

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

ANNUAL FINANCIAL REPORT

2010

CITY OF SCOTTSBURG

SCOTT COUNTY, INDIANA



**FILED**

08/29/2011



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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	01-01-10 to 12-31-11
Superintendent of Water Utility	Lance Hounshell	01-01-10 to 12-31-11
Superintendent of Wastewater Utility	Jason Combs	01-01-10 to 12-31-11
Superintendent of Electric Utility	James Binkley	01-01-10 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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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 statement(s) of the City of Scottsburg (City), for the year ended December 31, 2010. These financial statement(s) are the responsibility of the City's management. Our responsibility is to express opinions on these financial statement(s) 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(s) are 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(s). 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(s).

As discussed in Note 1, the City prepares its financial statement(s) 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(s) 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 August 15, 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.

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 an opinion on the City's financial statement(s). 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 financial statement(s). Such information has been subjected to the auditing procedures applied in the audit of the financial statement(s) and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement(s) taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement(s). 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(s). 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(s) and, accordingly, we express no opinion on them.

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

STATE BOARD OF ACCOUNTS

August 15, 2011



**STATE OF INDIANA**  
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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 statement(s) of the City of Scottsburg (City), for the year ended December 31, 2010, and have issued our report thereon dated August 15, 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(s) on the financial statement(s), 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(s) 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(s) are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

STATE BOARD OF ACCOUNTS

August 15, 2011

FINANCIAL STATEMENT(S)

CITY OF SCOTTSBURG  
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	\$ 599,121	\$ 2,658,199	\$ 2,667,244	\$ 590,076
Historic Review Board	130	50	-	180
Revolving Loan City/County	1,870	91,518	30,028	63,360
Rural Develop Revolving Loan	23,618	22,283	780	45,121
Scottsburg Heritage Station Depot	19,457	9,749	6,362	22,844
Motor Vehicle Highway	131,477	429,723	281,932	279,268
Local Road And Street	306,570	32,380	1,595	337,355
Econ & Industrial Development	35,670	86,786	75,000	47,456
Tie Center Eda Grant 2009	-	5,601,253	5,410,085	191,168
Law Enforcement Continuing Ed	47,977	7,434	2,663	52,748
Sburg Brownfield Grant 2009	-	14,009	14,009	-
Fed Asset Forfeiture	157,914	2,276	-	160,190
Parks And Recreation	48,471	258,132	247,030	59,573
Drug Enforcement Grant 2009	9,818	20,000	20,257	9,561
Park Donation	8,000	-	-	8,000
Senior Youth Grant 2009	-	348,057	226,886	121,171
Usda Energy Training Grant 2010	-	208,295	-	208,295
Stray Light Cefdf Grant 2010	-	466,385	466,385	-
Alt P & E Oed Grant 2009	-	202,547	202,547	-
Interurban Maintenance Fund 2009	2,384	-	39	2,345
Ogle Grant 2010	-	500,000	132,780	367,220
Rainy Day	265,665	71,874	-	337,539
Tie Center Retainage	-	446,646	141,091	305,555
Stormwater Iocra Grant Fund 2010	-	27,025	27,025	-
Linza Graham Park Fund	23,331	151,241	151,368	23,204
Levy Excess G Prop Taxes	-	4,650	-	4,650
Operation Pullover	(65)	1,351	2,016	(730)
Police Donation	10,136	2,000	3,450	8,686
Brownfield Grant Fund	208,838	-	14,047	194,791
Safe Street Task Force	(2,506)	9,620	9,470	(2,356)
Casa -Cease	6,317	4,999	3,334	7,982
Local Asset Forfeiture	11,961	6,253	-	18,214
Senior / Yth Retainage	-	15,422	-	15,422
Site Option Fund 2009	10,000	20,000	-	30,000
Cumulative Capital Development	346,426	91,020	-	437,446
Cumulative Fire	198,034	8,580	290	206,324
Cumulative Park	1,059	-	-	1,059
Cumulative Capital Improvement	98,533	17,685	-	116,218
Se Redevelopment Dist Cap	1,396,039	399,071	308,595	1,486,515
Certified Tech Park	2,129,986	602,863	2,447,405	285,444
Nw Redevelopment Dist Cap	1,021,659	897,731	1,565,632	353,758
Non-Reverting Insurance Fund	41,340	562,874	447,562	156,652
Police Pension	657,323	170,128	165,815	661,636
Payroll	74,146	3,238,765	3,300,607	12,304
Payroll #2	-	1,170,232	1,170,232	-
Utility Payroll	-	1,949,380	1,949,380	-
Electric Utility-Operating	500,871	12,897,809	12,783,185	615,495
Electric Utility-Deprec/Improve	72,957	309	-	73,266
Electric Utility-Customer Deposit	110,714	57,128	81,713	86,129
Electric Utility-Construction	399,000	-	-	399,000
B/B Operating	152,102	1,032,466	1,013,065	171,503
Broadband Customer Deposits	18,814	10,331	4,971	24,174
WWTP Operating	80,609	1,395,647	1,339,541	136,715
Wastewater Util-Bond And Interest	14,844	112,602	127,446	-
Wastewater Utility-Construction	7,082	-	-	7,082
Wastewater Utility-Other #1	111,000	-	111,000	-
Water Operating	11,020	2,323,075	2,184,911	149,184
Water Bond & Interest	139,950	399,330	398,087	141,193
Water Utility-Depreciation/Improve	33,792	265	10	34,047
Water Meter Deposits	26,751	85,914	77,437	35,228
Water Debt Service Reserve	13,515	278,048	-	291,563
<b>Totals</b>	<b>\$ 9,583,720</b>	<b>\$ 39,421,410</b>	<b>\$ 39,614,307</b>	<b>\$ 9,390,823</b>

