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

ANNUAL FINANCIAL REPORT

2009

CITY OF SCOTTSBURG

SCOTT COUNTY, INDIANA



**FILED**  
09/07/2010



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janetta C. Hardy	01-01-08 to 12-31-11
Mayor	William H. Graham	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	William H. Graham	01-01-08 to 12-31-11
President of the Common Council	Ray Zollman	01-01-09 to 12-31-10
Superintendent of Water Utility	Lance Hounshell	01-01-09 to 12-31-10
Superintendent of Wastewater Utility	Jason Applegate	01-01-09 to 12-31-10
Superintendent of Electric Utility	James Binkley	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 SCOTTSBURG, 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 Scottsburg (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 August 11, 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.

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, Schedules of Funding Progress, Schedules of Contributions from the Employer and Other Contributing Entities, or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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

STATE BOARD OF ACCOUNTS

August 11, 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 SCOTTSBURG, 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 Scottsburg (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 August 11, 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 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

August 11, 2010

CITY OF SCOTTSBURG  
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		Totals
					Governmental Activities	Business-Type Activities	
Primary government:							
Governmental activities:							
General government	\$ 1,806,456	\$ 64,180	\$ 176,055	\$ -	\$ (1,566,221)	\$ -	\$ (1,566,221)
Public safety	1,267,710	12,825	27,237	39,731	(1,187,917)	-	(1,187,917)
Highways and streets	410,679	-	160,005	31,629	(219,045)	-	(219,045)
Sanitation	607,572	349,884	-	-	(257,688)	-	(257,688)
Health and welfare	156,366	-	-	-	(156,366)	-	(156,366)
Economic development	4,508,100	-	-	-	(4,508,100)	-	(4,508,100)
Culture and recreation	307,233	29,180	-	-	(278,053)	-	(278,053)
Total governmental activities	9,064,116	456,069	363,297	71,360	(8,173,390)	-	(8,173,390)
Business-type activities:							
Broadband	3,134,719	1,085,875	-	-	-	(2,048,844)	(2,048,844)
Electric utility	17,819,297	15,649,410	-	-	-	(2,169,887)	(2,169,887)
Wastewater utility	2,097,134	1,334,987	-	792,685	-	30,538	30,538
Water utility	2,486,627	1,760,485	-	-	-	(726,142)	(726,142)
Total business-type activities	25,537,777	19,830,757	-	792,685	-	(4,914,335)	(4,914,335)
Total primary government	\$ 34,601,893	\$ 20,286,826	\$ 363,297	\$ 864,045	(8,173,390)	(4,914,335)	(13,087,725)
General receipts:							
Property taxes					2,874,766	-	2,874,766
Intergovernmental					2,110,484	-	2,110,484
Other local sources					579,164	266,733	845,897
Grants and contributions not restricted to specific programs					745,352	-	745,352
Investment earnings					213,398	24,562	237,960
					-	4,647,491	4,647,491
Total general receipts and special items					6,523,164	4,938,786	11,461,950
Change in net assets					(1,650,226)	24,451	(1,625,775)
Net assets - beginning					8,809,504	1,668,969	10,478,473
Net assets - ending					\$ 7,159,278	\$ 1,693,420	\$ 8,852,698
<b>Assets</b>							
Cash and investments					\$ 1,064,111	\$ 1,240,750	\$ 2,304,861
Restricted assets:							
Cash and investments					6,095,167	452,670	6,547,837
Total assets					\$ 7,159,278	\$ 1,693,420	\$ 8,852,698
<b>Net Assets</b>							
Restricted for:							
General government					\$ 41,338	\$ -	\$ 41,338
Public safety					74,248	-	74,248
Highways and streets					438,046	-	438,046
Economic development					2,687,694	-	2,687,694
Culture and recreation					79,802	-	79,802
Capital outlay					2,774,039	-	2,774,039
Debt service					-	279,308	279,308
Other purposes					-	173,362	173,362
Unrestricted					1,064,111	1,240,750	2,304,861
Total net assets					\$ 7,159,278	\$ 1,693,420	\$ 8,852,698

