

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

ANNUAL FINANCIAL REPORT

2010

CITY OF AUBURN

DEKALB COUNTY, INDIANA



**FILED**  
08/04/2011



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards .....	3-4
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 .....	5-6
Financial Statement(s): Statement(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis .....	8
Notes to Financial Statement(s).....	9-14
Supplementary Information: Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis .....	16-24
Schedule of Capital Assets.....	25
Schedule of Long-Term Debt .....	26
Supplemental Audit of Federal Awards: 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.....	28-29
Schedule of Expenditures of Federal Awards .....	30
Note(s) to Schedule of Expenditures of Federal Awards .....	31
Schedule of Findings and Questioned Costs .....	32
Auditee Prepared Schedule(s): Summary Schedule of Prior Audit Findings .....	33
Exit Conference.....	34

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Patricia M. Miller	01-01-08 to 12-31-11
Mayor	Norman E. Yoder	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Norman E. Yoder	01-01-10 to 12-31-11
President of the Common Council	Marilyn Gearhart Richard Stahly	01-01-10 to 12-31-10 01-01-11 to 12-31-11
Superintendent of Water Utility	Randy Harvey	01-01-10 to 12-31-11
Superintendent of Wastewater Utility	David Lochner	01-01-10 to 12-31-11
Superintendent of Electric Utility	Stuart Tuttle	01-01-10 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE CITY OF AUBURN, DEKALB COUNTY, INDIANA

We have audited the accompanying financial statement of the City of Auburn (City), for the year ended December 31, 2010. This financial statement is the responsibility of the City's management. Our responsibility is to express opinions on this financial statement 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 statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2010, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated July 11, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. 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,

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

Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement. The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, 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 financial statement and, accordingly, we express no opinion on them.

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

STATE BOARD OF ACCOUNTS

July 11, 2011



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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 AUBURN, DEKALB COUNTY, INDIANA

We have audited the financial statement of the City of Auburn (City), for the year ended December 31, 2010, and have issued our report thereon dated July 11, 2011. 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 opinion on the financial statement, 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be 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 statement is 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, the Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 11, 2011

FINANCIAL STATEMENT(S)

