture and recreation	-	-	8,829	8,829
	<u>9,922,958</u>	<u>1,994,529</u>	<u>4,010,571</u>	<u>15,928,058</u>
Total disbursements				
Excess (deficiency) of receipts over disbursements	<u>3,264,521</u>	<u>(1,535,077)</u>	<u>19,994</u>	<u>1,749,438</u>
Other financing sources (uses):				
Transfers in	-	-	168,999	168,999
Transfers out	-	-	(168,999)	(168,999)
Other receipts	11,141	-	108,118	119,259
	<u>11,141</u>	<u>-</u>	<u>108,118</u>	<u>119,259</u>
Total other financing sources (uses)				
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>3,275,662</u>	<u>(1,535,077)</u>	<u>128,112</u>	<u>1,868,697</u>
Cash and investment fund balance - beginning	<u>1,730,890</u>	<u>1,600,096</u>	<u>2,740,140</u>	<u>6,071,126</u>
Cash and investment fund balance - ending	<u>\$ 5,006,552</u>	<u>\$ 65,019</u>	<u>\$ 2,868,252</u>	<u>7,939,823</u>
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because:				
Internal services funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.				
				<u>478,144</u>
Net assets of governmental activities				<u>\$ 8,417,967</u>
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	\$ 5,006,552	\$ 65,019	\$ 2,207,991	\$ 7,279,562
Restricted assets:				
Cash and investments	-	-	660,261	660,261
Total cash and investment assets - ending	<u>\$ 5,006,552</u>	<u>\$ 65,019</u>	<u>\$ 2,868,252</u>	<u>\$ 7,939,823</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Restricted for:				
Highways and streets	\$ -	\$ -	\$ 194,722	\$ 194,722
Culture and recreation	-	-	18,417	18,417
Capital outlay	-	-	447,122	447,122
Unrestricted	5,006,552	65,019	2,207,991	7,279,562
Total cash and investment fund balance - ending	<u>\$ 5,006,552</u>	<u>\$ 65,019</u>	<u>\$ 2,868,252</u>	<u>\$ 7,939,823</u>

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

CITY OF CONNERSVILLE
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2009

	Airport Rotary	Stormwater	Wastewater	Water	Totals	Internal Service Funds
Operating receipts:						
Unmetered/flat rate	\$ -	\$ -	\$ 2,359,399	\$ 4,476	\$ 2,363,875	\$ -
Metered/measured	-	-	592,185	1,922,181	2,514,366	-
Sales for resale	66,672	-	-	-	66,672	-
Fire protection receipts	-	-	-	152,171	152,171	-
Fees	-	849,240	-	-	849,240	-
Penalties	-	-	-	14,593	14,593	-
Self-insurance collections	-	-	-	-	-	2,160,217
Miscellaneous	-	8,372	82,532	232,753	323,657	-
Total operating receipts	66,672	857,612	3,034,116	2,326,174	6,284,574	2,160,217
Operating disbursements:						
Salaries and wages	-	105,621	705,894	530,135	1,341,650	-
Employee pensions and benefits	-	51,320	427,963	317,104	796,387	-
Self-insurance costs	-	-	-	-	-	2,284,998
Purchased power	-	-	129,924	143,780	273,704	-
Chemicals	-	-	7,816	19,117	26,933	-
Material and supplies	43,675	35,650	132,905	157,878	370,108	-
Contractual services	5,133	269,169	56,766	69,517	400,585	-
Transportation	-	1,947	10,970	11,695	24,612	-
Insurance claims and expense	-	9,899	88,961	49,707	148,567	-
Refunds	-	-	32,940	27,869	60,809	-
Equipment and capital improvements	-	-	141,127	378,320	519,447	-
Miscellaneous	3,740	93	757,456	408,498	1,169,787	-
Total operating disbursements	52,548	473,699	2,492,722	2,113,620	5,132,589	2,284,998
Excess (deficiency) of operating receipts over operating disbursements	14,124	383,913	541,394	212,554	1,151,985	(124,781)
Nonoperating receipts (disbursements):						
Investment income	-	1,486	1,751	2,821	6,058	-
Debt service of principal	-	(585,000)	(300,000)	(270,000)	(1,155,000)	-
Interest disbursements	-	(76,399)	(192,208)	(302,283)	(570,890)	-
Total nonoperating receipts (disbursements)	-	(659,913)	(490,457)	(569,462)	(1,719,832)	-
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	14,124	(276,000)	50,937	(356,908)	(567,847)	(124,781)
Cash and investment fund balance - beginning	26,647	1,904,661	2,090,572	2,980,901	7,002,781	602,925
Cash and investment fund balance - ending	<u>\$ 40,771</u>	<u>\$ 1,628,661</u>	<u>\$ 2,141,509</u>	<u>\$ 2,623,993</u>	<u>\$ 6,434,934</u>	<u>\$ 478,144</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ 40,771	\$ 1,628,661	\$ 389,093	\$ 197,878	\$ 2,256,403	\$ -
Restricted assets:						
Cash and investments	-	-	1,752,416	2,426,115	4,178,531	478,144
Total cash and investment assets - December 31	<u>\$ 40,771</u>	<u>\$ 1,628,661</u>	<u>\$ 2,141,509</u>	<u>\$ 2,623,993</u>	<u>\$ 6,434,934</u>	<u>\$ 478,144</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ 655,515	\$ 587,907	\$ 1,243,422	\$ -
Other purposes	-	-	1,096,901	1,838,208	2,935,109	478,144
Unrestricted	40,771	1,628,661	389,093	197,878	2,256,403	-
Total cash and investment fund balance - December 31	<u>\$ 40,771</u>	<u>\$ 1,628,661</u>	<u>\$ 2,141,509</u>	<u>\$ 2,623,993</u>	<u>\$ 6,434,934</u>	<u>\$ 478,144</u>

