

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, 2014 to December 31, 2014



FILED
08/11/2016

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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 12-31-19
Mayor	William H. Graham	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	William H. Graham	01-01-14 to 12-31-16
President Pro Tempore of the Common Council	Terry Amick William Hoagland	01-01-14 to 12-31-15 01-01-16 to 12-31-16
Utility Office Manager	Tonja Caudill	01-01-14 to 12-31-16



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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, 2014, and the related notes to the financial statement as listed in the Table of Contents.

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, 2014.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The City did not account for rental receipts of the 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 possible effects of the matters described 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, 2014, on the basis of accounting described in Note 1.

Other Matters

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 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.

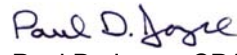
INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Information

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated April 26, 2016, 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.


Paul D. Joyce, CPA
State Examiner

April 26, 2016



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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, 2014, and the related notes to the financial statement, and have issued our report thereon dated April 26, 2016, 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 2014-001 and 2014-002 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

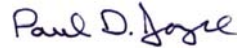
As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 2014-001 and 2014-002.

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

April 26, 2016

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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, 2014

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
GENERAL	\$ 858,162	\$ 3,220,231	\$ 3,076,128	\$ 1,002,265
MOTOR VEHICLE HIGHWAY	457,226	248,032	396,856	308,402
LOCAL ROAD AND STREET	330,212	32,603	50,000	312,815
ECONOMIC AND INDUSTRIAL DEVELOPMENT	322,288	143,464	-	465,752
ANIMAL SHELTER DONATIONS	20,307	-	-	20,307
REVENUE NOTE PROCEEDS FUND	3,918	-	3,918	-
LAW ENFORCEMENT CONTINUING EDUCATION	58,457	7,876	5,994	60,339
PARK AND RECREATION	93,446	219,201	244,613	68,034
RAINY DAY	337,539	-	-	337,539
LOCAL ASSET FORFEITURE	25,848	650	2,000	24,498
LEVY EXCESS FUND	-	13	-	13
CUMULATIVE CAPITAL DEVELOPMENT	436,128	75,843	60,348	451,623
SCOTTSBURG SEWAGE WORKS PROJECT 2013	11,108	673,400	684,499	9
CUMULATIVE FIRE	7,447	17,290	-	24,737
CUMULATIVE CAPITAL IMPROVEMENT	169,571	17,847	-	187,418
SE REDEVELOPMENT DISTRICT CAPITAL	1,044,220	515,534	834,693	725,061
NON-REVERTING INSURANCE	429,453	779,849	926,337	282,965
POLICE PENSION	603,153	153,547	173,703	582,997
WATER PLANT/LINE GRANT RETAINAGE	-	44,355	17,829	26,526
BACALA SR YOUTH CENTER	2,714	-	504	2,210
USDA RD-RBEG RLF 2012	50,790	-	50,000	790
HISTORIC REVIEW BOARD	290	20	-	310
REVOLVING LOAN CITY/COUNTY	173,290	143,504	132,817	183,977
RURAL DEVELOPMENT REVOLVING LOAN	101,219	10	-	101,229
SCOTTSBURG HERITAGE STATION	26,818	10,112	7,680	29,250
FEDERAL ASSET FORFEITURE	104,207	10,524	5,013	109,718
INTERURBAN MAINTENANCE 2009	2,345	-	-	2,345
OGLE GRANT 2010	6,430	-	6,430	-
OPERATION PULLOVER	(417)	6,191	7,387	(1,613)
POLICE DONATION	7,700	2,500	342	9,858
BROWNFIELD GRANT FUND	76,190	31,999	63,059	45,130
SAFE STREET TASK FORCE	(1,638)	13,804	16,280	(4,114)
POLICE LOCAL GRANTS	6,381	4,000	4,735	5,646
NW REDEVELOPMENT DISTRICT CAPITAL	329,185	1,690,796	1,614,832	405,149
PARK DONATIONS RESTRICTED	8,000	400	250	8,150
WASTEWATER GRANT RETAINAGE	20,740	29,579	50,319	-
CHILD SUPPORT A	-	732	732	-
457 EMPLOYEE SHARE	-	103,296	103,296	-
MEDICARE W/H	-	103,757	103,757	-
NET SALARIES	-	955,893	955,893	-
DIRECT DEPOSIT	-	1,582,486	1,582,486	-
UNITED WAY	-	1,797	1,797	-
COMPANION LIFE	10	8,433	8,443	-
BOSTON LIFE	-	17,972	17,972	-
GRANGE LIFE INS	-	6,836	6,836	-
ID THEFT	-	1,572	1,572	-
HEALTH INSURANCE	-	121,336	121,336	-
AMERITAS HEALTHPLAN SERVICES	-	2,176	2,176	-
AVESIS	-	6,376	6,376	-
COMPANION DENTAL	-	32,034	32,034	-
AFLAC 125 PRETAX	-	28,281	28,281	-
AFLAC	-	5,869	5,869	-
CHILD SUPPORT B	-	660	660	-
457 PLAN	-	128,067	128,067	-
FEDERAL W/H	-	432,516	432,516	-
FICA W/H	-	358,884	358,884	-
HSA 125 SCOTT COUNTY STATE BANK	-	127,004	127,004	-
HSA BANK	-	2,457	2,457	-
COUNTY W/H	-	48,669	48,669	-
PERF CIVIL	-	395,209	395,209	-
POLICE PERF CONVERTEE	-	169,974	169,974	-
STATE W/H	-	124,208	124,208	-
GARNISHMENT B	-	3,855	3,855	-
GARNISHMENT A	-	750	750	-
COPS HIRING GRANT 2012	3,049	67,500	60,937	9,612
WASTEWATER CDBG GRANT 2012	79,577	154,671	234,248	-
WATER PLANT/LINE GRANT 2013	144,647	512,258	623,148	33,757
ELECTRIC PETTY CASH	600	-	-	600
ELECTRIC CUSTOMER DEPOSIT	121,004	48,500	44,550	124,954
ELECTRIC OPERATING	460,064	13,307,231	13,369,078	398,217
ELECTRIC DEPRECIATION	73,502	-	-	73,502
ELECTRIC CASH RESERVE	154,000	-	-	154,000
BROADBAND OPERATING	150,749	828,312	841,246	137,815
BB CUSTOMER DEPOSIT	26,149	3,350	6,250	23,249
SEWER OPERATING	137,789	1,461,493	1,509,459	89,823
SEWER WEST I 65	7,082	-	7,082	-
WATER OPERATING	628,145	2,129,393	2,218,651	538,887
WATER BOND AND INTEREST	144,332	317,863	316,842	145,353
WATER DEPRECIATION	34,370	-	-	34,370
WATER CUSTOMER DEPOSIT	72,173	26,375	24,100	74,448
WATER TOWER FUND	85,000	60,000	-	145,000
WATER DEBT SERVICE RESERVE	291,563	-	-	291,563
Totals	\$ 8,736,532	\$ 31,781,219	\$ 32,463,266	\$ 8,054,485