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

CITY OF SCOTTSBURG  
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	Southeast Revelopment Commission District Capital	Certified Technology Park	Northwest Revelopment Commission District Capital	Other Governmental Funds	Totals
<b>Receipts:</b>						
Taxes	\$ 1,349,154	\$ 379,269	\$ -	\$ 800,093	\$ 371,817	\$ 2,900,333
Licenses and permits	10	-	-	-	5,267	5,277
Intergovernmental	1,179,120	-	1,061,055	-	309,966	2,550,141
Charges for services	412,377	-	-	-	29,180	441,557
Fines and forfeits	1,019	-	-	-	8,216	9,235
Interfund loans	-	-	-	-	100,000	100,000
Other	80,437	40,246	34,764	63,829	397,010	616,286
<b>Total receipts</b>	<b>3,022,117</b>	<b>419,515</b>	<b>1,095,819</b>	<b>863,922</b>	<b>1,221,456</b>	<b>6,622,829</b>
<b>Disbursements:</b>						
General government	860,535	-	-	-	42,590	903,125
Public safety	1,158,214	-	-	-	20,782	1,178,996
Highways and streets	23,335	-	-	-	301,360	324,695
Sanitation	528,650	-	-	-	-	528,650
Health and welfare	155,119	-	-	-	-	155,119
Economic development	-	72,366	334,041	489,092	901,400	1,796,899
Culture and recreation	-	-	-	-	297,797	297,797
Interfund loans	-	-	-	-	100,000	100,000
<b>Capital outlay:</b>						
General government	5,619	-	-	-	97,329	102,948
Public safety	88,714	-	-	-	-	88,714
Highways and streets	-	-	-	-	85,984	85,984
Sanitation	78,922	-	-	-	-	78,922
Health and welfare	1,247	-	-	-	-	1,247
Economic development	-	305,297	46,737	2,359,167	-	2,711,201
Culture and recreation	-	-	-	-	9,436	9,436
<b>Total disbursements</b>	<b>2,900,355</b>	<b>377,663</b>	<b>380,778</b>	<b>2,848,259</b>	<b>1,856,678</b>	<b>8,363,733</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>121,762</b>	<b>41,852</b>	<b>715,041</b>	<b>(1,984,337)</b>	<b>(635,222)</b>	<b>(1,740,904)</b>
<b>Other financing sources (uses):</b>						
Transfers in	1,569	962	-	-	19,428	21,959
Transfers out	(962)	-	-	-	(20,997)	(21,959)
Other receipts	1,072	64,114	4,222	39,621	14,152	123,181
<b>Total other financing sources (uses)</b>	<b>1,679</b>	<b>65,076</b>	<b>4,222</b>	<b>39,621</b>	<b>12,583</b>	<b>123,181</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>123,441</b>	<b>106,928</b>	<b>719,263</b>	<b>(1,944,716)</b>	<b>(622,639)</b>	<b>(1,617,723)</b>
<b>Cash and investment fund balance - beginning</b>	<b>475,730</b>	<b>1,289,111</b>	<b>1,410,723</b>	<b>2,966,375</b>	<b>2,593,724</b>	<b>8,735,663</b>
<b>Cash and investment fund balance - ending</b>	<b>\$ 599,171</b>	<b>\$ 1,396,039</b>	<b>\$ 2,129,986</b>	<b>\$ 1,021,659</b>	<b>\$ 1,971,085</b>	<b>7,117,940</b>
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.						
						41,338
<b>Net assets of governmental activities</b>						<b>\$ 7,159,278</b>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 599,171	\$ -	\$ -	\$ -	\$ 464,940	\$ 1,064,111
<b>Restricted assets:</b>						
Cash and investments	-	1,396,039	2,129,986	1,021,659	1,506,145	6,053,829
<b>Total cash and investment assets - ending</b>	<b>\$ 599,171</b>	<b>\$ 1,396,039</b>	<b>\$ 2,129,986</b>	<b>\$ 1,021,659</b>	<b>\$ 1,971,085</b>	<b>\$ 7,117,940</b>
<b>Cash and Investment Fund Balance - Ending</b>						
<b>Restricted for:</b>						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 74,248	\$ 74,248
Highways and streets	-	-	-	-	438,046	438,046
Economic development	-	1,396,039	-	1,021,659	269,996	2,687,694
Culture and recreation	-	-	-	-	79,802	79,802
Capital outlay	-	-	2,129,986	-	644,053	2,774,039
Unrestricted	599,171	-	-	-	464,940	1,064,111
<b>Total cash and investment fund balance - ending</b>	<b>\$ 599,171</b>	<b>\$ 1,396,039</b>	<b>\$ 2,129,986</b>	<b>\$ 1,021,659</b>	<b>\$ 1,971,085</b>	<b>\$ 7,117,940</b>