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

CITY OF CONNERSVILLE
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2009

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Employer	\$ 193,866	\$ -	
State	1,869,363	-	
Other	-	29,247	
	2,063,229	29,247	
Total contributions			
	2,063,229	29,247	
Investment earnings:			
Interest	-	959	
	-	959	
Total additions			
	2,063,229	30,206	
Deductions:			
Benefits	1,722,432	-	
Administrative and general	6,868	26,805	
	1,729,300	26,805	
Total deductions			
	1,729,300	26,805	
Excess of total additions over total deductions	333,929	3,401	
Cash and investment fund balance - beginning	1,102,816	129,159	
Cash and investment fund balance - ending	\$ 1,436,745	\$ 132,560	\$ 4,690

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

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

Primary Government: City of Connersville

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

The City reports the following major governmental funds:

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

The airport improvement fund finances all major construction projects at the airport.

The City reports the following major enterprise funds:

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

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

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

Additionally, the City reports the following fund types:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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 CONNERSVILLE
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.

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. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which 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 CONNERSVILLE
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 CONNERSVILLE
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

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.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. 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

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 \$16,426,150.

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.

2. Investments

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 must 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.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments.

CITY OF CONNERSVILLE
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City must follow state statute and limit the stated final maturities of the investments to no more than two years. The City does not have a formal investment policy for interest rate risk for investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below. The City does not have a formal investment policy for credit risk for investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The City does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

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

Transfer From	Transfer To	2009
Other governmental funds	Other governmental funds	\$ 168,999

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

IV. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; are covered by commercial insurance from independent third parties.

The City has chosen to establish a risk financing fund for risks associated with Medical coverage for employees, retirees and dependents. The risk financing fund is accounted for in the Non-Reverting insurance, an internal service fund, where assets are set aside for claim settlements. The City purchases commercial insurance for claims in excess of coverage provided by the fund.

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

The City deposits a fixed maximum amount per month based on the number of active participants with a commercial insurance company from which health insurance claims are paid. The insurance company covers all claims exceeding that amount and any claims of more than \$60,000 annually on any one person. Amounts are paid into the fund by all insured funds and are available to make the monthly deposit and to pay administrative costs of the program. Interfund premiums are based upon the insurance coverage selected by employees paid from each fund, and are reported as quasi-external interfund transactions.

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.

During 2001, the City joined with other governmental entities in the Indiana Public Employees Plan, a public entity risk pool currently operating as a common risk management and insurance program for 350 member governmental entities. This risk pool was formed in 1990. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries to employees. The City pays an annual premium to the risk pool for its job related illnesses or injuries to employees. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

Risk financing is not utilized for the other risks of loss.

B. Subsequent Events

On April 6, 2010, the Water Utility and the Wastewater Utility sold refunding bonds with a par value of \$2,410,000 and \$3,560,000, respectively. The proceeds will be used to fund the escrow accounts which will defease the outstanding 1998 issues of the Water Utility and Wastewater Utility. The outstanding principal on the 1998 issues is \$2,360,000 and \$3,625,000 for the Water Utility and the Wastewater Utility, respectively.