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

CITY OF SCOTTSBURG, SCOTT COUNTY  
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 SCOTTSBURG, SCOTT COUNTY  
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 SCOTTSBURG, SCOTT COUNTY  
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 SCOTTSBURG, SCOTT COUNTY  
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:

CITY OF SCOTTSBURG, SCOTT COUNTY  
NOTES TO FINANCIAL STATEMENT(S)  
(Continued)

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

*Funding Policy and Annual Pension Cost*

The contribution requirements of 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:

CITY OF SCOTTSBURG, SCOTT COUNTY  
NOTES TO FINANCIAL STATEMENT(S)  
(Continued)

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.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City of Scottsburg'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 SCOTTSBURG  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	General	Historic Review Board	Revolving Loan City/County	Rural Develop Revolving Loan	Scottsburg Heritage Station Depot	Motor Vehicle Highway	Local Road And Street
Cash and investments - beginning	\$ 599,121	\$ 130	\$ 1,870	\$ 23,618	\$ 19,457	\$ 131,477	\$ 306,570
Receipts:							
Taxes	-	-	-	-	-	185,546	-
Licenses and permits	200	-	-	-	-	-	-
Intergovernmental	959,400	-	-	-	-	175,453	32,380
Charges for services	454,799	-	-	-	9,749	2,835	-
Fines and forfeits	657	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,243,143	50	91,518	22,283	-	65,889	-
Total receipts	<u>2,658,199</u>	<u>50</u>	<u>91,518</u>	<u>22,283</u>	<u>9,749</u>	<u>429,723</u>	<u>32,380</u>
Disbursements:							
Personal services	1,520,448	-	-	-	-	126,246	-
Supplies	127,948	-	30,028	-	223	61,462	-
Other services and charges	908,590	-	-	780	5,439	52,742	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	109,900	-	-	-	-	41,482	1,595
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	358	-	-	-	700	-	-
Total disbursements	<u>2,667,244</u>	<u>-</u>	<u>30,028</u>	<u>780</u>	<u>6,362</u>	<u>281,932</u>	<u>1,595</u>
Excess (deficiency) of receipts over disbursements	<u>(9,045)</u>	<u>50</u>	<u>61,490</u>	<u>21,503</u>	<u>3,387</u>	<u>147,791</u>	<u>30,785</u>
Cash and investments - ending	<u>\$ 590,076</u>	<u>\$ 180</u>	<u>\$ 63,360</u>	<u>\$ 45,121</u>	<u>\$ 22,844</u>	<u>\$ 279,268</u>	<u>\$ 337,355</u>

