

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF SCOTTSBURG
SCOTT COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
05/14/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janetta C. Hardy	01-01-12 to 12-31-15
Mayor	William H. Graham	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	William H. Graham	01-01-13 to 12-31-15
President Pro Tempore of the Common Council	Terry Amick	01-01-13 to 12-31-15
Utility Office Manager	Tonja Caudill	01-01-13 to 12-31-15



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Scottsburg (City), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. Except as stated in the *Basis for Qualified Opinion on Regulatory Basis of Accounting* paragraph, 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2013.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The City did not account for rental receipts of its Mid-America Science Park (MASP), a building complex owned by the City and managed by the Scott County Economic Development Corporation (SCEDC). The management agreement allows the SCEDC to retain the rental proceeds from the MASP. As a result, financial activity related to rental proceeds are not reflected on the City's financial records or financial statement. The City's records do not permit adequate testing of the rental receipts.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects on the financial statement, if any, discussed in the *Basis for Qualified Opinion on Regulatory Basis of Accounting* paragraph, 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, 2013, on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 2, 2015, 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* in considering the City's internal control over financial reporting and compliance.

Accompanying Information


Supplementary Information

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, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to

INDEPENDENT AUDITOR'S REPORT
(Continued)

the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards 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 of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They 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.


Paul D. Joyce, CPA
State Examiner

March 2, 2015



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, 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, the financial statement of the City of Scottsburg (City), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated March 2, 2015, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America. The opinion to the financial statement relative to the regulatory basis of accounting was qualified due to not being able to adequately test the receipt activity of the City's Mid-America Science Park.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001, 2013-002, and 2013-003 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters

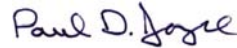
As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001, 2013-002, and 2013-003.

City of Scottsburg's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

March 2, 2015

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF SCOTTSBURG
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2013

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
GENERAL	\$ 964,839	\$ 2,825,288	\$ 2,931,965	\$ 858,162
MOTOR VEHICLE HIGHWAY	276,663	485,011	304,448	457,226
LOCAL ROAD AND STREET	303,867	32,345	6,000	330,212
ECONOMIC AND INDUSTRIAL DEVELOPMENT	232,344	89,944	-	322,288
ANIMAL SHELTER DONATIONS	20,257	50	-	20,307
REVENUE NOTE PROCEEDS FUND	-	1,767,300	1,763,382	3,918
LAW ENFORCEMENT CONTINUING EDUCATION	61,048	7,231	9,822	58,457
PARKS AND RECREATION	125,022	218,751	250,327	93,446
RAINY DAY	337,539	86,000	86,000	337,539
LOCAL ASSET FORFEITURE	28,122	6,881	9,155	25,848
CERTIFIED TECHNOLOGY PARK	-	164,213	164,213	-
CUMULATIVE CAPITAL DEVELOPMENT	355,021	81,107	-	436,128
SCOTTSBURG SEWAGE WORKS PROJECT - 13	-	210,000	198,892	11,108
CUMULATIVE FIRE	6,324	6,187	5,064	7,447
CUMULATIVE CAPITAL IMPROVEMENT	151,459	18,112	-	169,571
SE REDEVELOPMENT DISTRICT CAPITAL	1,323,198	1,374,477	1,653,455	1,044,220
NON-REVERTING INSURANCE	511,343	719,155	801,045	429,453
POLICE PENSION	653,342	119,640	169,829	603,153
WASTEWATER GRANT RETAINAGE	-	39,242	18,502	20,740
BACALA CENTER	3,815	-	1,101	2,714
USDA RD-RBEG RLF 2012	-	100,790	50,000	50,790
HISTORIC REVIEW BOARD	240	50	-	290
REVOLVING LOAN CITY/COUNTY	79,419	96,386	2,515	173,290
RURAL DEVELOPMENT REVOLVING LOAN	45,538	55,681	-	101,219
SCOTTSBURG HERITAGE STATION	24,939	8,800	6,921	26,818
TIE CENTER EDA GRANT 2009	295,648	599,316	894,964	-
FEDERAL ASSET FORFEITURE	122,632	10,880	29,305	104,207
DRUG ENFORCE GRANT 2009	10,215	-	10,215	-
INTERURBAN MAINTENANCE - 09	2,345	-	-	2,345
OGLE GRANT 2010	6,430	-	-	6,430
POLICE RURAL DEMO GRANT - 13	-	4,774	4,774	-
OPERATION PULLOVER	-	4,253	4,670	(417)
POLICE DONATION	11,373	-	3,673	7,700
BROWNFIELD GRANT FUND	91,338	6,332	21,480	76,190
SAFE STREET TASK FORCE	(2,424)	15,623	14,837	(1,638)
POLICE LOCAL GRANTS	6,799	3,500	3,918	6,381
NW REDEVELOPMENT DISTRICT CAPITAL	753,302	672,616	1,096,733	329,185
PARK DONATIONS RESTRICTED	8,000	-	-	8,000
457 EMPLOYEE SHARE	-	98,475	98,475	-
MEDICARE W/H	-	97,301	97,301	-
NET SALARIES	-	1,448,510	1,448,510	-
DIRECT DEPOSIT	-	947,251	947,251	-
UNITED WAY	-	1,805	1,805	-
COMPANION LIFE	-	8,430	8,420	10
BOSTON LIFE	-	17,944	17,944	-
GRANGE LIFE INSURANCE	-	6,836	6,836	-
ID THEFT	-	2,511	2,511	-
HEALTH INSURANCE	-	114,190	114,190	-
BROKER'S NATIONAL	-	3,695	3,695	-
AVESIS	-	3,042	3,042	-
COMPANION DENTAL	-	15,273	15,273	-
AFLAC - 125 PRETAX	-	33,022	33,022	-
AFLAC	-	6,228	6,228	-
CHILD SUPPORT	-	3,138	3,138	-
457 PLAN	-	129,279	129,279	-
FEDERAL W/H	-	385,497	385,497	-
FICA W/H	-	334,881	334,881	-
HSA 125 SCOTT COUNTY STATE BANK	-	96,307	96,307	-
HSA BANK	-	1,500	1,500	-
COUNTY W/H	-	45,025	45,025	-
PERF CIVIL	36,202	342,977	379,179	-
POLICE PERF CONVERTEE	651	163,495	164,146	-
STATE W/H	-	115,857	115,857	-
GARNISHMENT - A	-	240	240	-
GARNISHMENT - C	-	1,376	1,376	-
COPS HIRING GRANT - 12	41,623	42,501	81,075	3,049
WASTEWATER CDBG GRANT - 12	166,025	381,669	468,117	79,577
WATER PLANT/LINE GRANT - 13	-	166,667	22,020	144,647
ELECTRIC PETTY CASH	600	-	-	600
ELECTRIC CUSTOMER DEPOSIT	116,629	46,950	42,575	121,004
ELECTRIC OPERATING	874,358	12,673,378	13,087,672	460,064
ELECTRIC DEPRECIATION	73,502	-	-	73,502
ELECTRIC CASH RESERVE	399,000	-	245,000	154,000
BROADBAND OPERATING	138,227	902,035	889,513	150,749
BROADBAND CUSTOMER DEPOSIT	27,699	4,250	5,800	26,149
SEWER OPERATING	268,844	1,375,014	1,506,069	137,789
SEWER WEST I 65	7,082	-	-	7,082
WATER OPERATING	467,197	2,275,099	2,114,151	628,145
WATER BOND AND INTEREST	142,976	317,104	315,748	144,332
WATER DEPRECIATION	34,370	-	-	34,370
WATER CUSTOMER DEPOSIT	66,953	28,200	22,980	72,173
WATER TOWER FUND	25,000	60,000	-	85,000
WATER DEBT SERVICE RESERVE	291,563	-	-	291,563
Totals	\$ 9,988,498	\$ 32,526,887	\$ 33,778,853	\$ 8,736,532