CITY OF AUBURN  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General Fund	\$ 812,877	\$ 5,318,906	\$ 5,269,416	\$ 862,367
Motor Vehicle Highway	669,255	1,375,820	1,641,450	403,625
Local Road And Street	111,989	60,835	60,625	112,199
Fire Living Quarters	766	1,186	1,452	500
Park Nonreverting	111,257	29,149	28,523	111,883
Contributions To City	97,315	156,183	138,879	114,619
Miscellaneous Federal Grants	-	21,800	21,800	-
Law Enforcement Continuing Education	33,174	12,255	3,959	41,470
Multi County Drug Task Force	66,469	27,957	14,764	79,662
Parks And Recreation	272,856	391,282	498,260	165,878
Fire Emergency Cleanup	4,174	-	-	4,174
Rainy Day	799,536	437,213	-	1,236,749
Local Law Enforcement Block Grant	162	-	-	162
Drug Enforcement Grant	20,015	33,513	41,099	12,429
Federal Seizure Fund	-	8,500	-	8,500
Excess Levy	-	12,763	-	12,763
Police Dept Local Grants	1,172	-	-	1,172
DUI Grant Fund	-	9,145	8,305	840
Tax Incremental Financing	6,675,856	776,168	2,887,265	4,564,759
Drug Enforcement Aid	10,000	-	-	10,000
ISTEA/ACD Museum Grant	3,755	-	-	3,755
Industrial Sewer Revenue	118,615	-	-	118,615
Tower Udag Project	17,280	-	-	17,280
Computer Building Corporation Lease	63,540	-	-	63,540
Fire Station Building Corporation Lease	84,574	267,552	273,200	78,926
Cumulative Capital Development	2,295,296	186,819	25,221	2,456,894
Auburn Drive Project	34,218	-	-	34,218
General Improvement	41,859	-	-	41,859
Cumulative Capital Improvement	280,663	35,732	-	316,395
CEDIT	1,503,121	398,044	164,317	1,736,848
Rieke Park Construction	53,095	24,120	76,687	528
Police Pension	131,763	65,369	62,218	134,914
Payroll	1,397	8,217,325	8,218,722	-
Flex	13,370	56,875	55,597	14,648
Self Insurance	1,235,764	1,178,532	782,432	1,631,864
Electric Convenience Fees	192	3,791	3,710	273
Electric Cash Reserve	95,317	108,000	115,000	88,317
Electric Construction	-	2,214,420	349,476	1,864,944
Electric AES Depreciation	15	116,650	115,735	930
Electric AES Operating and Maintenance	38,550	939,854	883,127	95,277
Electric Bond and Interest	720	-	-	720
Electric Meter Deposit	71,241	71,183	31,793	110,631
Electric Depreciation	1,563,010	1,504,538	789,032	2,278,516
Electric Operating and Maintenance	3,707,597	26,857,784	28,968,821	1,596,560
Wastewater Cash Reserve	20,700	165,000	165,000	20,700
Wastewater Replacement	873,811	72,000	-	945,811
Wastewater Bond and Interest	507,209	2,839,735	2,769,726	577,218
Wastewater Meter Deposit	22,300	28,465	7,731	43,034
Wastewater Depreciation	937,184	575,461	135,011	1,377,634
Wastewater Operating and Maintenance	586,792	4,827,102	4,363,030	1,050,864
Wastewater Debt Service Reserve	1,352,277	-	-	1,352,277
Water Cash Reserve	-	81,000	81,000	-
Water Bond and Interest	14,336	1,137,499	1,116,841	34,994
Water Construction	374,760	396	375,156	-
Water Meter Deposit	48,004	25,380	17,342	56,042
Water Debt Service Reserve	542,085	-	342,415	199,670
Water Depreciation	1,307,108	242,644	171,161	1,378,591
Water Operating and Maintenance	178,909	2,442,692	2,455,221	166,380
	<u>\$ 27,807,300</u>	<u>\$ 63,356,637</u>	<u>\$ 63,530,519</u>	<u>\$ 27,633,418</u>

The notes to the financial statement(s) are an integral part of this statement.

CITY OF AUBURN  
NOTES TO FINANCIAL STATEMENT(S)

**Note 1. 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 some or all of 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, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement(s) present(s) the financial information for the City (primary government), and does not include financial information for any of the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the City (primary government).

*B. Basis of Accounting*

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), 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 regulatory 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.

*C. Cash and Investments*

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

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF AUBURN  
NOTES TO FINANCIAL STATEMENT(S)  
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

CITY OF AUBURN  
NOTES TO FINANCIAL STATEMENT(S)  
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

CITY OF AUBURN  
NOTES TO FINANCIAL STATEMENT(S)  
(Continued)

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

The City may be 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.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement and replacement items purchased.

**Note 6. Pension Plan(s)**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is 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 this 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 members' contributions, set by state statute at 3 percent 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. 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 AUBURN  
NOTES TO FINANCIAL STATEMENT(S)  
(Continued)

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

*B. 1925 Police Officers' Pension Plan*

*Plan Description*

The 1925 Police Officers' Pension Plan 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 Indiana Code 5-10.3-11.

*C. 1977 Police Officers' and Firefighters' Pension and Disability Fund*

*Plan Description*

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is 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 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. 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 AUBURN  
NOTES TO FINANCIAL STATEMENT(S)  
(Continued)

*Funding Policy*

The contribution requirements of plan members and the City are established by the Board of Trustees of PERF.

***Note 7. Differences Between Regulatory Statements And City Annual Report***

Immaterial differences exist between the Regulatory Statements and the 2010 City Annual Report. These differences are due to either audit adjustments or audited amounts for city departments which differ from unaudited amounts shown in the 2010 City Annual Report.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City of Auburn's Annual Report(s) can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