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

	Econ & Industrial Development	TIE Center EDA Grant 2009	Law Enforcement Continuing Ed	Sburg Brownfield Grant 2009	Fed Asset Forfeiture	Parks And Recreation	Drug Enforcement Grant 2009
Cash and investments - beginning	\$ 35,670	\$ -	\$ 47,977	\$ -	\$ 157,914	\$ 48,471	\$ 9,818
Receipts:							
Taxes	-	-	-	-	-	215,104	-
Licenses and permits	-	-	3,204	-	-	-	-
Intergovernmental	-	3,142,078	-	-	-	19,994	20,000
Charges for services	-	-	-	-	-	20,400	-
Fines and forfeits	-	-	4,230	-	2,276	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	86,786	2,459,175	-	14,009	-	2,634	-
Total receipts	<u>86,786</u>	<u>5,601,253</u>	<u>7,434</u>	<u>14,009</u>	<u>2,276</u>	<u>258,132</u>	<u>20,000</u>
Disbursements:							
Personal services	-	-	-	-	-	147,398	604
Supplies	75,000	-	-	-	-	31,059	-
Other services and charges	-	-	2,663	-	-	57,252	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	3,316	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	5,410,085	-	14,009	-	8,005	19,653
Total disbursements	<u>75,000</u>	<u>5,410,085</u>	<u>2,663</u>	<u>14,009</u>	<u>-</u>	<u>247,030</u>	<u>20,257</u>
Excess (deficiency) of receipts over disbursements	<u>11,786</u>	<u>191,168</u>	<u>4,771</u>	<u>-</u>	<u>2,276</u>	<u>11,102</u>	<u>(257)</u>
Cash and investments - ending	<u>\$ 47,456</u>	<u>\$ 191,168</u>	<u>\$ 52,748</u>	<u>\$ -</u>	<u>\$ 160,190</u>	<u>\$ 59,573</u>	<u>\$ 9,561</u>

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

	Park Donation	Senior Youth Grant 2009	USDA Energy Training Grant 2010	Stray Light CEDF Grant 2010	ALT P & E OED Grant 2009	Interurban Maintenance Fund 2009	Ogle Grant 2010
Cash and investments - beginning	\$ 8,000	\$ -	\$ -	\$ -	\$ -	\$ 2,384	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	117,557	-	466,385	67,516	-	250,000
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	230,500	208,295	-	135,031	-	250,000
Total receipts	-	348,057	208,295	466,385	202,547	-	500,000
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	466,385	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	226,886	-	-	202,547	39	132,780
Total disbursements	-	226,886	-	466,385	202,547	39	132,780
Excess (deficiency) of receipts over disbursements	-	121,171	208,295	-	-	(39)	367,220
Cash and investments - ending	\$ 8,000	\$ 121,171	\$ 208,295	\$ -	\$ -	\$ 2,345	\$ 367,220

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

	Rainy Day	TIE Center Retainage	Stormwater IOCRA Grant Fund 2010	Linza Graham Park Fund	Levy Excess Fund	Operation Pullover	Police Donation
Cash and investments - beginning	\$ 265,665	\$ -	\$ -	\$ 23,331	\$ -	\$ (65)	\$ 10,136
Receipts:							
Taxes	71,874	-	-	-	4,650	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	151,241	-	1,351	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	446,646	27,025	-	-	-	2,000
Total receipts	<u>71,874</u>	<u>446,646</u>	<u>27,025</u>	<u>151,241</u>	<u>4,650</u>	<u>1,351</u>	<u>2,000</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	119,980	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	31,388	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	141,091	27,025	-	-	2,016	3,450
Total disbursements	<u>-</u>	<u>141,091</u>	<u>27,025</u>	<u>151,368</u>	<u>-</u>	<u>2,016</u>	<u>3,450</u>
Excess (deficiency) of receipts over disbursements	<u>71,874</u>	<u>305,555</u>	<u>-</u>	<u>(127)</u>	<u>4,650</u>	<u>(665)</u>	<u>(1,450)</u>
Cash and investments - ending	<u>\$ 337,539</u>	<u>\$ 305,555</u>	<u>\$ -</u>	<u>\$ 23,204</u>	<u>\$ 4,650</u>	<u>\$ (730)</u>	<u>\$ 8,686</u>