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

CITY OF SCOTTSBURG  
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

	Broadband	Electric Utility	Wastewater Utility	Water Utility	Totals	Internal Service Funds
<b>Operating receipts:</b>						
Metered/measured	\$ -	\$ 13,093,177	\$ 1,220,678	\$ -	\$ 14,313,855	\$ -
Sales for resale	651	-	-	-	651	-
Fees	872,528	4,620	-	1,569,061	2,446,209	-
Interfund loan proceeds	4,493,050	-	4,441	150,000	4,647,491	-
Miscellaneous	212,696	2,551,613	114,309	191,424	3,070,042	667,880
<b>Total operating receipts</b>	<b>5,578,925</b>	<b>15,649,410</b>	<b>1,339,428</b>	<b>1,910,485</b>	<b>24,478,248</b>	<b>667,880</b>
<b>Operating disbursements:</b>						
Salaries and wages	317,551	781,992	404,177	533,125	2,036,845	-
Employee pensions and benefits	63,856	273,456	113,677	154,419	605,408	-
Purchased water	-	-	-	11,482	11,482	-
Sludge removal	-	-	4,795	-	4,795	-
Purchased power	104,266	10,040,930	-	21,111	10,166,307	-
Fuel for power production	-	-	4,577	-	4,577	-
Chemicals	-	-	-	110,947	110,947	-
Material and supplies	2,411,492	188,557	70,780	84,414	2,755,243	-
Contractual services	1,250	298,447	145,115	157,314	602,126	-
Rents	58,536	146,638	16,603	21,309	243,086	-
Transportation	16,524	39,450	11,799	13,408	81,181	-
Insurance claims and expense	2,840	11,038	23,583	29,794	67,255	800,383
Depreciation and amortization	-	-	-	177	177	-
Refunds	3,861	68,351	15,370	34,491	122,073	-
Equipment and capital improvements	-	171,755	687,301	41,977	901,033	-
Miscellaneous	81,293	5,798,683	239,889	856,329	6,976,194	-
<b>Total operating disbursements</b>	<b>3,061,469</b>	<b>17,819,297</b>	<b>1,737,666</b>	<b>2,070,297</b>	<b>24,688,729</b>	<b>800,383</b>
<b>Excess (deficiency) of operating receipts over operating disbursements</b>	<b>2,517,456</b>	<b>(2,169,887)</b>	<b>(398,238)</b>	<b>(159,812)</b>	<b>(210,481)</b>	<b>(132,503)</b>
<b>Nonoperating receipts (disbursements):</b>						
Rent	-	31,756	2,200	232,777	266,733	-
Investment income	-	19,852	2,597	2,113	24,562	-
Interfund loans	-	-	-	-	-	100,000
Debt service of principal	(55,000)	-	(350,252)	(260,000)	(665,252)	-
Interest disbursements	(18,250)	-	(9,216)	(156,330)	(183,796)	-
<b>Total nonoperating receipts (disbursements)</b>	<b>(73,250)</b>	<b>51,608</b>	<b>(354,671)</b>	<b>(181,440)</b>	<b>(557,753)</b>	<b>100,000</b>
<b>Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)</b>	<b>2,444,206</b>	<b>(2,118,279)</b>	<b>(752,909)</b>	<b>(341,252)</b>	<b>(768,234)</b>	<b>(32,503)</b>
<b>Capital contributions</b>	<b>-</b>	<b>-</b>	<b>792,685</b>	<b>-</b>	<b>792,685</b>	<b>-</b>
Transfers in	-	-	-	590,280	590,280	-
Transfers out	-	-	-	(590,280)	(590,280)	-
<b>Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out</b>	<b>2,444,206</b>	<b>(2,118,279)</b>	<b>39,776</b>	<b>(341,252)</b>	<b>24,451</b>	<b>(32,503)</b>
<b>Cash and investment fund balance - beginning</b>	<b>(2,273,290)</b>	<b>3,202,221</b>	<b>173,759</b>	<b>566,279</b>	<b>1,668,969</b>	<b>73,841</b>
<b>Cash and investment fund balance - ending</b>	<b>\$ 170,916</b>	<b>\$ 1,083,942</b>	<b>\$ 213,535</b>	<b>\$ 225,027</b>	<b>\$ 1,693,420</b>	<b>\$ 41,338</b>
<b>Cash and Investment Assets - December 31</b>						
Cash and investments	\$ 152,102	\$ 973,227	\$ 80,609	\$ 34,812	\$ 1,240,750	\$ -
Restricted assets:						
Cash and investments	18,814	110,715	132,926	190,215	452,670	41,338
<b>Total cash and investment assets - December 31</b>	<b>\$ 170,916</b>	<b>\$ 1,083,942</b>	<b>\$ 213,535</b>	<b>\$ 225,027</b>	<b>\$ 1,693,420</b>	<b>\$ 41,338</b>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ 125,844	\$ 153,464	\$ 279,308	\$ -
Other purposes	18,814	110,715	7,082	36,751	173,362	41,338
Unrestricted	152,102	973,227	80,609	34,812	1,240,750	-
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 170,916</b>	<b>\$ 1,083,942</b>	<b>\$ 213,535</b>	<b>\$ 225,027</b>	<b>\$ 1,693,420</b>	<b>\$ 41,338</b>

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

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

	Pension Trust Funds	Agency Funds
Additions:		
Contributions:		
State	\$ 159,837	
Investment earnings:		
Interest	10,944	
Net investment earnings	170,781	
Total additions	170,781	
Deductions:		
Benefits	159,666	
Administrative and general	100	
Total deductions	159,766	
Excess of total additions over total deductions	11,015	
Cash and investment fund balance - beginning	646,307	
Cash and investment fund balance - ending	\$ 657,322	\$ 74,145

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

CITY OF SCOTTSBURG  
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, electric, trash, and urban redevelopment.