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

CITY OF SCOTTSBURG
NOTES TO FINANCIAL STATEMENT

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, general administrative services, water, wastewater, electric, storm water, trash, broadband, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 statement. The aggregate receipts include 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, 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, sign permits, and gun permits.

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,

CITY OF SCOTTSBURG
NOTES TO FINANCIAL STATEMENT
(Continued)

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 and penalties for late payments.

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 statement. The aggregate disbursements include 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.

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.

CITY OF SCOTTSBURG
NOTES TO FINANCIAL STATEMENT
(Continued)

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
NOTES TO FINANCIAL STATEMENT
(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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. *Pension Plans*

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing 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 Indiana Public Retirement System (INPRS) 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.

INPRS 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:

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

CITY OF SCOTTSBURG
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

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 Indiana Public Retirement System 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 Retirement System (INPRS) 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.

INPRS 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:

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

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

CITY OF SCOTTSBURG
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of the following police reimbursement grants that have not yet received funds: Safe Street Task Force (\$1,638) and Operation Pullover (\$417).

Note 8. Subsequent Events

The Redevelopment Commission purchased the Corn Factory from the Baldwin Estate.

The City accepted a donation of four acres from the Linza Graham Trust.

The Sewage Works Bond Anticipation Notes of 2013 were issued on November 19, 2013. The Sewage Works can borrow up to \$1,410,000 for two years. As of December 31, 2013, the Sewage Works had borrowed \$210,000.

On January 5, 2015, the City of Scottsburg Common Council passed Resolution 2015-1. It stated that the Economic Development Administration (EDA) is willing to release the lien on 8.7 acres of the Mid-American Science Park complex in exchange for 8.7 acres of adjoining Scottsburg property of similar value. This exchange will allow the sale of 8.7 acres of land for the Samtec project for development. This land was originally purchased as a part of the 4.3 million dollar EDA grant.

On August 30, 2013, the City was awarded a \$500,000 Community Development Block Grant for water improvements. On March 11, 2014, the Board of Works approved a construction contract with Lykins Contracting, Inc., for \$639,109. The Water Utility will provide \$281,029 of matching funds for the project.

Note 9. Other Postemployment Benefits

The City provides to eligible retirees and their spouses health insurance benefits. These benefits pose a liability to the City for this year and in future years. Information regarding the benefits can be obtained by contacting the City.

SUPPLEMENTARY INFORMATION - UNAUDITED

For additional financial information, the City's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF SCOTTSBURG
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013

	GENERAL	MOTOR VEHICLE HIGHWAY	LOCAL ROAD AND STREET	ECONOMIC AND INDUSTRIAL DEVELOPMENT	ANIMAL SHELTER DONATIONS	REVENUE NOTE PROCEEDS FUND	LAW ENFORCEMENT CONTINUING EDUCATION
Cash and investments - beginning	\$ 964,839	\$ 276,663	\$ 303,867	\$ 232,344	\$ 20,257	\$ -	\$ 61,048
Receipts:							
Taxes	1,282,931	268,912	-	-	-	-	-
Licenses and permits	50,139	-	-	-	-	-	2,720
Intergovernmental	1,032,696	210,542	32,345	-	-	-	-
Charges for services	434,780	3,084	-	-	-	-	4,511
Fines and forfeits	443	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	24,299	2,473	-	89,944	50	1,767,300	-
Total receipts	2,825,288	485,011	32,345	89,944	50	1,767,300	7,231
Disbursements:							
Personal services	1,638,263	146,495	-	-	-	-	-
Supplies	204,023	47,719	-	-	-	-	-
Other services and charges	904,168	52,832	-	-	-	-	5,977
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	86,672	55,502	6,000	-	-	1,763,382	3,845
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	98,839	1,900	-	-	-	-	-
Total disbursements	2,931,965	304,448	6,000	-	-	1,763,382	9,822
Excess (deficiency) of receipts over disbursements	(106,677)	180,563	26,345	89,944	50	3,918	(2,591)
Cash and investments - ending	\$ 858,162	\$ 457,226	\$ 330,212	\$ 322,288	\$ 20,307	\$ 3,918	\$ 58,457

CITY OF SCOTTSBURG
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	PARKS AND RECREATION	RAINY DAY	LOCAL ASSET FORFEITURE	CERTIFIED TECHNOLOGY PARK	CUMULATIVE CAPITAL DEVELOPMENT	SCOTTSBURG SEWAGE WORKS PROJECT - 13	CUMULATIVE FIRE
Cash and investments - beginning	\$ 125,022	\$ 337,539	\$ 28,122	\$ -	\$ 355,021	\$ -	\$ 6,324
Receipts:							
Taxes	186,277	-	-	119,249	76,294	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	11,750	-	-	-	4,813	-	-
Charges for services	20,724	-	-	-	-	-	6,157
Fines and forfeits	-	-	6,881	-	-	-	30
Utility fees	-	-	-	-	-	-	-
Other receipts	-	86,000	-	44,964	-	210,000	-
Total receipts	218,751	86,000	6,881	164,213	81,107	210,000	6,187
Disbursements:							
Personal services	134,899	-	-	-	-	-	-
Supplies	34,634	-	4,155	-	-	-	-
Other services and charges	59,368	-	-	164,213	-	198,892	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	13,546	86,000	5,000	-	-	-	5,064
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	7,880	-	-	-	-	-	-
Total disbursements	250,327	86,000	9,155	164,213	-	198,892	5,064
Excess (deficiency) of receipts over disbursements	(31,576)	-	(2,274)	-	81,107	11,108	1,123
Cash and investments - ending	\$ 93,446	\$ 337,539	\$ 25,848	\$ -	\$ 436,128	\$ 11,108	\$ 7,447