CITY OF AUBURN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	General Fund	Motor Vehicle Highway	Local Road And Street	Fire Living Quarters	Park Nonreverting	Contributions To City	Miscellaneous Federal Grants
Cash and investments - beginning	\$ 812,877	\$ 669,255	\$ 111,989	\$ 766	\$ 111,257	\$ 97,315	\$ -
Receipts:							
Taxes	2,837,196	979,613	-	-	-	-	-
Licenses and permits	31,792	-	-	-	-	-	-
Intergovernmental	1,365,690	391,818	60,835	-	-	71,023	21,800
Charges for services	972,247	1,530	-	1,186	16,453	14,500	-
Fines and forfeits	4,683	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	107,298	2,859	-	-	12,696	70,660	-
Total receipts	<u>5,318,906</u>	<u>1,375,820</u>	<u>60,835</u>	<u>1,186</u>	<u>29,149</u>	<u>156,183</u>	<u>21,800</u>
Disbursements:							
Personal services	3,384,433	671,504	-	-	-	-	-
Supplies	128,282	238,634	-	-	17,937	-	-
Other services and charges	1,447,499	664,158	60,625	-	10,586	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	191,202	47,154	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	118,000	20,000	-	1,452	-	138,879	21,800
Total disbursements	<u>5,269,416</u>	<u>1,641,450</u>	<u>60,625</u>	<u>1,452</u>	<u>28,523</u>	<u>138,879</u>	<u>21,800</u>
Excess (deficiency) of receipts over disbursements	<u>49,490</u>	<u>(265,630)</u>	<u>210</u>	<u>(266)</u>	<u>626</u>	<u>17,304</u>	<u>-</u>
Cash and investments - ending	<u>\$ 862,367</u>	<u>\$ 403,625</u>	<u>\$ 112,199</u>	<u>\$ 500</u>	<u>\$ 111,883</u>	<u>\$ 114,619</u>	<u>\$ -</u>

CITY OF AUBURN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Law Enforcement Continuing Education	Multi County Drug Task Force	Parks And Recreation	Fire Emergency Cleanup	Rainy Day	Local Law Enforcement Block Grant	Drug Enforcement Grant
Cash and investments - beginning	\$ 33,174	\$ 66,469	\$ 272,856	\$ 4,174	\$ 799,536	\$ 162	\$ 20,015
Receipts:							
Taxes	-	-	294,475	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	22,197	-	294,213	-	33,513
Charges for services	8,673	-	72,764	-	-	-	-
Fines and forfeits	3,336	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	246	27,957	1,846	-	143,000	-	-
Total receipts	<u>12,255</u>	<u>27,957</u>	<u>391,282</u>	<u>-</u>	<u>437,213</u>	<u>-</u>	<u>33,513</u>
Disbursements:							
Personal services	-	-	333,030	-	-	-	-
Supplies	130	-	54,508	-	-	-	-
Other services and charges	3,829	-	68,254	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	37,468	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	14,764	5,000	-	-	-	41,099
Total disbursements	<u>3,959</u>	<u>14,764</u>	<u>498,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,099</u>
Excess (deficiency) of receipts over disbursements	<u>8,296</u>	<u>13,193</u>	<u>(106,978)</u>	<u>-</u>	<u>437,213</u>	<u>-</u>	<u>(7,586)</u>
Cash and investments - ending	<u>\$ 41,470</u>	<u>\$ 79,662</u>	<u>\$ 165,878</u>	<u>\$ 4,174</u>	<u>\$ 1,236,749</u>	<u>\$ 162</u>	<u>\$ 12,429</u>

CITY OF AUBURN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Federal Seizure Fund	Excess Levy	Police Department Local Grants	DUI Grant	Tax Incremental Financing	Drug Enforcement Aid	ISTEA/ACD Museum Grant
Cash and investments - beginning	\$ -	\$ -	\$ 1,172	\$ -	\$ 6,675,856	\$ 10,000	\$ 3,755
Receipts:							
Taxes	-	-	-	-	768,704	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	9,145	-	-	-
Charges for services	8,500	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	12,763	-	-	7,464	-	-
Total receipts	<u>8,500</u>	<u>12,763</u>	<u>-</u>	<u>9,145</u>	<u>776,168</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	1,003	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	2,886,262	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	8,305	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,305</u>	<u>2,887,265</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>8,500</u>	<u>12,763</u>	<u>-</u>	<u>840</u>	<u>(2,111,097)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 8,500</u>	<u>\$ 12,763</u>	<u>\$ 1,172</u>	<u>\$ 840</u>	<u>\$ 4,564,759</u>	<u>\$ 10,000</u>	<u>\$ 3,755</u>