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

Primary Government: City of Scottsburg

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 Southeast Redevelopment Commission District Capital Fund accounts for the financial resources for public improvements and economic development within the Southeast tax increment financing (TIF) district.

The Certified Technology Park Fund accounts for the financial resources for improvements and economic development within the Technology Park.

CITY OF SCOTTSBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The Northwest Redevelopment Commission District Capital Fund accounts for the financial resources for public improvements and economic development within the Northwest tax increment financing (TIF) district.

The City reports the following major enterprise funds:

The Water Utility Fund accounts for the operation of the water distribution system.

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

The Electric Utility Fund accounts for the operation of the electric distribution system.

The Broadband Fund accounts for the operation of the broadband distribution system.

Additionally, the City reports the following fund types:

The internal service fund consists of the activities of the self-insurance fund which charges a premium to each fund that has a payroll budget, based on the number of full-time employees paid from that fund as of January 1.

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

Agency funds account for assets held by the City as an agent for federal and state revenue agencies and serve as control of accounts for cash transactions during the time they are a liability to the City.

C. Measurement Focus and Basis of Accounting

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

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

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

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

CITY OF SCOTTSBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

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 SCOTTSBURG  
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 SCOTTSBURG  
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 eligible to receive state funds and has a principal office or branch that qualifies to receive

CITY OF SCOTTSBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 \$9,584,165. 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 has 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.

B. Interfund Transfers

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

CITY OF SCOTTSBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Transfer From	Transfer To	2009
General Fund	Major Fund	\$ 962
Other Governmental Funds	General Fund	1,569
Other Governmental Funds	Other Governmental Funds	19,428
Water Utility Debt Service Reserve Fund	Water Utility Operating Fund	273,000
Water Utility Operating Fund	Water Utility Bond and Interest Fund	<u>317,280</u>
Total		<u>\$ 612,239</u>

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

IV. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties.

The City has chosen to establish a risk financing fund for risks associated with medical benefits to employees and dependents. The risk financing fund is accounted for in the Non-Reverting Insurance Fund, an internal service fund, where assets are set aside for claim settlements. The City purchases commercial insurance for claims in excess of coverage provided by the fund. Amounts are paid into the fund by all insured funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are a set fee that is determined for the current year by the administrator of the program and agreed upon by the City Council each year.

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.

B. Subsequent Events

The City has been awarded multiple grants totaling \$6,487,580 for which funding is expected to be received and work is expected to begin in 2010. The following is a summary of the grant award projects:

The City was awarded a grant in the amount of \$4.3 million for the renovation of facilities for the creation of a science park entrepreneur center. The cost of the project is expected to be \$5,938,000 which will be paid from grant and local funds.

CITY OF SCOTTSBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

A grant in the amount of \$807,580 was awarded to the City for storm water drain construction and improvements.

Funding in the amount of \$500,000 was awarded to the City for the renovation of facilities for a senior/youth center.

A grant was awarded in the amount of \$480,000 to upgrade the City's street lights.

The City received a grant award in the amount of \$400,000 for the environmental remediation of an old manufacturing site.

C. Loans Receivable – Economic Development

The City makes low interest loans to local businesses for economic development through the Economic and Industrial Development Program. Loans receivable under this program are as follows:

Borrower	Date of Loan	Amount	Rate	Payment	December 31, 2009
American Plastics	07-20-09	\$ 125,000	3.25%	\$6,807.65 - Quarterly	\$ 119,235
American Plastics	02-10-06	111,500	7.50%	\$6,747.62 - Quarterly	31,905
American Plastics	12-18-09	200,000	3.25%	\$10,877.47 - Quarterly	200,000
Total Concepts	11-13-09	750,000	3.25%	\$30,118 - Quarterly	375,000
Jer Den	10-31-06	51,613	8.25%	\$725.59 - Monthly	44,331
Virtual Health	02-14-06	50,000	7.50%	\$3,025.84 - Quarterly	41,440
Virtual Health	02-14-06	50,000	7.50%	\$3,025.84 - Quarterly	41,440
Job Orchard	03-05-09	100,000	3.25%	\$100,000 - Annual	100,000
Job Orchard	03-05-09	100,000	3.25%	\$100,000 - Annual	100,000

D. Rate Structure – Enterprise Funds

Water Utility

On August 17, 1998, the City Council adopted Ordinance 1998-13 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the City Council on April 21, 2009.

Wastewater Utility

The current rate structure was approved by the City Council on August 25, 2001.

Electric Utility

On August 17, 1998, the City Council adopted Ordinance 1998-13 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on September 7, 2009.

Broadband Utility

The current rate structure was approved by the City Council on March 17, 2008.

CITY OF SCOTTSBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Trash Utility

The current rate structure was approved by the City Council on October 17, 1985.

E. Pension Plans

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

a. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy

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 \$177,996.

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.