CITY OF SCOTTSBURG
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	CUMULATIVE CAPITAL IMPROVEMENT	SE REDEVELOPMENT DISTRICT CAPITAL	NON- REVERTING INSURANCE	POLICE PENSION	WASTEWATER GRANT RETAINAGE	BACALA CENTER	USDA RD-RBEG RLF 2012
Cash and investments - beginning	\$ 151,459	\$ 1,323,198	\$ 511,343	\$ 653,342	\$ -	\$ 3,815	\$ -
Receipts:							
Taxes	-	403,344	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	18,112	-	-	110,718	-	-	50,000
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	971,133	719,155	8,922	39,242	-	50,790
Total receipts	18,112	1,374,477	719,155	119,640	39,242	-	100,790
Disbursements:							
Personal services	-	-	48,407	26,474	-	-	-
Supplies	-	16,099	-	-	-	-	-
Other services and charges	-	125,228	-	143,355	-	1,101	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	1,155,347	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	356,781	752,638	-	18,502	-	50,000
Total disbursements	-	1,653,455	801,045	169,829	18,502	1,101	50,000
Excess (deficiency) of receipts over disbursements	18,112	(278,978)	(81,890)	(50,189)	20,740	(1,101)	50,790
Cash and investments - ending	\$ 169,571	\$ 1,044,220	\$ 429,453	\$ 603,153	\$ 20,740	\$ 2,714	\$ 50,790

CITY OF SCOTTSBURG
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	HISTORIC REVIEW BOARD	REVOLVING LOAN CITY/COUNTY	RURAL DEVELOPMENT REVOLVING LOAN	SCOTTSBURG HERITAGE STATION	TIE CENTER EDA GRANT 2009	FEDERAL ASSET FORFEITURE	DRUG ENFORCE GRANT 2009
Cash and investments - beginning	\$ 240	\$ 79,419	\$ 45,538	\$ 24,939	\$ 295,648	\$ 122,632	\$ 10,215
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	50	-	-	-	-	-	-
Intergovernmental	-	-	-	-	599,316	-	-
Charges for services	-	-	-	8,800	-	-	-
Fines and forfeits	-	-	-	-	-	10,880	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	96,386	55,681	-	-	-	-
Total receipts	50	96,386	55,681	8,800	599,316	10,880	-
Disbursements:							
Personal services	-	-	-	-	-	-	11
Supplies	-	-	-	271	-	-	-
Other services and charges	-	-	-	6,000	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	29,305	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	2,515	-	650	894,964	-	10,204
Total disbursements	-	2,515	-	6,921	894,964	29,305	10,215
Excess (deficiency) of receipts over disbursements	50	93,871	55,681	1,879	(295,648)	(18,425)	(10,215)
Cash and investments - ending	\$ 290	\$ 173,290	\$ 101,219	\$ 26,818	\$ -	\$ 104,207	\$ -

CITY OF SCOTTSBURG
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	INTERURBAN MAINTENANCE- 09	OGLE GRANT 2010	POLICE RURAL DEMO GRANT - 13	OPERATION PULLOVER	POLICE DONATION	BROWNFIELD GRANT FUND	SAFE STREET TASK FORCE
Cash and investments - beginning	\$ 2,345	\$ 6,430	\$ -	\$ -	\$ 11,373	\$ 91,338	\$ (2,424)
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	4,774	4,253	-	-	15,623
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	6,332	-
Total receipts	-	-	4,774	4,253	-	6,332	15,623
Disbursements:							
Personal services	-	-	4,774	-	-	-	14,837
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	4,670	3,673	21,480	-
Total disbursements	-	-	4,774	4,670	3,673	21,480	14,837
Excess (deficiency) of receipts over disbursements	-	-	-	(417)	(3,673)	(15,148)	786
Cash and investments - ending	\$ 2,345	\$ 6,430	\$ -	\$ (417)	\$ 7,700	\$ 76,190	\$ (1,638)

CITY OF SCOTTSBURG
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	POLICE LOCAL GRANTS	NW REDEVELOPMENT DISTRICT CAPITAL	PARK DONATIONS RESTRICTED	457 EMPLOYEE SHARE	MEDICARE W/H	NET SALARIES	DIRECT DEPOSIT
Cash and investments - beginning	\$ 6,799	\$ 753,302	\$ 8,000	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	351,743	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	3,500	320,873	-	98,475	97,301	1,448,510	947,251
Total receipts	3,500	672,616	-	98,475	97,301	1,448,510	947,251
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	14,014	-	-	-	-	-
Other services and charges	-	464,214	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	618,505	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	3,918	-	-	98,475	97,301	1,448,510	947,251
Total disbursements	3,918	1,096,733	-	98,475	97,301	1,448,510	947,251
Excess (deficiency) of receipts over disbursements	(418)	(424,117)	-	-	-	-	-
Cash and investments - ending	\$ 6,381	\$ 329,185	\$ 8,000	\$ -	\$ -	\$ -	\$ -

CITY OF SCOTTSBURG
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	UNITED WAY	COMPANION LIFE	BOSTON LIFE	GRANGE LIFE INSURANCE	ID THEFT	HEALTH INSURANCE	BROKER'S NATIONAL
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,805	8,430	17,944	6,836	2,511	114,190	3,695
Total receipts	1,805	8,430	17,944	6,836	2,511	114,190	3,695
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1,805	8,420	17,944	6,836	2,511	114,190	3,695
Total disbursements	1,805	8,420	17,944	6,836	2,511	114,190	3,695
Excess (deficiency) of receipts over disbursements	-	10	-	-	-	-	-
Cash and investments - ending	\$ -	\$ 10	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF SCOTTSBURG
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	AVESIS	COMPANION DENTAL	AFLAC - 125 PRETAX	AFLAC	CHILD SUPPORT	457 PLAN	FEDERAL W/H
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	3,042	15,273	33,022	6,228	3,138	129,279	385,497
Total receipts	3,042	15,273	33,022	6,228	3,138	129,279	385,497
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	3,042	15,273	33,022	6,228	3,138	129,279	385,497
Total disbursements	3,042	15,273	33,022	6,228	3,138	129,279	385,497
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF SCOTTSBURG
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	FICA W/H	HSA 125 SCOTT COUNTY STATE BANK	HSA BANK	COUNTY W/H	PERF CIVIL	POLICE PERF CONVEETEE	STATE W/H
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 36,202	\$ 651	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	334,881	96,307	1,500	45,025	342,977	163,495	115,857
Total receipts	334,881	96,307	1,500	45,025	342,977	163,495	115,857
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	334,881	96,307	1,500	45,025	379,179	164,146	115,857
Total disbursements	334,881	96,307	1,500	45,025	379,179	164,146	115,857
Excess (deficiency) of receipts over disbursements	-	-	-	-	(36,202)	(651)	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF SCOTTSBURG
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	GARNISHMENT- A	GARNISHMENT- C	COPS HIRING GRANT - 12	WASTEWATER CDBG GRANT - 12	WATER PLANT/LINE GRANT - 13	ELECTRIC PETTY CASH	ELECTRIC CUSTOMER DEPOSIT
Cash and investments - beginning	\$ -	\$ -	\$ 41,623	\$ 166,025	\$ -	\$ 600	\$ 116,629
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	25,001	345,328	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	46,950
Other receipts	240	1,376	17,500	36,341	166,667	-	-
Total receipts	240	1,376	42,501	381,669	166,667	-	46,950
Disbursements:							
Personal services	-	-	81,075	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	447,377	22,020	-	-
Utility operating expenses	-	-	-	-	-	-	42,575
Other disbursements	240	1,376	-	20,740	-	-	-
Total disbursements	240	1,376	81,075	468,117	22,020	-	42,575
Excess (deficiency) of receipts over disbursements	-	-	(38,574)	(86,448)	144,647	-	4,375
Cash and investments - ending	\$ -	\$ -	\$ 3,049	\$ 79,577	\$ 144,647	\$ 600	\$ 121,004