CITY OF AUBURN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Industrial Sewer Revenue	Tower Udag Project	Computer Building Corporation Lease	Fire Station Building Corporation Lease	Cuulative Capital Development	Auburn Drive Project	General Improvement
Cash and investments - beginning	\$ 118,615	\$ 17,280	\$ 63,540	\$ 84,574	\$ 2,295,296	\$ 34,218	\$ 41,859
Receipts:							
Taxes	-	-	-	248,798	170,881	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	18,754	12,880	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	3,058	-	-
Total receipts	-	-	-	267,552	186,819	-	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	273,200	-	-	-
Capital outlay	-	-	-	-	25,221	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	-	-	273,200	25,221	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	(5,648)	161,598	-	-
Cash and investments - ending	<u>\$ 118,615</u>	<u>\$ 17,280</u>	<u>\$ 63,540</u>	<u>\$ 78,926</u>	<u>\$ 2,456,894</u>	<u>\$ 34,218</u>	<u>\$ 41,859</u>

CITY OF AUBURN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Cuulative Capital Improvement	CEDIT	Rieke Park Construction	Police Pension	Payroll	Flex	Self Insurance
Cash and investments - beginning	\$ 280,663	\$ 1,503,121	\$ 53,095	\$ 131,763	\$ 1,397	\$ 13,370	\$ 1,235,764
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	35,352	395,981	7,600	65,203	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	380	2,063	16,520	166	8,217,325	56,875	1,178,532
Total receipts	35,732	398,044	24,120	65,369	8,217,325	56,875	1,178,532
Disbursements:							
Personal services	-	-	-	60,166	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	2,052	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	120,965	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	43,352	76,687	-	8,218,722	55,597	782,432
Total disbursements	-	164,317	76,687	62,218	8,218,722	55,597	782,432
Excess (deficiency) of receipts over disbursements	35,732	233,727	(52,567)	3,151	(1,397)	1,278	396,100
Cash and investments - ending	\$ 316,395	\$ 1,736,848	\$ 528	\$ 134,914	\$ -	\$ 14,648	\$ 1,631,864

CITY OF AUBURN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Electric Convenience Fees	Electric Cash Reserve	Electric Construction	Electric AES Depreciation	Electric AES Operating and Maintenance	Electric Bond and Interest
Cash and investments - beginning	\$ 192	\$ 95,317	\$ -	\$ 15	\$ 38,550	\$ 720
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	3,791	-	-	-	939,854	-
Other receipts	-	108,000	2,214,420	116,650	-	-
Total receipts	<u>3,791</u>	<u>108,000</u>	<u>2,214,420</u>	<u>116,650</u>	<u>939,854</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	115,000	349,476	115,735	883,127	-
Utility operating expenses	3,710	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>3,710</u>	<u>115,000</u>	<u>349,476</u>	<u>115,735</u>	<u>883,127</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>81</u>	<u>(7,000)</u>	<u>1,864,944</u>	<u>915</u>	<u>56,727</u>	<u>-</u>
Cash and investments - ending	<u>\$ 273</u>	<u>\$ 88,317</u>	<u>\$ 1,864,944</u>	<u>\$ 930</u>	<u>\$ 95,277</u>	<u>\$ 720</u>

CITY OF AUBURN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Electric Meter Deposit	Electric Depreciation	Electric Operating and Maintenance	Wastewater Cash Reserve	Wastewater Replacement	Wastewater Bond and Interest
Cash and investments - beginning	\$ 71,241	\$ 1,563,010	\$ 3,707,597	\$ 20,700	\$ 873,811	\$ 507,209
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	25,639,568	-	-	-
Other receipts	71,183	1,504,538	1,218,216	165,000	72,000	2,839,735
Total receipts	<u>71,183</u>	<u>1,504,538</u>	<u>26,857,784</u>	<u>165,000</u>	<u>72,000</u>	<u>2,839,735</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	31,793	-	25,809,235	-	-	-
Other disbursements	-	789,032	3,159,586	165,000	-	2,769,726
Total disbursements	<u>31,793</u>	<u>789,032</u>	<u>28,968,821</u>	<u>165,000</u>	<u>-</u>	<u>2,769,726</u>
Excess (deficiency) of receipts over disbursements	<u>39,390</u>	<u>715,506</u>	<u>(2,111,037)</u>	<u>-</u>	<u>72,000</u>	<u>70,009</u>
Cash and investments - ending	<u>\$ 110,631</u>	<u>\$ 2,278,516</u>	<u>\$ 1,596,560</u>	<u>\$ 20,700</u>	<u>\$ 945,811</u>	<u>\$ 577,218</u>