CITY OF SCOTTSBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 \$159,837 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

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 \$103,866.

CITY OF SCOTTSBURG  
 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 And Street	Economic & Industrial Development	Law Enforcement Continuing Education	Federal Asset Forfeiture	Parks And Recreation	Drug Enforcement Grant 2009
Receipts:							
Taxes	\$ 48,790	\$ -	\$ -	\$ -	\$ -	\$ 203,139	\$ -
Licenses and permits	-	-	-	5,267	-	-	-
Intergovernmental	190,188	31,629	-	-	-	29,787	10,000
Charges for services	-	-	-	-	-	20,280	-
Fines and forfeits	-	-	-	4,913	1,803	-	-
Interfund loans	-	-	-	-	-	-	-
Other	1,473	-	13,726	-	-	736	-
<b>Total receipts</b>	<b>240,451</b>	<b>31,629</b>	<b>13,726</b>	<b>10,180</b>	<b>1,803</b>	<b>253,942</b>	<b>10,000</b>
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	4,594	-	-	182
Highways and streets	289,701	11,659	-	-	-	-	-
Economic development	-	-	487,650	-	-	-	-
Culture and recreation	-	-	-	-	-	220,941	-
Interfund loans	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Highways and streets	81,734	4,250	-	-	-	-	-
Culture and recreation	-	-	-	-	-	5,245	-
<b>Total disbursements</b>	<b>371,435</b>	<b>15,909</b>	<b>487,650</b>	<b>4,594</b>	<b>-</b>	<b>226,186</b>	<b>182</b>
Excess (deficiency) of receipts over disbursements	(130,984)	15,720	(473,924)	5,586	1,803	27,756	9,818
Other financing sources (uses):							
Transfers in	-	-	-	12	-	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(130,984)	15,720	(473,924)	5,598	1,803	27,756	9,818
Cash and investment fund balance - beginning	262,460	290,850	509,594	42,379	156,111	20,715	-
Cash and investment fund balance - ending	\$ 131,476	\$ 306,570	\$ 35,670	\$ 47,977	\$ 157,914	\$ 48,471	\$ 9,818
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 157,914	\$ -	\$ -
Restricted assets:							
Cash and investments	131,476	306,570	35,670	47,977	-	48,471	9,818
<b>Total cash and investment assets - ending</b>	<b>\$ 131,476</b>	<b>\$ 306,570</b>	<b>\$ 35,670</b>	<b>\$ 47,977</b>	<b>\$ 157,914</b>	<b>\$ 48,471</b>	<b>\$ 9,818</b>
<b>Cash and Investment Fund Balance - Ending</b>							
Restricted for:							
Public safety	\$ -	\$ -	\$ -	\$ 47,977	\$ -	\$ -	\$ 9,818
Highways and streets	131,476	306,570	-	-	-	-	-
Economic development	-	-	35,670	-	-	-	-
Culture and recreation	-	-	-	-	-	48,471	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	157,914	-	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ 131,476</b>	<b>\$ 306,570</b>	<b>\$ 35,670</b>	<b>\$ 47,977</b>	<b>\$ 157,914</b>	<b>\$ 48,471</b>	<b>\$ 9,818</b>

CITY OF SCOTTSBURG  
 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 Donation	Interurban Maintenance 2009	Rainy Day	Linza Graham Park	Operation Pullover	Police Donation
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ 25,567	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	3,450	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Interfund loans	-	-	100,000	-	-	-
Other	-	-	-	72,293	-	1,450
<b>Total receipts</b>	<b>-</b>	<b>-</b>	<b>125,567</b>	<b>72,293</b>	<b>3,450</b>	<b>1,450</b>
<b>Disbursements:</b>						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	3,333	1,434
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	76,856	-	-
Interfund loans	-	-	100,000	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	4,191	-	-
<b>Total disbursements</b>	<b>-</b>	<b>-</b>	<b>100,000</b>	<b>81,047</b>	<b>3,333</b>	<b>1,434</b>
Excess (deficiency) of receipts over disbursements	-	-	25,567	(8,754)	117	16
<b>Other financing sources (uses):</b>						
Transfers in	-	2,384	-	17,032	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>2,384</b>	<b>-</b>	<b>17,032</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	2,384	25,567	8,278	117	16
Cash and investment fund balance - beginning	8,000	-	240,098	15,053	(182)	10,120
Cash and investment fund balance - ending	<u>8,000</u>	<u>2,384</u>	<u>265,665</u>	<u>23,331</u>	<u>(65)</u>	<u>10,136</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ 2,384	\$ 265,665	\$ -	\$ (65)	\$ -
Restricted assets:						
Cash and investments	8,000	-	-	23,331	-	10,136
<b>Total cash and investment assets - ending</b>	<u>8,000</u>	<u>2,384</u>	<u>265,665</u>	<u>23,331</u>	<u>(65)</u>	<u>10,136</u>
<b>Cash and Investment Fund Balance - Ending</b>						
<b>Restricted for:</b>						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,136
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	8,000	-	-	23,331	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	2,384	265,665	-	(65)	-
<b>Total cash and investment fund balance - ending</b>	<u>8,000</u>	<u>2,384</u>	<u>265,665</u>	<u>23,331</u>	<u>(65)</u>	<u>10,136</u>