CITY OF SCOTTSBURG
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	ELECTRIC OPERATING	ELECTRIC DEPRECIATION	ELECTRIC CASH RESERVE	BROADBAND OPERATING	BROADBAND CUSTOMER DEPOSIT	SEWER OPERATING	SEWER WEST 165
Cash and investments - beginning	\$ 874,358	\$ 73,502	\$ 399,000	\$ 138,227	\$ 27,699	\$ 268,844	\$ 7,082
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	882,954	-	-	-
Fines and forfeits	-	-	-	5,200	4,250	-	-
Utility fees	12,053,218	-	-	-	-	1,302,401	-
Other receipts	620,160	-	-	13,881	-	72,613	-
Total receipts	12,673,378	-	-	902,035	4,250	1,375,014	-
Disbursements:							
Personal services	-	-	-	443,695	-	437,351	-
Supplies	-	-	-	144,954	-	-	-
Other services and charges	-	-	-	287,567	-	39,896	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	64,585	-	-	-	-	6,000	-
Utility operating expenses	12,583,389	-	-	-	-	963,871	-
Other disbursements	439,698	-	245,000	13,297	5,800	58,951	-
Total disbursements	13,087,672	-	245,000	889,513	5,800	1,506,069	-
Excess (deficiency) of receipts over disbursements	(414,294)	-	(245,000)	12,522	(1,550)	(131,055)	-
Cash and investments - ending	\$ 460,064	\$ 73,502	\$ 154,000	\$ 150,749	\$ 26,149	\$ 137,789	\$ 7,082

CITY OF SCOTTSBURG
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	WATER OPERATING	WATER BOND AND INTEREST	WATER DEPRECIATION	WATER CUSTOMER DEPOSIT	WATER TOWER FUND	WATER DEBT SERVICE RESERVE	Totals
Cash and investments - beginning	\$ 467,197	\$ 142,976	\$ 34,370	\$ 66,953	\$ 25,000	\$ 291,563	\$ 9,988,498
Receipts:							
Taxes	-	-	-	-	-	-	2,688,750
Licenses and permits	-	-	-	-	-	-	52,909
Intergovernmental	-	-	-	-	-	-	2,465,271
Charges for services	-	-	-	-	-	-	1,361,010
Fines and forfeits	-	-	-	-	-	-	27,684
Utility fees	2,163,553	-	-	28,200	-	-	15,594,322
Other receipts	111,546	317,104	-	-	60,000	-	10,336,941
Total receipts	2,275,099	317,104	-	28,200	60,000	-	32,526,887
Disbursements:							
Personal services	510,826	-	-	-	-	-	3,487,107
Supplies	-	-	-	-	-	-	465,869
Other services and charges	43,530	-	-	-	-	-	2,496,341
Debt service - principal and interest	-	315,748	-	-	-	-	315,748
Capital outlay	9,399	-	-	-	-	-	4,377,549
Utility operating expenses	781,761	-	-	-	-	-	14,371,596
Other disbursements	768,635	-	-	22,980	-	-	8,264,643
Total disbursements	2,114,151	315,748	-	22,980	-	-	33,778,853
Excess (deficiency) of receipts over disbursements	160,948	1,356	-	5,220	60,000	-	(1,251,966)
Cash and investments - ending	\$ 628,145	\$ 144,332	\$ 34,370	\$ 72,173	\$ 85,000	\$ 291,563	\$ 8,736,532

CITY OF SCOTTSBURG
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2013

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Electric	\$ 16,675	\$ 192,025
Internet	15,708	4,566
Wastewater	19,650	21,391
Water	27,864	66,688
Governmental activities	<u>749,390</u>	<u>377,108</u>
Totals	<u>\$ 829,287</u>	<u>\$ 661,778</u>

CITY OF SCOTTSBURG
SCHEDULE OF LEASES AND DEBT
December 31, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Internet: Broadband Towers	41 Tower Rentals	\$ 74,976	1/1/2013	12/31/2013
Water: Kubota Leasing	Snow removal	5,844	11/26/2012	11/26/2016
Total of annual lease payments		<u>\$ 80,820</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities: General obligation bonds	Lease Rental Bond	\$ 94,647	\$ 98,500
Water:			
Revenue bonds	Water Utility Bonds USDA Series A	1,518,000	104,310
Revenue bonds	Water Utility Bonds USDA Series B	455,000	31,475
Revenue bonds	State Revolving Loan #1	1,044,000	146,565
Revenue bonds	State Revolving Loan #2	<u>317,000</u>	<u>34,492</u>
Total Water		<u>3,334,000</u>	<u>316,842</u>
Wastewater:			
Revenue Bond Anticipation Notes	Wastewater Utility Bonds	<u>210,000</u>	-
Totals		<u>\$ 3,638,647</u>	<u>\$ 415,342</u>

CITY OF SCOTTSBURG
SCHEDULE OF CAPITAL ASSETS
December 31, 2013

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.

	Ending Balance
Governmental activities:	
Land	\$ 4,747,489
Infrastructure	12,191,304
Buildings	7,421,495
Improvements other than buildings	9,862,088
Machinery, equipment, and vehicles	4,152,086
Construction in progress	<u>2,189,633</u>
Total governmental activities	<u>40,564,095</u>
Electric:	
Infrastructure	6,222,115
Buildings	1,383,225
Improvements other than buildings	51,157
Machinery, equipment, and vehicles	<u>1,026,895</u>
Total Electric	<u>8,683,392</u>
Internet:	
Infrastructure	784,450
Machinery, equipment, and vehicles	<u>94,939</u>
Total Internet	<u>879,389</u>
Wastewater:	
Infrastructure	4,733,502
Buildings	1,363,000
Improvements other than buildings	2,002,211
Machinery, equipment, and vehicles	<u>1,728,440</u>
Total Wastewater	<u>9,827,153</u>
Water:	
Infrastructure	6,406,533
Buildings	6,541,999
Improvements other than buildings	1,790,947
Machinery, equipment, and vehicles	<u>977,102</u>
Total Water	<u>15,716,581</u>
Total capital assets	<u><u>\$ 75,670,610</u></u>

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE**

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

Report on Compliance for the Major Federal Program

We have audited the City of Scottsburg's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-004. Our opinion on the major federal program is not modified with respect to these matters.