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

	Brownfield Grant Fund	Safe Street Task Force	CASA -Cease	Local Asset Forfeiture	Senior/Yth Retainage	Site Option Fund 2009	Cumulative Capital Development
Cash and investments - beginning	\$ 208,838	\$ (2,506)	\$ 6,317	\$ 11,961	\$ -	\$ 10,000	\$ 346,426
Receipts:							
Taxes	-	-	-	-	-	-	83,280
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	4,999	-	-	-	7,740
Charges for services	-	9,620	-	-	-	-	-
Fines and forfeits	-	-	-	6,253	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	15,422	20,000	-
Total receipts	-	9,620	4,999	6,253	15,422	20,000	91,020
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	14,047	9,470	3,334	-	-	-	-
Total disbursements	14,047	9,470	3,334	-	-	-	-
Excess (deficiency) of receipts over disbursements	(14,047)	150	1,665	6,253	15,422	20,000	91,020
Cash and investments - ending	\$ 194,791	\$ (2,356)	\$ 7,982	\$ 18,214	\$ 15,422	\$ 30,000	\$ 437,446

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

	Cumulative Fire	Cumulative Park	Cumulative Capital Improvement	SE Redevelopment Dist Cap	Certified Tech Park	NW Redevelopment Dist Cap	Non-Reverting Insurance Fund
Cash and investments - beginning	\$ 198,034	\$ 1,059	\$ 98,533	\$ 1,396,039	\$ 2,129,986	\$ 1,021,659	\$ 41,340
Receipts:							
Taxes	-	-	-	383,974	-	888,856	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	17,685	-	516,491	-	-
Charges for services	770	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	7,810	-	-	15,097	86,372	8,875	562,874
Total receipts	8,580	-	17,685	399,071	602,863	897,731	562,874
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	26,220	233	44,098	-
Other services and charges	-	-	-	24,850	703,846	13,359	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	199,000	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	290	-	-	257,525	1,743,326	1,309,175	447,562
Total disbursements	290	-	-	308,595	2,447,405	1,565,632	447,562
Excess (deficiency) of receipts over disbursements	8,290	-	17,685	90,476	(1,844,542)	(667,901)	115,312
Cash and investments - ending	\$ 206,324	\$ 1,059	\$ 116,218	\$ 1,486,515	\$ 285,444	\$ 353,758	\$ 156,652

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

	Police Pension	Payroll	Payroll #2	Utility Payroll	Electric Utility-Operating	Electric Utility-Deprec/Improve
Cash and investments - beginning	\$ 657,323	\$ 74,146	\$ -	\$ -	\$ 500,871	\$ 72,957
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	163,813	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	11,889,943	-
Other receipts	6,315	3,238,765	1,170,232	1,949,380	1,007,866	309
Total receipts	<u>170,128</u>	<u>3,238,765</u>	<u>1,170,232</u>	<u>1,949,380</u>	<u>12,897,809</u>	<u>309</u>
Disbursements:						
Personal services	165,005	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	810	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	1,067,038	-
Utility operating expenses	-	-	-	-	10,776,691	-
Other disbursements	-	3,300,607	1,170,232	1,949,380	939,456	-
Total disbursements	<u>165,815</u>	<u>3,300,607</u>	<u>1,170,232</u>	<u>1,949,380</u>	<u>12,783,185</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>4,313</u>	<u>(61,842)</u>	<u>-</u>	<u>-</u>	<u>114,624</u>	<u>309</u>
Cash and investments - ending	<u>\$ 661,636</u>	<u>\$ 12,304</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 615,495</u>	<u>\$ 73,266</u>

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

	Electric Utility-Customer Deposit	Electric Utility-Construction	B/B Operating	Broadband Customer Deposits	WWTP Operating	Wastewater Util-Bond And Interest
Cash and investments - beginning	\$ 110,714	\$ 399,000	\$ 152,102	\$ 18,814	\$ 80,609	\$ 14,844
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	928,267	-	1,188,496	-
Other receipts	57,128	-	104,199	10,331	207,151	112,602
Total receipts	57,128	-	1,032,466	10,331	1,395,647	112,602
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	110,215	-	112,602	112,595
Capital outlay	-	-	88,713	-	66,765	-
Utility operating expenses	55,746	-	809,509	4,971	947,020	-
Other disbursements	25,967	-	4,628	-	213,154	14,851
Total disbursements	81,713	-	1,013,065	4,971	1,339,541	127,446
Excess (deficiency) of receipts over disbursements	(24,585)	-	19,401	5,360	56,106	(14,844)
Cash and investments - ending	\$ 86,129	\$ 399,000	\$ 171,503	\$ 24,174	\$ 136,715	\$ -