CITY OF AUBURN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Wastewater Meter Deposit	Wastewater Depreciation	Wastewater Operating and Maintenance	Wastewater Debt Service Reserve	Water Cash Reserve	Water Bond and Interest
Cash and investments - beginning	\$ 22,300	\$ 937,184	\$ 586,792	\$ 1,352,277	\$ -	\$ 14,336
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	4,711,114	-	-	-
Other receipts	28,465	575,461	115,988	-	81,000	1,137,499
Total receipts	<u>28,465</u>	<u>575,461</u>	<u>4,827,102</u>	<u>-</u>	<u>81,000</u>	<u>1,137,499</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	7,731	-	4,159,018	-	-	-
Other disbursements	-	135,011	204,012	-	81,000	1,116,841
Total disbursements	<u>7,731</u>	<u>135,011</u>	<u>4,363,030</u>	<u>-</u>	<u>81,000</u>	<u>1,116,841</u>
Excess (deficiency) of receipts over disbursements	<u>20,734</u>	<u>440,450</u>	<u>464,072</u>	<u>-</u>	<u>-</u>	<u>20,658</u>
Cash and investments - ending	<u>\$ 43,034</u>	<u>\$ 1,377,634</u>	<u>\$ 1,050,864</u>	<u>\$ 1,352,277</u>	<u>\$ -</u>	<u>\$ 34,994</u>

CITY OF AUBURN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Water Construction	Water Meter Deposit	Water Debt Service Reserve	Water Depreciation	Water Operating and Maintenance	Totals
Cash and investments - beginning	\$ 374,760	\$ 48,004	\$ 542,085	\$ 1,307,108	\$ 178,909	\$ 27,807,300
Receipts:						
Taxes	-	-	-	-	-	5,299,667
Licenses and permits	-	-	-	-	-	31,792
Intergovernmental	-	-	-	-	-	2,806,004
Charges for services	-	-	-	-	-	1,095,853
Fines and forfeits	-	-	-	-	-	8,019
Utility fees	-	-	-	-	2,179,253	33,473,580
Other receipts	396	25,380	-	242,644	263,439	20,641,722
Total receipts	<u>396</u>	<u>25,380</u>	<u>-</u>	<u>242,644</u>	<u>2,442,692</u>	<u>63,356,637</u>
Disbursements:						
Personal services	-	-	-	-	-	4,449,133
Supplies	-	-	-	-	-	439,491
Other services and charges	-	-	-	-	-	2,258,006
Debt service - principal and interest	-	-	342,415	-	-	615,615
Capital outlay	375,156	-	-	171,161	-	5,317,927
Utility operating expenses	-	17,342	-	-	2,166,123	32,194,952
Other disbursements	-	-	-	-	289,098	18,255,395
Total disbursements	<u>375,156</u>	<u>17,342</u>	<u>342,415</u>	<u>171,161</u>	<u>2,455,221</u>	<u>63,530,519</u>
Excess (deficiency) of receipts over disbursements	<u>(374,760)</u>	<u>8,038</u>	<u>(342,415)</u>	<u>71,483</u>	<u>(12,529)</u>	<u>(173,882)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 56,042</u>	<u>\$ 199,670</u>	<u>\$ 1,378,591</u>	<u>\$ 166,380</u>	<u>\$ 27,633,418</u>