The City's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance


Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-004 and 2013-005 to be material weaknesses.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

March 2, 2015

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the City. The schedule and notes are presented as intended by the City.

CITY OF SCOTTSBURG
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended	Footnote
<u>Department of Agriculture</u>					
Rural Business Enterprise Grants	Direct Grant	10.769			
USD.A-RD Rural Business Enterprise Grant Revolving Loan Project				\$ 50,000	
Total - Department of Agriculture				50,000	
<u>Department of Commerce</u>					
Economic Development Cluster					
Investments for Public Works and Economic Development Facilities TIE Center	Direct Grant	11.300	06-79-73010	599,316	
Economic Adjustment Assistance City/CO Revolving Loan Fund	Direct Grant	11.307	06-3902499/06-1902674	464,545	(A)
Total - Economic Development Cluster				1,063,861	
Total - Department of Commerce				1,063,861	
<u>Department of Housing and Urban Development</u>					
CDBG - State-Administered CDBG Cluster					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Wastewater Treatment Plant Grant	Indiana Office of Community and Rural Affairs	14.228	A192-13-CF-12-119	345,329	
Total - Department of Housing and Urban Development				345,329	
<u>Department of Justice</u>					
JAG Program Cluster					
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government Drug Enforcement Grant	Direct Grant	16.804	2009-SB-B9-2720	10,215	
Total - JAG Program Cluster				10,215	
ARRA - Public Safety Partnership and Community Policing Grants Cops Hiring Grant	Direct Grant	16.710	2012-UMWX-0077	53,575	
Equitable Sharing Program Sheriff Forfeiture	Direct Grant	16.922		29,305	
Total - Department of Justice				93,095	
<u>Department of Transportation</u>					
Highway Safety Cluster					
State and Community Highway Safety	Scott County Sheriff's Department	20.600	2013-402-01 1392	4,253	
Occupant Protection Incentive Grants	Indiana Criminal Justice Institute	20.602	D3-13-7989	4,774	
Total - Highway Safety Cluster				9,027	
Total - Department of Transportation				9,027	
Total federal awards expended				\$ 1,561,312	

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

(A) Calculation of Economic Adjustment Assistance Federal Expenditures:	
Balance of Outstanding Revolving Loan Funds (RLF) at 12/31/13	\$ 340,356
Revolving Loan Fund (RLF) Cash and Investment Balance at 12/31/13	173,290
Administrative Expenses Paid During 2013	2,515
Unpaid Principal Loans Written Off During 2013	-
Total Calculation Basis	516,161
Multiplied by Original Federal Share of Revolving Loan Funds (RLF)	90%
Amount Reported in Schedule of Federal Awards	\$ 464,545

CITY OF SCOTTSBURG
NOTES 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 and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. 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, 2013. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>2013</u>
Economic Adjustment Assistance	11.307	<u>\$ 340,356</u>

CITY OF SCOTTSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Qualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Program:

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

FINDING 2013-001 - INTERNAL CONTROLS OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors:

1. Two federal grants were not included on the SEFA totaling \$34,079.

CITY OF SCOTTSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2. The SEFA included \$15,623 that was not federal monies.
3. Some federal awards reported included incorrect grantor agency, federal program name, CFDA number, and/or pass-through entity. The amount of federal awards provided to subrecipients was reported incorrectly.

Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.

CITY OF SCOTTSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

***FINDING 2013-002 - INTERNAL CONTROLS AND COMPLIANCE
OVER FINANCIAL TRANSACTIONS AND REPORTING***

Deficiencies were noted in the internal control system of the City related to financial transactions and reporting in preparation of the financial statement. Controls were not in place to ensure all financial activity of the City was reported in the financial statement in order to ensure complete and accurate reporting. Financial activity related to the City's Mid-America Science Park (MASP) was not available for audit and was not included in the financial statement. In addition, the City does not have controls in place to provide proper accountability related to the receipt activity at the MASP.

The City has an agreement with the Scott County Economic Development Corporation (SCEDC), a not-for-profit entity, to manage the City's MASP. Monies are paid to the SCEDC for operation of the MASP based upon a budget submitted by the SCEDC. Sources of revenue used to finance the budget are from monies paid to the SCEDC from the property taxes generated from the City's tax increment financing district, the Certified Technology Park fund, and rental monies at the MASP collected by the SCEDC on the City's behalf.

The following control deficiencies were identified with the agreement with the SCEDC and have been determined to be material weaknesses:

1. The agreement between the City and the SCEDC allows for the SCEDC to retain the rental proceeds rather than remit the rental proceeds to the City Clerk-Treasurer. The agreement does not require the SCEDC to report the collection activity to the City. As a result, financial activity related to rental proceeds are not reflected on the City's financial records and are not reported on the City's annual financial statement. Monies related to the City should be handled by the City's fiscal officer in accordance with Indiana Code 36-4-10-4.5(b).
2. Information is not contained in the contract requiring the SCEDC to make any type of financial reporting to the City regarding rental monies collected, tenant's delinquent on rent, rental occupancy rate, etc., in order for the City to assess the financial accountability, stability of the operations, and the adequacy of management of the facility.
3. The agreement does not outline the policies to be followed by the SCEDC for the collection of rent or the handling of delinquent amounts owed by the tenants. The agreement does not provide information regarding who is responsible for determining the amount of rent to be charged, the approval of the related fee structure, and execution of the rental contract agreements.
4. The agreement does not require the SCEDC to maintain insurance coverage or any mechanism for the City to recoup any losses of monies in the event of theft/fraud in handling the collections and operation of the MASP on its behalf.
5. The City's agreement with the SCEDC does not require the City to be allowed access to the financial records of the SCEDC or an audit of the MASP activity in order to determine proper accountability and reporting of MASP monies.

CITY OF SCOTTSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statement and then determining how those identified risks should be managed. The City has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent, or detect and correct, material misstatements, including notes to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 36-4-10-4.5(b) states in part:

"The fiscal officer is the head of the city department of finance. The fiscal officer shall do the following:

- (1) Receive and care for all city money and pay the money out only on order of the approving body.
- (2) Keep accounts showing when and from what sources the fiscal officer has received city money and when and to whom the fiscal officer has paid out city money."

Proceeds generated by the sale or rental of property should be receipted into the fund which originally purchased the property unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FINDING 2013-003 - INTERNAL CONTROLS OVER PAYROLL DISBURSEMENTS

The City does not have controls in place to provide proper accountability related to financial activity for payroll. Payroll disbursements were not approved by the appropriate Board in a timely manner. The City payroll was approved once a month and the payroll for the various Utilities was approved once a quarter. When controls have not been properly designed and implemented to ensure that payroll transactions get reviewed and approved in a timely manner, there is a risk that errors could exist and go undetected and remain unresolved prior to an individual leaving employment. The timely approval of disbursements is also important so that the Board has accurate financial information to make management decisions.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

CITY OF SCOTTSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 36-4-8-14(d) states: "The city legislative body or the city board having jurisdiction over the allowance of the claim shall review and allow the claim at its next regular or special meeting following the preapproved payment of the expense."