C. Loans Receivable - Economic Development

The City makes low interest loans to local businesses for economic development through the Revolving Loan Fund. Loans receivable under this program are as follows:

Borrower	Date of Loan	Amount	Rate	Annual Payment	December 31, 2009
Riedman	05-01-09	\$ 14,692	0.01%	\$ 2,939	\$ 12,733
Bever	01-05-09	35,000	0.01%	7,000	29,743
Bunzendahl	06-01-08	30,000	0.00%	6,000	21,000
Aubuchon	12-01-09	25,712	3.00%	5,544	25,712
Schroeder	03-01-06	22,482	7.00%	3,224	6,301
Hartzell	09-01-05	35,000	0.00%	7,000	5,246

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Rate Structure – Enterprise Funds

Water Utility

On November 18, 1991, the City Council adopted Ordinance 2982 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on February 2, 2009.

Wastewater Utility

The current rate structure was approved by the City Council on February 17, 2009.

Stormwater Utility

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

E. Receipts Pledged

Water Utility Receipts Pledged

The City has pledged future receipts, net of specified operating expenditures, derived from the Waterworks operations for the express purpose of repaying revenue bonds issued in 1998. The original proceeds from the bonds provided financing for Waterworks construction. The bonds are payable through 2019. Annual principal and interest payments are expected to require less than 12 percent of net receipts.

Wastewater Utility Receipts Pledged

The City has pledged future receipts, net of specified operating expenditures, derived from the Wastewater operations for the express purpose of repaying revenue bonds issued in 1998. The original proceeds from the bonds provided financing for refunding of a 1996 bond issue. The bonds are payable through 2018. Annual principal and interest payments are expected to require less than 12 percent of net receipts.

F. Pollution Remediation Obligation

The City and the Wastewater Utility are responsible to fund the pollution remediation obligation for the former Visteon plant in Connersville. The funding for the remediation is a state revolving fund loan of up to \$4,200,000.

G. Pension Plans

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

a. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries.

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy

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 \$408,494.

b. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On-behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11. The State of Indiana has contributed \$567,611 on behalf of the City. On behalf contributions from the State of Indiana approximates the amount paid out for benefits.

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

c. 1937 Firefighters' Pension Plan

Plan Description

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

Funding Policy

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

On-behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11. The State of Indiana has contributed \$1,195,026 on behalf of the City. On behalf contributions from the State of Indiana approximates the amount paid out for benefits.

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

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

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

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2009, 2008, and 2007, were \$592,792, \$531,482, and \$524,521, respectively, equal to the required contributions for each year.

CITY OF CONNERSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009

	Motor Vehicle Highway	Local Road & Street	Cemetery	Airport	Parking Meter	Park Non-Reverting
Receipts:						
Taxes	\$ 399,415	\$ -	\$ 15,947	\$ 138,896	\$ -	\$ -
Licenses and permits	250	-	-	-	-	-
Intergovernmental	552,955	59,671	1,005	108,251	-	-
Charges for services	38,215	-	-	18,922	-	21,538
Other	843	-	-	27,104	-	-
Total receipts	991,678	59,671	16,952	293,173	-	21,538
Disbursements:						
General government	-	-	3,505	161,920	-	-
Public safety	-	-	-	-	6,151	-
Highways and streets	1,050,054	50,000	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	14,734
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	115,246	-	-
Highways and streets	37,813	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	1,087,867	50,000	3,505	277,166	6,151	14,734
Excess (deficiency) of receipts over disbursements	(96,189)	9,671	13,447	16,007	(6,151)	6,804
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	4,370	-	-	-	-	-
Total other financing sources (uses)	4,370	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(91,819)	9,671	13,447	16,007	(6,151)	6,804
Cash and investment fund balance - beginning	530,089	185,051	14,256	96,725	6,151	11,613
Cash and investment fund balance - ending	\$ 438,270	\$ 194,722	\$ 27,703	\$ 112,732	\$ -	\$ 18,417
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 438,270	\$ -	\$ 27,703	\$ 112,732	\$ -	\$ -
Restricted assets:						
Cash and investments	-	194,722	-	-	-	18,417
Total cash and investment assets - ending	\$ 438,270	\$ 194,722	\$ 27,703	\$ 112,732	\$ -	\$ 18,417
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Highways and streets	\$ -	\$ 194,722	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	18,417
Capital outlay	-	-	-	-	-	-
Unrestricted	438,270	-	27,703	112,732	-	-
Total cash and investment fund balance - ending	\$ 438,270	\$ 194,722	\$ 27,703	\$ 112,732	\$ -	\$ 18,417