CITY OF SCOTTSBURG  
 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)

	Brownfield Grant	Tobacco Grant	Safe Street Task Force	Citizens Against Substance Abuse	Local Asset Forfeiture	Recreational Trails Grant
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	13,787	5,000	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	1,500	-
Interfund loans	-	-	-	-	-	-
Other	37	-	-	-	-	-
<b>Total receipts</b>	<b>37</b>	<b>-</b>	<b>13,787</b>	<b>5,000</b>	<b>1,500</b>	<b>-</b>
<b>Disbursements:</b>						
General government	19,445	-	14,821	-	-	-
Public safety	-	-	-	2,428	8,811	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
<b>Total disbursements</b>	<b>19,445</b>	<b>-</b>	<b>14,821</b>	<b>2,428</b>	<b>8,811</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	(19,408)	-	(1,034)	2,572	(7,311)	-
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	(12)	-	-	-	(17,032)
Other receipts	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(12)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17,032)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(19,408)	(12)	(1,034)	2,572	(7,311)	(17,032)
Cash and investment fund balance - beginning	228,246	12	(1,472)	3,745	19,272	17,032
Cash and investment fund balance - ending	<u>\$ 208,838</u>	<u>\$ -</u>	<u>\$ (2,506)</u>	<u>\$ 6,317</u>	<u>\$ 11,961</u>	<u>\$ -</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ -	\$ (2,506)	\$ -	\$ 11,961	\$ -
Restricted assets:						
Cash and investments	208,838	-	-	6,317	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ 208,838</u>	<u>\$ -</u>	<u>\$ (2,506)</u>	<u>\$ 6,317</u>	<u>\$ 11,961</u>	<u>\$ -</u>
<b>Cash and Investment Fund Balance - Ending</b>						
<b>Restricted for:</b>						
Public safety	\$ -	\$ -	\$ -	\$ 6,317	\$ -	\$ -
Highways and streets	-	-	-	-	-	-
Economic development	208,838	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	-	(2,506)	-	11,961	-
<b>Total cash and investment fund balance - ending</b>	<u>\$ 208,838</u>	<u>\$ -</u>	<u>\$ (2,506)</u>	<u>\$ 6,317</u>	<u>\$ 11,961</u>	<u>\$ -</u>

CITY OF SCOTTSBURG  
 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)

	Site Option Fund 2009	Cumulative Capital Development	Cumulative Building and Fire Equipment	Cumulative Park	Cumulative Capital Improvement	Affordable Housing
<b>Receipts:</b>						
Taxes	\$ -	\$ 94,321	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	8,064	(460)	-	18,521	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>102,385</b>	<b>(460)</b>	<b>-</b>	<b>18,521</b>	<b>-</b>
<b>Disbursements:</b>						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Capital outlay:						
General government	-	97,190	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>97,190</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	-	5,195	(460)	-	18,521	-
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(1,569)
Other receipts	10,000	-	4,152	-	-	-
<b>Total other financing sources (uses)</b>	<b>10,000</b>	<b>-</b>	<b>4,152</b>	<b>-</b>	<b>-</b>	<b>(1,569)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	10,000	5,195	3,692	-	18,521	(1,569)
Cash and investment fund balance - beginning	-	341,231	194,342	1,059	80,013	1,569
Cash and investment fund balance - ending	<u>\$ 10,000</u>	<u>\$ 346,426</u>	<u>\$ 198,034</u>	<u>\$ 1,059</u>	<u>\$ 98,534</u>	<u>\$ -</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	-	346,426	198,034	1,059	98,534	-
<b>Total cash and investment assets - ending</b>	<u>\$ 10,000</u>	<u>\$ 346,426</u>	<u>\$ 198,034</u>	<u>\$ 1,059</u>	<u>\$ 98,534</u>	<u>\$ -</u>
<b>Cash and Investment Fund Balance - Ending</b>						
<b>Restricted for:</b>						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	346,426	198,034	1,059	98,534	-
Unrestricted	10,000	-	-	-	-	-
<b>Total cash and investment fund balance - ending</b>	<u>\$ 10,000</u>	<u>\$ 346,426</u>	<u>\$ 198,034</u>	<u>\$ 1,059</u>	<u>\$ 98,534</u>	<u>\$ -</u>

CITY OF SCOTTSBURG  
 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)