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-004 - INTERNAL CONTROLS AND NONCOMPLIANCE OVER REPORTING

Federal Agency: Department of Commerce

Federal Program: Economic Adjustment Assistance

CFDA Number: 11.307

Federal Award Number and Year (or Other Identifying Number): 06-1902674 and 06-3902499

Pass-Through Entity: Direct Grant

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements over Reporting. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements.

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program, will be prevented, or detected and corrected, on a timely basis.

The ED-209, Semi-Annual Reports, filed for the periods ending March 31, 2013, and September 30, 2013, contained multiple errors. There were reporting errors in 3 of the 12 sections for both reporting periods.

The City did not have procedures in place to ensure financial information used in the preparation of the financial reports was verified for accuracy. Information used for financial reporting was based upon information provided by the grant administrator and the City Clerk-Treasurer's Office. However, procedures were not in place to verify the financial activity among the two sources was in agreement with one another and that the final amounts reported were accurate. Once the reports were prepared, there was no control in place to verify for or ensure accuracy.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

CITY OF SCOTTSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

13 CFR 307.14 states:

"Revolving Loan Fund semi-annual report and Income and Expense Statement.

(a) *Frequency of reports.* All RLF Recipients, including those receiving Recapitalization Grants for existing RLFs, must complete and submit a semi-annual report in electronic format, unless EDA approves a paper submission.

(b) *Report contents.* RLF Recipients must certify as part of the semi-annual report to EDA that the RLF is operating in accordance with the applicable RLF Plan. RLF Recipients also must describe (and propose pursuant to §307.9) any modifications to the RLF Plan to ensure effective use of the RLF as a strategic financing tool.

(c) *RLF Income and Expense Statement.* An RLF Recipient using either fifty (50) percent or more (or more than \$100,000) of RLF Income for administrative costs in a six-month (6) Reporting Period must submit to EDA a completed Income and Expense Statement (Form ED-209I or any successor form) for That Reporting Period in electronic format, unless EDA approves a paper submission. EDA may waive this requirement for an RLF Grant with a small RLF Capital Base, as determined by EDA."

Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommended that the City's management establish and implement controls, including segregation of duties, related to the grant agreement and the compliance requirements for Reporting so that accurate financial reports will be prepared and filed in the future.

FINDING 2013-005 - INTERNAL CONTROLS OVER SPECIAL TESTS AND PROVISIONS

Federal Agency: Department of Commerce

Federal Program: Economic Adjustment Assistance

CFDA Number: 11.307

Federal Award Number and Year (or Other Identifying Number): 06-190267 and 06-3902499

Pass-Through Entity: Direct Grant

Management of the City has not established an effective internal control system related to the grant agreement and the compliance requirement for Special Tests and Provisions. The grant has a requirement that the portion of the Revolving Loan Fund (RLF) capital base that is not loaned out must be made available for lending. Generally, the Economic Development Administration requires recipients to have at least 75 percent of the RLF's capital base loaned or committed at any given time. The City had no controls in place to test the loan balance amount that was loaned out at any one time. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements.

An internal control system, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis.

CITY OF SCOTTSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommended that the City's management establish and implement controls, including segregation of duties, related to the grant agreement and all compliance requirements for Special Tests and Provisions that have a direct and material effect to the program.

AUDITEE PREPARED DOCUMENTS

The subsequent documents were provided by management of the City. The documents are presented as intended by the City.

2 East McClain Ave.
Scottsburg, Indiana 47170

City of Scottsburg

Indiana

JAN HARDY
City Clerk/Treasurer

812-752-4343
Fax 812-752-6585
E-Mail: JHardy@c3bb.com

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-2 INTERNAL CONTROLS AND NONCOMPLIANCE OVER REPORTING

Original Assigned SBA Audit Report Number: B44156
Report Period: January 1, 2012 to December 31, 2012
Pass-Through Entity or Federal Grantor Agency: U.S. Department of Commerce
Contact Person Responsible for Corrective Action: **Janetta C. Hardy**
Contact Phone Number: **812-752-4343 x 222**

Status of Audit Finding:

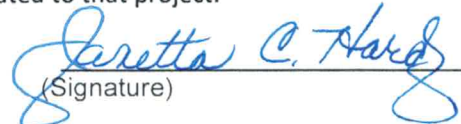
The action plan has been enacted as submitted. The Clerk-Treasurer's office reviews and approves the report prior to submission by River Hills. Additional note: the report submitted is out of balance by \$28,097.55. It has been out of balance since prior to 2008. There are no fields in the report to allow for adjustments. Catherine Canavan with the EDA is aware of this situation.

FINDING 2012-3 INTERNAL CONTROLS AND NONCOMPLIANCE OVER SPECIAL TESTS AND PROVISIONS

Original Assigned SBA Audit Report Number: B44156
Report Period: January 1, 2012 to December 31, 2012
Pass-Through Entity or Federal Grantor Agency: U.S. Department of Commerce
Contact Person Responsible for Corrective Action: **Kerry Thompson**
Contact Phone Number: **812-752-5920**

Status of Audit Finding:

There have been two loans processed this year since the recommendations of SBOA. The checklist referred to in the action plan has been used in processing the loan documents. The relevant loan documents listed in the SBOA findings have been received from the borrower, and the original loan documents are in the city's file, and the attorney's office has retained copies. The attorney believes the loan documentation is in complete compliance with the SBOA recommendation. The attorney has spoken with River Hills about rewriting the terms of the loan program, and they are willing to undertake that project. The attorney did not ask the city to hire them in this calendar year because he did not believe there were available funds in his budget, but anticipates that there will be money in the budget for next year that could be allocated to that project.


(Signature)


(Title)


(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b).)

2 East McClain Ave.
Scottsburg, Indiana 47170

City of Scottsburg

Indiana

JAN HARDY
City Clerk/Treasurer

812-752-4343
Fax 812-752-6585
E-Mail: jHardy@c3bb.com

March 4, 2015

FINDING 2013-1 INTERNAL CONTROLS OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact: Janetta C. Hardy

Title: Clerk-Treasurer

Phone: 812-752-4343 Ext 222

Expected Completion Date: Action plan initiated with February 2015 prior to submittal of 2014 Annual Report and will remain in effect indefinitely

The City will ensure financial information used in the preparation of the SEFA report is verified for accuracy. Upon receipt of grant funds the grant applicant will be required to provide the Clerk-Treasurer's office with the following information:

Project Name:

Federal Program Title:

Federal Agency:

Pass Through Agency:

CFDA Number:

Award Name:

Award Number:

Grant Type: Advance / Reimbursement:

Agency Contact:

Prior to submittal of the Annual Report applicants will be provided with financial data for grant receipts and disbursements to verify accuracy.