CITY OF CONNERSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Restricted Donation	Indiana Housing Grant II	Continuing Education	Riverboat	Drug Coalition	Park
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 600,570
Licenses and permits	-	-	9,520	-	-	-
Intergovernmental	-	219,370	-	103,573	1,500	135,672
Charges for services	-	-	948	-	-	112,506
Other	2,130	-	-	-	-	-
Total receipts	2,130	219,370	10,468	103,573	1,500	848,748
Disbursements:						
General government	5,337	219,370	-	27,565	-	-
Public safety	-	-	5,055	-	1,500	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	673,712
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	240,207	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	8,829
Total disbursements	5,337	219,370	5,055	267,772	1,500	682,541
Excess (deficiency) of receipts over disbursements	(3,207)	-	5,413	(164,199)	-	166,207
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(50,336)
Other receipts	-	-	-	-	-	2,065
Total other financing sources (uses)	-	-	-	-	-	(48,271)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,207)	-	5,413	(164,199)	-	117,936
Cash and investment fund balance - beginning	14,051	-	6,952	402,535	1,015	113,717
Cash and investment fund balance - ending	\$ 10,844	\$ -	\$ 12,365	\$ 238,336	\$ 1,015	\$ 231,653
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 10,844	\$ -	\$ 12,365	\$ 238,336	\$ 1,015	\$ 231,653
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 10,844	\$ -	\$ 12,365	\$ 238,336	\$ 1,015	\$ 231,653
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	10,844	-	12,365	238,336	1,015	231,653
Total cash and investment fund balance - ending	\$ 10,844	\$ -	\$ 12,365	\$ 238,336	\$ 1,015	\$ 231,653

CITY OF CONNERSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Park Restricted	Intermodal Feasibility Study	Department Of Justice	Fire Act Grant 2008	Landfill/Environ Remediation	Cable Education
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	63,181	21,165	17,900	500,000	-
Charges for services	-	-	-	-	-	589
Other	22,905	-	-	-	-	163,588
Total receipts	22,905	63,181	21,165	17,900	500,000	164,177
Disbursements:						
General government	-	-	-	17,900	165,000	124,099
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	32,336	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	21,165	-	-	57,044
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	32,336	-	21,165	17,900	165,000	181,143
Excess (deficiency) of receipts over disbursements	(9,431)	63,181	-	-	335,000	(16,966)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	14
Total other financing sources (uses)	-	-	-	-	-	14
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(9,431)	63,181	-	-	335,000	(16,952)
Cash and investment fund balance - beginning	9,888	-	-	-	-	211,907
Cash and investment fund balance - ending	\$ 457	\$ 63,181	\$ -	\$ -	\$ 335,000	\$ 194,955
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 457	\$ 63,181	\$ -	\$ -	\$ 335,000	\$ 194,955
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 457	\$ 63,181	\$ -	\$ -	\$ 335,000	\$ 194,955
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	457	63,181	-	-	335,000	194,955
Total cash and investment fund balance - ending	\$ 457	\$ 63,181	\$ -	\$ -	\$ 335,000	\$ 194,955

CITY OF CONNERSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Rainy Day	Seminar Training	JE Roberts Feasibility Study	RUFF Drug	Tax Abatement	Park Pool Debt Service
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	32,689	-	2,000	7,000	-	-
Charges for services	-	-	-	14,800	475	-
Other	-	1,105	-	-	-	-
Total receipts	32,689	1,105	2,000	21,800	475	-
Disbursements:						
General government	-	-	-	-	58	-
Public safety	-	-	-	67,677	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	60,000
Interest	-	-	-	-	-	58,663
Capital outlay:						
General government	-	-	-	-	1,790	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	-	-	-	67,677	1,848	118,663
Excess (deficiency) of receipts over disbursements	32,689	1,105	2,000	(45,877)	(1,373)	(118,663)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	118,663
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	4,067	-	-
Total other financing sources (uses)	-	-	-	4,067	-	118,663
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	32,689	1,105	2,000	(41,810)	(1,373)	-
Cash and investment fund balance - beginning	288,968	2,914	-	42,141	2,941	-
Cash and investment fund balance - ending	<u>\$ 321,657</u>	<u>\$ 4,019</u>	<u>\$ 2,000</u>	<u>\$ 331</u>	<u>\$ 1,568</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 321,657	\$ 4,019	\$ 2,000	\$ 331	\$ 1,568	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 321,657</u>	<u>\$ 4,019</u>	<u>\$ 2,000</u>	<u>\$ 331</u>	<u>\$ 1,568</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	321,657	4,019	2,000	331	1,568	-
Total cash and investment fund balance - ending	<u>\$ 321,657</u>	<u>\$ 4,019</u>	<u>\$ 2,000</u>	<u>\$ 331</u>	<u>\$ 1,568</u>	<u>\$ -</u>