	Historic Preservation	Historic Review Board	Revolving Loan City/County	Rural Develop Revolving EDA	Scottsburg Heritage Station	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 371,817
Licenses and permits	-	-	-	-	-	5,267
Intergovernmental	-	-	-	-	-	309,966
Charges for services	-	-	-	-	8,900	29,180
Fines and forfeits	-	-	-	-	-	8,216
Interfund loans	-	-	-	-	-	100,000
Other	-	50	305,755	1,490	-	397,010
<b>Total receipts</b>	<b>-</b>	<b>50</b>	<b>305,755</b>	<b>1,490</b>	<b>8,900</b>	<b>1,221,456</b>
Disbursements:						
General government	-	-	-	-	8,324	42,590
Public safety	-	-	-	-	-	20,782
Highways and streets	-	-	-	-	-	301,360
Economic development	-	-	413,750	-	-	901,400
Culture and recreation	-	-	-	-	-	297,797
Interfund loans	-	-	-	-	-	100,000
Capital outlay:						
General government	-	-	-	-	139	97,329
Highways and streets	-	-	-	-	-	85,984
Culture and recreation	-	-	-	-	-	9,436
<b>Total disbursements</b>	<b>-</b>	<b>-</b>	<b>413,750</b>	<b>-</b>	<b>8,463</b>	<b>1,856,678</b>
Excess (deficiency) of receipts over disbursements	-	50	(107,995)	1,490	437	(635,222)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	19,428
Transfers out	(2,384)	-	-	-	-	(20,997)
Other receipts	-	-	-	-	-	14,152
<b>Total other financing sources (uses)</b>	<b>(2,384)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,583</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,384)	50	(107,995)	1,490	437	(622,639)
Cash and investment fund balance - beginning	2,384	80	109,865	22,128	19,020	2,593,724
Cash and investment fund balance - ending	\$ -	\$ 130	\$ 1,870	\$ 23,618	\$ 19,457	\$ 1,971,085
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ 130	\$ -	\$ -	\$ 19,457	\$ 464,940
Restricted assets:						
Cash and investments	-	-	1,870	23,618	-	1,506,145
<b>Total cash and investment assets - ending</b>	<b>\$ -</b>	<b>\$ 130</b>	<b>\$ 1,870</b>	<b>\$ 23,618</b>	<b>\$ 19,457</b>	<b>\$ 1,971,085</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,248
Highways and streets	-	-	-	-	-	438,046
Economic development	-	-	1,870	23,618	-	269,996
Culture and recreation	-	-	-	-	-	79,802
Capital outlay	-	-	-	-	-	644,053
Unrestricted	-	130	-	-	19,457	464,940
<b>Total cash and investment fund balance - ending</b>	<b>\$ -</b>	<b>\$ 130</b>	<b>\$ 1,870</b>	<b>\$ 23,618</b>	<b>\$ 19,457</b>	<b>\$ 1,971,085</b>

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

	Payroll	Utility Payroll	Totals
Additions:			
Agency fund additions	\$ 3,924,096	\$ 1,893,690	\$ 5,817,786
Deductions:			
Agency fund deductions	3,920,387	1,893,690	5,814,077
Excess of total additions over total deductions	3,709	-	3,709
Cash and investment fund balance - beginning	70,436	-	70,436
Cash and investment fund balance - ending	\$ 74,145	\$ -	\$ 74,145

CITY OF SCOTTSBURG  
 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 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 Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 3,410,860
Infrastructure	10,479,264
Buildings	5,885,181
Improvements other than buildings	1,515,597
Machinery and equipment	2,947,998
Construction in progress	<u>-</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 24,238,900</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Buildings	\$ 6,433,035
Improvements other than buildings	8,197,480
Machinery and equipment	<u>1,038,281</u>
Total Water Utility capital assets	<u>15,668,796</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Buildings	1,208,000
Improvements other than buildings	6,879,586
Machinery and equipment	<u>1,649,787</u>
Total Wastewater Utility capital assets	<u>9,737,373</u>
Electric Utility:	
Capital assets, not being depreciated:	
Buildings	467,981
Improvements other than buildings	6,370,366
Machinery and equipment	<u>6,035,312</u>
Total Electric Utility capital assets	<u>12,873,659</u>
Broadband Utility:	
Capital assets, not being depreciated:	
Improvements other than buildings	28,500
Machinery and equipment	<u>168,553</u>
Total Broadband Utility capital assets	<u>197,053</u>
Total business-type activities capital assets	<u>\$ 38,476,881</u>