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

	WWTP Sludge Belt Press Project	Wastewater Utility-Customer Deposit	Wastewater Utility-Construction	Wastewater Utility-Other #1	WWTP Certificate Of Deposit	Water Operating
Cash and investments - beginning	\$ -	\$ -	\$ 7,082	\$ 111,000	\$ -	\$ 11,020
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	2,170,038
Other receipts	-	-	-	-	-	153,037
Total receipts	-	-	-	-	-	2,323,075
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	16,018
Utility operating expenses	-	-	-	-	-	1,182,252
Other disbursements	-	-	-	111,000	-	986,641
Total disbursements	-	-	-	111,000	-	2,184,911
Excess (deficiency) of receipts over disbursements	-	-	-	(111,000)	-	138,164
Cash and investments - ending	\$ -	\$ -	\$ 7,082	\$ -	\$ -	\$ 149,184

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

	Water Bond & Interest	Water Utility-Depreciation/Improve	Water Meter Deposits	Water Utility-Other #1	Water Debt Service Reserve	Totals
Cash and investments - beginning	\$ 139,950	\$ 33,792	\$ 26,751	\$ -	\$ 13,515	\$ 9,583,720
Receipts:						
Taxes	-	-	-	-	-	1,833,284
Licenses and permits	-	-	-	-	-	3,404
Intergovernmental	-	-	-	-	-	6,114,083
Charges for services	-	-	-	-	-	498,173
Fines and forfeits	-	-	-	-	-	13,416
Utility fees	-	-	-	-	-	16,176,744
Other receipts	399,330	265	85,914	-	278,048	14,782,306
Total receipts	<u>399,330</u>	<u>265</u>	<u>85,914</u>	<u>-</u>	<u>278,048</u>	<u>39,421,410</u>
Disbursements:						
Personal services	-	-	-	-	-	1,959,701
Supplies	-	-	-	-	-	516,251
Other services and charges	-	-	-	-	-	1,770,331
Debt service - principal and interest	345,095	-	-	-	-	680,507
Capital outlay	-	-	-	-	-	2,091,600
Utility operating expenses	52,992	-	77,437	-	-	13,906,618
Other disbursements	-	10	-	-	-	18,689,299
Total disbursements	<u>398,087</u>	<u>10</u>	<u>77,437</u>	<u>-</u>	<u>-</u>	<u>39,614,307</u>
Excess (deficiency) of receipts over disbursements	<u>1,243</u>	<u>255</u>	<u>8,477</u>	<u>-</u>	<u>278,048</u>	<u>(192,897)</u>
Cash and investments - ending	<u>\$ 141,193</u>	<u>\$ 34,047</u>	<u>\$ 35,228</u>	<u>\$ -</u>	<u>\$ 291,563</u>	<u>\$ 9,390,823</u>

CITY OF SCOTTSBURG  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

For The Year Ended 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 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). 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	\$ 3,829,974
Infrastructure	10,514,744
Buildings	6,638,528
Improvements other than buildings	2,363,647
Machinery and equipment	<u>3,204,665</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 26,551,558</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Infrastructure	6,406,533
Buildings	6,481,936
Improvements other than buildings	1,790,947
Machinery and equipment	<u>980,938</u>
Total Water Utility capital assets	<u>15,660,354</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Infrastructure	5,021,811
Buildings	1,363,000
Improvements other than buildings	2,002,211
Machinery and equipment	<u>1,648,774</u>
Total Wastewater Utility capital assets	<u>10,035,796</u>
Electric Utility:	
Capital assets, not being depreciated:	
Infrastructure	6,360,000
Buildings	1,077,981
Improvements other than buildings	73,282
Machinery and equipment	<u>5,898,509</u>
Total Electric Utility capital assets	<u>13,409,772</u>
Citizens Communications:	
Capital assets, not being depreciated:	
Infrastructure	755,300
Machinery and equipment	<u>384,498</u>
Total Citizens Communications capital assets	<u>1,139,798</u>
Total business-type activities	<u>\$ 40,245,720</u>