CITY OF CONNERSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Park Miller Building Debt Service	Cumulative Capital Improvement	Cumulative Capital Development	Park Pool Bond Construction	EDIT	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ 82,870	\$ -	\$ -	\$ 1,237,698
Licenses and permits	-	-	-	-	-	9,770
Intergovernmental	-	47,255	86,385	-	199,367	2,158,939
Charges for services	27,464	-	-	-	-	235,457
Other	-	-	-	26	-	217,701
Total receipts	27,464	47,255	169,255	26	199,367	3,859,565
Disbursements:						
General government	-	-	201,648	-	-	926,402
Public safety	-	-	-	-	-	80,383
Highways and streets	-	-	-	-	-	1,100,054
Economic development	-	61,014	-	-	110,000	171,014
Culture and recreation	401	-	-	-	-	721,183
Debt service:						
Principal	40,000	-	-	-	-	100,000
Interest	34,918	-	-	-	-	93,581
Capital outlay:						
General government	-	-	112,580	-	-	548,032
Highways and streets	-	-	-	-	-	37,813
Economic development	-	-	-	52,280	-	52,280
Culture and recreation	-	-	-	-	-	8,829
Total disbursements	75,319	61,014	314,228	52,280	110,000	3,839,571
Excess (deficiency) of receipts over disbursements	(47,855)	(13,759)	(144,973)	(52,254)	89,367	19,994
Other financing sources (uses):						
Transfers in	50,336	-	-	-	-	168,999
Transfers out	-	-	-	-	(118,663)	(168,999)
Other receipts	-	-	97,528	74	-	108,118
Total other financing sources (uses)	50,336	-	97,528	74	(118,663)	108,118
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,481	(13,759)	(47,445)	(52,180)	(29,296)	128,112
Cash and investment fund balance - beginning	9,333	180,498	463,600	85,532	60,263	2,740,140
Cash and investment fund balance - ending	\$ 11,814	\$ 166,739	\$ 416,155	\$ 33,352	\$ 30,967	\$ 2,868,252
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 11,814	\$ 166,739	\$ -	\$ 33,352	\$ -	\$ 2,207,991
Restricted assets:						
Cash and investments	-	-	416,155	-	30,967	660,261
Total cash and investment assets - ending	\$ 11,814	\$ 166,739	\$ 416,155	\$ 33,352	\$ 30,967	\$ 2,868,252
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 194,722
Culture and recreation	-	-	-	-	-	18,417
Capital outlay	-	-	416,155	-	30,967	447,122
Unrestricted	11,814	166,739	-	33,352	-	2,207,991
Total cash and investment fund balance - ending	\$ 11,814	\$ 166,739	\$ 416,155	\$ 33,352	\$ 30,967	\$ 2,868,252

CITY OF CONNERSVILLE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2009

	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Totals</u>
Additions:			
Contributions:			
Employer	\$ 42,989	\$ 150,877	\$ 193,866
State	<u>607,100</u>	<u>1,262,263</u>	<u>1,869,363</u>
Total contributions	<u>650,089</u>	<u>1,413,140</u>	<u>2,063,229</u>
Deductions:			
Benefits	552,584	1,169,848	1,722,432
Administrative and general	<u>3,118</u>	<u>3,750</u>	<u>6,868</u>
Total deductions	<u>555,702</u>	<u>1,173,598</u>	<u>1,729,300</u>
Excess of total additions over total deductions	94,387	239,542	333,929
Cash and investment fund balance - beginning	<u>568,034</u>	<u>534,782</u>	<u>1,102,816</u>
Cash and investment fund balance - ending	<u>\$ 662,421</u>	<u>\$ 774,324</u>	<u>\$ 1,436,745</u>