CITY OF AUBURN  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2010

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 receive

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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 2,042,037
Infrastructure	32,842,509
Buildings	2,949,885
Improvements other than buildings	1,437,931
Machinery and equipment	9,404,620
Construction in progress	<u>3,079,685</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 51,756,667</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 735,068
Construction in progress	129,631
Capital assets, being depreciated:	
Buildings	3,532,927
Improvements other than buildings	13,746,336
Machinery and equipment	1,298,851
Transportation equipment	<u>272,050</u>
 Total Water Utility capital assets	 <u>19,714,863</u>

Wastewater Utility:	
Capital assets, not being depreciated:	
Land	377,757
Construction in progress	14,329,915
Capital assets, being depreciated:	
Buildings	6,288,738
Improvements other than buildings	23,781,254
Machinery and equipment	10,506,924
Transportation equipment	<u>321,214</u>
 Total Wastewater Utility capital assets	 <u>55,605,802</u>

Electric Utility:	
Capital assets, not being depreciated:	
Land	701,589
Construction in progress	8,054,952
Capital assets, being depreciated:	
Buildings	3,136,945
Improvements other than buildings	26,947,483
Machinery and equipment	2,610,744
Transportation equipment	<u>1,576,109</u>
 Total Electric Utility capital assets	 <u>43,027,822</u>

Total business-type activities capital assets	<u>\$ 118,348,487</u>
--	-----------------------

CITY OF AUBURN  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2010

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:		
Fire station	\$ 510,000	\$ 271,740
Dump trucks	<u>37,396</u>	<u>39,441</u>
Total governmental activities debt	<u>\$ 547,396</u>	<u>\$ 311,181</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
2010 Refunding	\$ 1,996,700	\$ 292,511
Wastewater Utility:		
Loans and notes:		
1995 State Revolving Fund	4,325,000	746,950
2009 State Revolving Fund, Series A and B	9,310,641	590,625
2009 Forgivable taxable BAN	<u>5,000,000</u>	<u>-</u>
Total Wastewater Utility	<u>18,635,641</u>	<u>1,337,575</u>
Total business-type activities debt	<u>\$ 20,632,341</u>	<u>\$ 1,630,086</u>

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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 AUBURN, DEKALB COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Auburn (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 its major federal program for the year ended December 31, 2010. The City's major federal program is 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 its major federal program 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 its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City's management, the Common Council, others within the entity, 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

July 11, 2011

CITY OF AUBURN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2010

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 JUSTICE</u>			
Pass-Through Indiana Criminal Justice Institute Edward Byrne Memorial Justice Assistance Grant Program	16.738	09-DJ-018	\$ <u>33,513</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation Highway Planning and Construction Cluster ARRA-Highway Planning and Construction, Recovery Act	20.205	09-02313	<u>21,800</u>
Pass-Through Town of Hudson Highway Cluster Alcohol Impaired Driving Countermeasures Incentives Grants I	20.601	PT-10-04-04-22 K-8-2010-03-03-28 K-4-2010-08-01-19	3,570 2,275 <u>3,300</u>
Total for program			<u>9,145</u>
Total for federal grantor agency			<u>30,945</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds	66.458	WW09051703	<u>1,958,692</u>
ARRA-Capitalization Grants for Clean Water State Revolving Funds		ARRA-WW09051703	<u>4,792,781</u>
Total for federal grantor agency			<u>6,751,473</u>
<u>U.S. DEPARTMENT OF ENERGY</u>			
Direct Grant ARRA-Electricity Delivery and Energy Reliability, Research, Development and Analysis, Recovery Act	81.122	DE-OE0000287	<u>139,339</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through DeKalb County Law Enforcement Terrorism Prevention Program	97.074	C44P-9-759A	<u>12,485</u>
Total federal awards expended			<u>\$ <u>6,967,755</u></u>

The accompanying note(s) are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF AUBURN  
NOTE(S) TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Auburn (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 AUBURN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement(s):

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	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
66.458	Capitalization Grants for Clean Water State Revolving Funds

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 AUBURN  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF AUBURN  
EXIT CONFERENCE

The contents of this report were discussed on July 11, 2011, with Patricia M. Miller, Clerk-Treasurer, and Norman E. Yoder, Mayor. Our audit disclosed no material items that warrant comment at this time.