FINDING 2013-4 INTERNAL CONTROLS AND NONCOMPLIANCE OVER REPORTING

Contact: Janetta C. Hardy

Title: Clerk-Treasurer

Phone: 812-752-4343 Ext 222

Expected Completion Date: Action plan initiated with March 2014 semi-annual report and will remain in effect indefinitely

The City will ensure financial information used in the preparation of the semi-annual financial report is verified for accuracy. The Deputy Clerk-Treasurer will provide copies of all receipts and disbursement records to River Hills on a monthly basis. The Clerk-Treasurer will complete monthly cash reconciliation of the Revolving Loan Fund. In addition, the Deputy Clerk-Treasurer will provide a semi-annual summary of all Revolving Loan Fund activity for the semi-annual financial report.

River Hills, the grant administrator, will prepare the semi-annual financial report to be submitted to the U.S. Department of Commerce. A minimum of one week prior to the report due date, River Hills will submit the completed financial report to the Clerk-Treasurer for review and verification of revenues and disbursements. Upon the Clerk-Treasurer's approval, River Hills will submit the completed report to the U.S. Department of Commerce.

FINDING 2013-5 INTERNAL CONTROLS OVER SPECIAL TESTS AND PROVISIONS

Contact: Janetta C. Hardy

Title: Clerk-Treasurer

Phone: 812-752-4343 Ext 222

Expected Completion Date: Action plan to be initiated with March 2015 semi-annual report and will remain in effect indefinitely

River Hills, the grant administrator, will prepare the semi-annual financial report to be submitted to the U.S. Department of Commerce. Upon the Clerk-Treasurer's approval, River Hills will submit the completed report to the U.S. Department of Commerce. In addition River Hills will submit the completed report to the Common Council and the Board of Public Works and clearly identify any compliance requirements that could result in the loss of federal funds to the City or result in sequestration of current City funds.

Janetta C. Hardy *Clerk Treasurer*

HOUSTON, THOMPSON and LEWIS, PC
Attorneys at Law
49 East Wardell Street
Scottsburg, Indiana 47170

Robert L. Houston
Kerry L. Thompson
Jennifer D. Lewis

Telephone (812) 752-5920
Fax (812) 752-6989

February 26, 2015

Re: City of Scottsburg

***FINDING 2013-2 INTERNAL CONTROL AND COMPLIANCE OVER FINANCIAL
TRANSACTIONS AND REPORTING***

Contact: Kerry Thompson

Title: City Attorney

Phone: 812-752-5920

Expected Completion Date: December, 2014 (already completed)

It is my understanding that a response has been requested from me, as attorney for the City of Scottsburg, related to finding 2013-2, regarding the management agreement for Mid-America Science Park with the Scott County Economic Development Corporation. A similar audit finding was addressed by the action plan submitted to Melissa Hayes, Indiana State Board of Accounts, in a letter dated July 22, 2014. The contract next executed with the Scott County Economic Development Corporation for management of Mid-America Science Park after the finding in the 2012 audit addressed the issue. The Contract, a copy of which is enclosed, was dated December 23, 2014, and included the terms of the action plan earlier stated. That Contract was amended on January 13, 2015, in order to include the management fee amount for 2015, which was inadvertently omitted from the December 23, 2014, Contract. A copy of the Amended Contract is also enclosed. The terms of the Amended Contract should adequately address the issues expressed in Finding 2013-2, so the corrective action plan earlier stated in my letter of July 22, 2014, has already been put into place.

Sincerely,

HOUSTON, THOMPSON and LEWIS, PC



Kerry Thompson

Attorney for the City of Scottsburg

KT/dml

Enclosures

cc: Janetta C. Hardy, Clerk-Treasurer
William H. Graham, Mayor

CONTRACT FOR MANAGEMENT
OF
MID/AMERICA SCIENCE PARK

This Contract is made on the 23rd day of December, 2014, by and between the City of Scottsburg ("City") and the Scott County Economic Development Corporation ("SCEDC").

RECITALS:

1. The City of Scottsburg Mid/America Science Park ("MASP") is located in the Certified Technology Park of the City of Scottsburg.
2. MASP was managed by the SCEDC in 2014 and previous years. The City and SCEDC desire to agree upon management of MASP in 2015, and to confirm the revenue sources for management of MASP within the budget, including receipt of rents from tenants or users of MASP by SCEDC, and to provide for periodic reporting of rent receipts to the City by SCEDC.
3. The 2015 budget for management of MASP by the SCEDC was approved by the Scottsburg Redevelopment Commission on December 4, 2014.
4. The 2015 budget for MASP was approved by the Scottsburg Redevelopment Commission because the budget includes expenditure of Tax Increment Financing ("TIF") Funds and expenditure of Certified Tech Park funds, as a part of the operating budget of MASP. The Scottsburg Redevelopment Commission has the authority for approval of the expenditure of those funds.

In consideration of the mutual covenants contained herein, the City and SCEDC agree as follows:

1. SCEDC shall manage the business of MASP and the Certified Technology Park, including marketing of MASP to prospective tenants, arranging leases for the tenants, and planning, arranging, and operating the programs and projects sponsored or supported by MASP and the Certified Technology Park. The collection and expenditure of revenues set forth in the 2015 budget, including revenues anticipated to be raised through receipt of Certified Technology Park funds and by operation of MASP, including, but not limited to, rents paid by tenants and users of MASP facilities are approved.
2. SCEDC shall collect rent at MASP and remit the collected rent to the City of Scottsburg Clerk/Treasurer's office no later than forty-five days after the end of each calendar quarter. Also, within forty-five days of the end of each calendar quarter the SCEDC will submit to the Scottsburg Board of Public Works and Safety a quarterly report containing a list of tenants, the rent paid, and any delinquency that may have occurred. With the quarterly report, the SCEDC will submit to the Board of Works a claim to have the collected rents paid to SCEDC for use and management of MASP. That claim shall be immediately approved and paid by the City.

3. Tenants who are delinquent in rent payments will be noted in the quarterly report, and SCEDC will include in that report the efforts made by SCEDC to collect the delinquency and the likelihood of collection. Any tenants who are sixty (60) days or more in arrears in their rent obligation shall be referred to the City of Scottsburg Board of Public Works and Safety for consideration of collection action.

4. Rental rates for tenants at MASP will be recommended by SCEDC to the Scottsburg Board of Public Works and Safety and the Board of Public Works and Safety shall approve the rental rate structure at MASP on an annual basis no later than January 30th of each year. Proposed leases shall be prepared by SCEDC and submitted to the Board of Public Works and Safety for final execution and approval, or the Board of Public Works and Safety may delegate the responsibility for execution of the leases to the SCEDC.