CITY OF CONNERSVILLE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For The Year Ended December 31, 2009

	James E. Roberts Trust	Revolving Loan US Bank	Totals
Additions:			
Contributions:			
Other	\$ -	\$ 29,247	\$ 29,247
Total contributions	<u>-</u>	<u>29,247</u>	<u>29,247</u>
Investment earnings:			
Interest	<u>322</u>	<u>637</u>	<u>959</u>
Total additions	<u>322</u>	<u>29,884</u>	<u>30,206</u>
Deductions:			
Administrative and general	<u>290</u>	<u>26,515</u>	<u>26,805</u>
Excess of total additions over total deductions	32	3,369	3,401
Cash and investment fund balance - beginning	<u>17,555</u>	<u>111,604</u>	<u>129,159</u>
Cash and investment fund balance - ending	<u>\$ 17,587</u>	<u>\$ 114,973</u>	<u>\$ 132,560</u>

CITY OF CONNERSVILLE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2009

	<u>Payroll</u>	<u>Deferred Compensation Hartford</u>	<u>PERF</u>	<u>Federal Tax</u>	<u>Indiana Department Of Revenue</u>	<u>FICA</u>	<u>County Tax</u>
Additions:							
Agency fund additions	\$ 3,611,598	\$ 153,460	\$ 493,666	\$ 798,595	\$ 269,194	\$ 440,318	\$ 170,843
Deductions:							
Agency fund deductions	<u>3,611,598</u>	<u>153,460</u>	<u>493,826</u>	<u>798,595</u>	<u>269,194</u>	<u>440,318</u>	<u>170,843</u>
Excess (deficiency) of total additions over total deductions	-	-	(160)	-	-	-	-
Cash and investment fund balance - beginning	<u>-</u>	<u>-</u>	<u>160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF CONNERSVILLE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Natco Credit Union	Lineco	Life Insurance	Health Ins Key Benefit	Fayette County Treasurer	Lincoln National Life
Additions:						
Agency fund additions	\$ 378,180	\$ 256,269	\$ 33,954	\$ 1,860,217	\$ 3,015	\$ 2,194
Deductions:						
Agency fund deductions	378,180	256,269	33,954	1,860,217	3,015	2,194
Excess (deficiency) of total additions over total deductions	-	-	-	-	-	-
Cash and investment fund balance - beginning	-	-	-	-	-	-
Cash and investment fund balance - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF CONNERSVILLE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Prudential Insurance IRA	Rwdsu Welfare	Union Dues	IBEW Cope	Medicare	Prudential Insurance
Additions:						
Agency fund additions	\$ 1,367	\$ 454,740	\$ 14,353	\$ 148	\$ 165,829	\$ 464
Deductions:						
Agency fund deductions	1,367	454,740	14,353	148	165,829	464
Excess (deficiency) of total additions over total deductions	-	-	-	-	-	-
Cash and investment fund balance - beginning	-	-	-	-	-	-
Cash and investment fund balance - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF CONNERSVILLE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Direct Deposit Clearing	Police Pension	Fire Pension	Fayette County Clerk Garnishment	Siho Insurance Services	Fire Union Dues
Additions:						
Agency fund additions	\$ 1,995,979	\$ 72,454	\$ 67,451	\$ 17,948	\$ 19,200	\$ 16,058
Deductions:						
Agency fund deductions	1,995,979	72,454	67,451	17,948	19,200	16,058
Excess (deficiency) of total additions over total deductions	-	-	-	-	-	-
Cash and investment fund balance - beginning	-	-	-	-	-	-
Cash and investment fund balance - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF CONNERSVILLE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	FOP Union Dues	Utility Union Dues	Indiana Department of Child Service	Prudential C	Indiana State Central Coll Union	Robert A Brothers, Trustee
Additions:						
Agency fund additions	\$ 4,843	\$ 10,179	\$ 58,526	\$ 1,739	\$ 715	\$ 7,459
Deductions:						
Agency fund deductions	2,800	10,179	58,526	1,739	715	7,459
Excess (deficiency) of total additions over total deductions	2,043	-	-	-	-	-
Cash and investment fund balance - beginning	2,647	-	-	-	-	-
Cash and investment fund balance - ending	<u>\$ 4,690</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF CONNERSVILLE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Wayne County Clerk Garnishment	Rush County Clerk	Colonial Insurance	Garnish Employee EMS Runs	Protective Life Insurance	Totals
Additions:						
Agency fund additions	\$ 793	\$ 250	\$ 618	\$ 921	\$ 548	\$ 11,384,085
Deductions:						
Agency fund deductions	793	250	618	921	548	11,382,202
Excess (deficiency) of total additions over total deductions	-	-	-	-	-	1,883
Cash and investment fund balance - beginning	-	-	-	-	-	2,807
Cash and investment fund balance - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,690