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

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
General obligation bonds:		
Lease Rental bond NW Redevelopment	\$ 796,423	\$ 199,500
Total governmental activities debt	<u>\$ 796,423</u>	<u>\$ 199,500</u>
Business-type Activities:		
Water Utility:		
Revenue bonds:		
Water Utility Bonds USDA Series A	1,648,000	74,160
Water Utility Bonds USDA Series B	495,000	31,275
State Revolving Loan #1	1,482,000	147,978
State Revolving Loan #2	<u>369,891</u>	<u>34,770</u>
Total Water Utility	<u>3,994,891</u>	<u>288,183</u>
Wastewater Utility:		
Revenue bonds:		
Wastewater Utility Bonds	<u>110,000</u>	<u>92,175</u>
Total Wastewater Utility	<u>110,000</u>	<u>92,175</u>
Electric Utility:		
Revenue bonds:		
Anticipation Bond (Citizens)	<u>345,000</u>	<u>62,696</u>
Total Electric Utility	<u>345,000</u>	<u>62,696</u>
Other Utility: Citizens Communications Broadband		
Revenue bonds:		
Interfund Loan from Electric Dept	<u>2,281,640</u>	-
Total Other Utility	<u>2,281,640</u>	-
Total business-type activities debt	<u>\$ 5,246,314</u>	<u>\$ 642,554</u>

CITY OF SCOTTSBURG  
AUDIT RESULT AND COMMENT

PUBLIC WORKS PROJECT

The May 5, 2009, minutes of the Board of Public Works and Safety (Board) showed the Board approved a joint bid in the amount of \$210,574 received from Latco Construction and Selby House for renovations at the TIE Center. The Tie Center was established to assist business start ups. The minutes also show that the Board authorized an additional \$10,000 to be paid in the event of unforeseen costs.

Payments on this project were made to 20 individual vendors totaling \$213,414 including Selby House and Latco Construction. The payment to Latco Construction was in the amount of \$49,011 and the payment to Selby House was in the amount of \$45,270. The remaining project payments were made to 18 individual vendors ranging from \$1,645 to \$25,970. A review of invoices submitted by Latco Construction and Selby House showed the companies have the same address and telephone number and the companies are listed together on the Scott County Chamber of Commerce website.

No information was presented for audit showing that general plans and specifications were prepared or that the Board published a notice calling for sealed proposals.

IC 36-1-12-4 states in part:

"(a) This section applies whenever the cost of a public work project will be:

- (1) at least seventy-five thousand dollars (\$75,000) in:
  - (A) a consolidated city or second class city;
  - (B) a county containing a consolidated city or second classcity; or
  - (C) a regional water or sewage district established underIC 13-26; or
- (2) at least fifty thousand dollars (\$50,000) in a political subdivision or an agency not described in subdivision (1)."

CITY OF SCOTTSBURG  
AUDIT RESULT AND COMMENT  
(Continued)

(b) The board must comply with the following procedure:

- (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . .
- (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3).
- (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed. . . ."

IC 36-1-12-19 states the following:

"(a) For purposes of this section, the cost of a public work project includes the cost of materials, labor, equipment rental, and all other expenses incidental to the performance of the project.

(b) The cost of a single public work project may not be divided into two (2) or more projects for the purpose of avoiding the requirement to solicit bids.

(c) A bidder or quoter or a person who is a party to a public work contract who knowingly violates this section commits a Class A infraction and may not be a party to or benefit from any contract under this chapter for two (2) years from the date of the conviction.

(d) Any board member or officer of a political subdivision or agency who knowingly violates this section commits a Class A infraction."

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

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

Compliance

We have audited the compliance of the City of Scottsburg (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 non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

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 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

August 11, 2010

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

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF COMMERCE</u>			
Direct			
Public Works and Economic Development Cluster Economic Adjustment Assistance	11.307	06-39-02499/06-19-02674	\$ <u>482,452</u>
Total for federal grantor agency			<u>482,452</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-Administered Small Cities Program Cluster Community Development Block Grants/States Program Sludge Belt Press Project	14.228	CF-08-110	<u>427,636</u>
Total for federal grantor agency			<u>427,636</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct			
ARRA - Edward Byrne Memorial Justice Grant (JAG) Program/Grants to Units of Local Government Drug Enforcement Grant 2009	16.804	2009-SB-B9-2720	<u>182</u>
Total for federal grantor agency			<u>182</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster Alcohol Impaired Driving Countermeasures Incentive Grants I Operation Pullover	20.601	OP-10-02-01-98	<u>3,450</u>
Total for federal grantor agency			<u>3,450</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters) Disaster Number 1795 Disaster Number 1828	97.036	1795 1828	198,968 <u>20,971</u>
Total for federal grantor agency			<u>219,939</u>
Total federal awards expended			<u>\$ 1,133,659</u>

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

CITY OF SCOTTSBURG  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Scottsburg (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.

II. Loans Outstanding

The City had the following loan balances, with continuing federal compliance requirements, outstanding at December 31, 2009. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>2009</u>
Economic and Industrial Development	11.307	<u>\$ 521,520</u>

CITY OF SCOTTSBURG  
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
14.228	Public Works and Economic Development Cluster Community Development Block Grant/ States Program

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF SCOTTSBURG  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF SCOTTSBURG  
EXIT CONFERENCE

The contents of this report were discussed on August 11, 2010, with William H. Graham, Mayor; Janetta C. Hardy, Clerk-Treasurer; and Patricia Richey, Deputy Clerk-Treasurer.