5. SCEDC shall be responsible for any theft or fraud involving funds within its control. SCEDC shall obtain theft/fraud insurance for loss due to employee theft/fraud.

6. The SCEDC shall continue its practice of having an annual audit of its finances by an independent CPA firm. When the results of the annual audit are made available to SCEDC, those results shall be forwarded to the City within thirty (30) days of receipt by SCEDC. In addition to the annual audit report, the City shall have access at any reasonable time to the records of SCEDC as they pertain to MASP.


7. This Contract shall remain in effect until terminated by the City or SCEDC. Termination may occur at the request of either of party upon thirty (30) days notice to the other party.

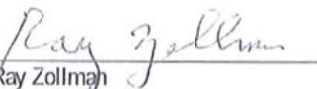
IN WITNESS WHEREOF, the City of Scottsburg, by and through its Board of Public Works and Safety, and the Scott County Economic Development Corporation have caused this agreement to be executed this 23rd day of December, 2014.

SCOTT COUNTY ECONOMIC
DEVELOPMENT CORPORATION

By: 
Robert Peacock, Executive Director

SCOTTSBURG BOARD OF PUBLIC
WORKS AND SAFETY

By: 
William H. Graham

By: 
Ray Zollman

By: 
William Hoagland

**AMENDED CONTRACT FOR MANAGEMENT
OF
MID-AMERICA SCIENCE PARK**

This Amended Contract is made on the 13th day of January, 2015, by and between the City of Scottsburg ("City") and the Scott County Economic Development Corporation ("SCEDC").

RECITALS:

1. The City of Scottsburg Mid-America Science Park ("MASP") is located in the Certified Technology Park of the City of Scottsburg.
2. MASP was managed by the SCEDC in 2014 and previous years. The City and SCEDC desire to agree upon management of MASP in 2015 and to confirm the revenue sources for management of MASP within the budget, including receipt of rents from tenants or users of MASP by SCEDC, and to provide for periodic reporting of rent receipts to the City by SCEDC.
3. The management contract for MASP was previously approved by the Board of Works and was signed on December 23, 2014. This amendment is made in order to include the amount of budgeted funds approved for expenditure from Tax Increment Financing ("TIF") funds and Certified Tech Park funds and set the management fee.
4. The 2015 budget for management of MASP by the SCEDC was approved by the Scottsburg Redevelopment Commission on December 4, 2014. This budget approved the expenditure of \$400,000 of TIF funds and the expenditure of \$150,000 of Certified Tech Park funds as a part of the operating budget of MASP.
5. The 2015 budget for MASP was approved by the Scottsburg Redevelopment Commission because the budget includes expenditure of Tax Increment Financing ("TIF") Funds and expenditure of Certified Tech Park funds, as a part of the operating budget of MASP. The Scottsburg Redevelopment Commission has the authority for approval of the expenditure of those funds.

In consideration of the mutual covenants contained herein, the City and SCEDC agree as follows:

1. SCEDC shall manage the business of MASP and the Certified Technology Park, including marketing of MASP to prospective tenants, arranging leases for the tenants, and planning, arranging, and operating the programs and projects sponsored or supported by MASP and the Certified Technology Park. The collection and expenditure of revenues set forth in the 2015 budget, including revenues anticipated to be raised through receipt of TIF funds and Certified Technology Park funds and by operation of MASP, including, but not limited to, rents paid by tenants and users of MASP facilities are approved. The management fee for 2015 to be paid by the City is \$95,000 and the management fee and other applicable expenses shall be paid

from the revenue sources at MASP, including the sum of \$400,000 of TIF funds and \$150,000 of Certified Tech Park funds.

2. SCEDC shall collect rent at MASP and remit the collected rent to the City of Scottsburg Clerk-Treasurer's office no later than forty-five days after the end of each calendar quarter. Also, within forty-five days of the end of each calendar quarter the SCEDC will submit to the Scottsburg Board of Public Works and Safety a quarterly report containing a list of tenants, the rent paid, and any delinquency that may have occurred. With the quarterly report, the SCEDC will submit to the Board of Works a claim to have the collected rents paid to SCEDC for use and management of MASP. That claim shall be immediately approved and paid by the City.

3. Tenants who are delinquent in rent payments will be noted in the quarterly report, and SCEDC will include in that report the efforts made by SCEDC to collect the delinquency and the likelihood of collection. Any tenants who are sixty (60) days or more in arrears in their rent obligation shall be referred to the City of Scottsburg Board of Public Works and Safety for consideration of collection action.

4. Rental rates for tenants at MASP will be recommended by SCEDC to the Scottsburg Board of Public Works and Safety and the Board of Public Works and Safety shall approve the rental rate structure at MASP on an annual basis no later than January 30th of each year. Proposed leases shall be prepared by SCEDC and submitted to the Board of Public Works and Safety for final execution and approval, or the Board of Public Works and Safety may delegate the responsibility for execution of the leases to the SCEDC.

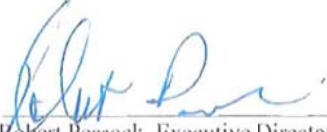
5. SCEDC shall be responsible for any theft or fraud involving funds within its control. SCEDC shall obtain theft/fraud insurance for loss due to employee theft/fraud.

6. The SCEDC shall continue its practice of having an annual audit of its finances by an independent CPA firm. When the results of the annual audit are made available to SCEDC, those results shall be forwarded to the City within thirty (30) days of receipt by SCEDC. In addition to the annual audit report, the City shall have access at any reasonable time to the records of SCEDC as they pertain to MASP.

7. This Contract shall remain in effect until terminated by the City or SCEDC. Termination may occur at the request of either of party upon thirty (30) days notice to the other party.

IN WITNESS WHEREOF, the City of Scottsburg, by and through its Board of Public Works and Safety, and the Scott County Economic Development Corporation have caused this agreement to be executed this 13th day of January, 2015.

SCOTT COUNTY ECONOMIC
DEVELOPMENT CORPORATION

By: 
Robert Peacock, Executive Director

SCOTTSBURG BOARD OF PUBLIC
WORKS AND SAFETY

By: 
William H. Graham

By: 
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By: 
William Hoagland

2 East McClain Ave.
Scottsburg, Indiana 47170

City of Scottsburg

Indiana

JAN HARDY
City Clerk/Treasurer

812-752-4343
Fax 812-752-6585
E-Mail: JHardy@c3bb.com

March 19, 2015

FINDING 2013-3 INTERNAL CONTROLS OVER PAYROLL DISBURSEMENTS

Contact: Janetta C. Hardy

Title: Clerk-Treasurer

Phone: 812-752-4343 Ext 222

Expected Completion Date: Action plan initiated February 2015 and will remain in effect indefinitely

The City will submit all payroll and payroll claims to the appropriate board for approval with the docket at the next scheduled meeting following the claim payment.

Janetta C. Hardy	Clerk Treasurer
William H. Miller	MAYOR
Donald Collins Jr	President of Water Board

OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the City. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.