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

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 2,740,549
Infrastructure	2,900,967
Buildings	4,254,625
Improvements other than buildings	2,527,011
Machinery and equipment	5,875,953
Construction in progress	<u>2,676,842</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 20,975,947</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 58,099
Construction in progress	5,556,227
Buildings	2,798,240
Improvements other than buildings	707,951
Machinery and equipment	<u>3,150,330</u>
Total Water Utility capital assets	<u>12,270,847</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	338,737
Construction in progress	5,901,364
Buildings	5,490,649
Improvements other than buildings	56,604
Machinery and equipment	<u>3,000,836</u>
Total Wastewater Utility capital assets	<u>14,788,190</u>
Storm Water Utility:	
Capital assets, not being depreciated:	
Land	8,533
Construction in progress	1,624,780
Buildings	25,793
Improvements other than buildings	54,409
Machinery and equipment	<u>151,863</u>
Total Storm Water Utility capital assets	<u>1,865,378</u>
Total business-type activities capital assets	<u>\$ 28,924,415</u>

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

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Dump Truck, Body and Loader	\$ 55,935	\$ 39,003
Ambulance	69,221	6,987
Injection Street Patching Machine	59,078	11,748
Revenue bonds:		
Construction of Community Center	665,000	73,068
Construction of Community Swimming Pool	<u>1,225,000</u>	<u>116,113</u>
Total governmental activities debt	<u>\$ 2,074,234</u>	<u>\$ 246,919</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
Waterworks Improvement and Extensions	\$ 3,725,000	\$ 271,060
Watermain and Treatment Improvements	<u>2,360,000</u>	<u>343,963</u>
Total Water Utility	<u>6,085,000</u>	<u>615,023</u>
Wastewater Utility:		
Revenue bonds:		
Plant and Collection System Improvement	3,625,000	498,108
Environmental Remediation	<u>167,000</u>	<u>-</u>
Total Wastewater Utility	<u>3,792,000</u>	<u>498,108</u>
Total business-type activities debt	<u>\$ 9,877,000</u>	<u>\$ 1,113,131</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

Compliance

We have audited the compliance of the City of Connersville (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 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, City 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

June 23, 2010

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

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Housing and Community Development Authority Community Development Block Grants/State's Program	14.228	HD-0058-001	\$ <u>219,370</u>
Total for federal grantor agency			<u>219,370</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Pass-Through Indiana Criminal Justice Institute Edward Byrne Memorial Formula Grant Program	16.579	08-DJ-020	<u>7,000</u>
Bulletproof Vest Partnership Program	16.607	2008-2009 2009-2010	1,530 <u>5,600</u>
Total for program			<u>7,130</u>
Recovery Act-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	2009	<u>21,165</u>
Total for federal grantor agency			<u>35,295</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Highway Safety Cluster State and Community Highway Safety	20.600	OP-9-01-01-78	<u>2,850</u>
Direct Grant Airport Improvement Program	20.106	AIP 3-18-0013-011 AIP 3-18-0013-012 AIP 3-18-0013-014	778,034 872,056 <u>202</u>
Total for program			<u>1,650,292</u>
Total for federal grantor agency			<u>1,653,142</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security Assistance to Firefighters Grant	97.044	2009	<u>17,900</u>
Total federal awards expended			<u>\$ 1,925,707</u>

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

CITY OF CONNERSVILLE
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Connersville (City) and is presented in accordance with the 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 CONNERSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
20.106	Airport Improvement Program

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF CONNERSVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF CONNERSVILLE
EXIT CONFERENCE

The contents of this report were discussed on June 24, 2010, with Julie A. Greeson, Clerk-Treasurer; Leonard E. Urban, Mayor; Karen L. Lore, Utility Office Manager; William Ammerman, Director of Utilities; and Richard C. O'Neal, President of the Common Council. Our audit disclosed no material items that warrant comment at this time.