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

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
General obligation bonds:		
Lease Rental Bond NW Redevelopment	\$ 546,547	\$ 98,500
Total governmental activities debt:	<u>\$ 546,547</u>	<u>\$ 98,500</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
Water Utility Bonds USDA Series A	\$ 1,617,000	\$ 104,765
Water Utility Bonds USDA Series B	486,000	31,870
State Revolving Loan #1	1,377,000	147,933
State Revolving Loan #2	<u>348,891</u>	<u>33,662</u>
Total Water Utility	<u>3,828,891</u>	<u>318,230</u>
Total business-type activities debt:	<u>\$ 3,828,891</u>	<u>\$ 318,230</u>

CITY OF SCOTTSBURG  
AUDIT RESULT(S) AND COMMENT(S)

***APPROVAL OF VOUCHERS FROM TAX INCREMENT FINANCING FUNDS  
(Applies to Redevelopment Commission)***

The Redevelopment Commission does not approve claims paid from the various Redevelopment Commission tax increment financing funds. These vouchers are approved by the Board of Public Works and Safety.

Indiana Code 36-7-14-29(a) states: "All payments from any of the funds established by this chapter shall be made by warrants drawn by the proper officers of the unit upon vouchers of the redevelopment commission signed by the president or vice president and the secretary or executive secretary."

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, 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 each of its major federal program(s) is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 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, 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

August 15, 2011

CITY OF SCOTTSBURG  
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
<b><u>U.S. DEPARTMENT OF COMMERCE</u></b>			
Direct			
Economic Development Cluster	11.307		
ARRA - Economic Adjustment Assistance			
Technology, Innovation and Entrepreneurship (TIE) Center Project		EDA #06-79-73010	\$ 3,142,078
Total for program			<u>3,142,078</u>
Economic Adjustment Assistance			
Loan Program		06-39-02499/06-19-02674	<u>438,732</u>
Total for program			<u>438,732</u>
Total for federal grantor agency			<u>3,580,810</u>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
Pass-Through Indiana Office of Community and Rural Affairs			
Community Development Block Grants - State Administered Small Cities Program Cluster	14.228		
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			
Senior and Youth Center Rehabilitation Project		CF-09-218	117,557
Stray Light Optical Technologies, Inc. - Capital Equipment Purchase		DR2-09-074	<u>466,385</u>
Total for federal grantor agency			<u>583,942</u>
<b><u>U.S. DEPARTMENT OF INTERIOR</u></b>			
Pass-Through Indiana Department of Natural Resources			
Outdoor Recreation Acquisition, Development and Planning	15.916		
Linza Graham Park Improvements Project		LWCF-18-00560	<u>151,368</u>
Total for federal grantor agency			<u>151,368</u>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
Direct			
Justice Assistance Grant Program Cluster			
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to Units of Local Government	16.804		
Drug Enforcement Grant 2009		2009-SB-B9-2720	<u>20,257</u>
Total for federal grantor agency			<u>20,257</u>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
Pass-Through Indiana Criminal Justice Institute			
Highway Safety Cluster	20.609		
Safety Belt Performance Grants			
Operation Pullover		PT-11-04-04-45	<u>1,350</u>
Total for federal grantor agency			<u>1,350</u>
<b><u>U.S. DEPARTMENT OF ENERGY</u></b>			
Pass-Through Indiana Office of Energy Development			
State Energy Program	81.041		
Solar Panels and Solar Water Heater Purchase		A302-10-APE-13	<u>67,516</u>
Total for federal grantor agency			<u>67,516</u>
Total federal awards expended			<u>\$ 4,405,243</u>

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

CITY OF SCOTTSBURG  
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 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.

**Note 2. Loans Outstanding**

The City had the following loan balances, with continuing federal compliance requirements, outstanding at December 31, 2010. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2010
Economic and Industrial Development	11.307	\$ 381,708

CITY OF SCOTTSBURG  
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 deficiency(ies) identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency(ies) 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:

\_\_\_\_\_ Name of Federal Program or Cluster \_\_\_\_\_

Economic Development Cluster

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 15, 2011, with William H. Graham, Mayor; Janetta C. Hardy, Clerk-Treasurer; and Ray Zollman, President of the Common Council. The officials concurred with our audit finding.