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, planning and zoning, 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, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

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

CITY OF SCOTTSBURG
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

Utility fees, which are comprised mostly of charges for current services and penalties received 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, which 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 includes fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

CITY OF SCOTTSBURG
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

CITY OF SCOTTSBURG
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 reimbursements for expenditures made by the City not being received by December 31, 2014.

Note 8. *Subsequent Events*

On January 5, 2015, the 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-America 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.

The Redevelopment Commission authorized a Tax Increment Revenue Bonds of 2015 through Scott County State Bank in the amount of \$6,855,000 at an interest rate of 3.69 percent to be paid over 25 years.

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.

OTHER INFORMATION - UNAUDITED

The City's Annual Financial 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 Financial 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 other 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, 2014

	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	\$ 858,162	\$ 457,226	\$ 330,212	\$ 322,288	\$ 20,307	\$ 3,918	\$ 58,457
Receipts:							
Taxes	1,548,959	-	-	-	-	-	-
Licenses and permits	50,639	-	-	-	-	-	2,700
Intergovernmental	1,111,371	238,619	32,603	-	-	-	-
Charges for services	435,905	1,913	-	-	-	-	5,176
Fines and forfeits	23,093	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	50,264	7,500	-	143,464	-	-	-
Total receipts	3,220,231	248,032	32,603	143,464	-	-	7,876
Disbursements:							
Personal services	1,739,118	144,037	-	-	-	-	-
Supplies	202,370	74,001	-	-	-	-	-
Other services and charges	930,941	168,306	50,000	-	-	-	3,454
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	98,491	3,012	-	-	-	3,918	2,540
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	105,208	7,500	-	-	-	-	-
Total disbursements	3,076,128	396,856	50,000	-	-	3,918	5,994
Excess (deficiency) of receipts over disbursements	144,103	(148,824)	(17,397)	143,464	-	(3,918)	1,882
Cash and investments - ending	\$ 1,002,265	\$ 308,402	\$ 312,815	\$ 465,752	\$ 20,307	\$ -	\$ 60,339

CITY OF SCOTTSBURG
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2014
(Continued)

	PARK AND RECREATION	RAINY DAY	LOCAL ASSET FORFEITURE	LEVY EXCESS FUND	CUMULATIVE CAPITAL DEVELOPMENT	SCOTTSBURG SEWAGE WORKS PROJECT 2013	CUMULATIVE FIRE
Cash and investments - beginning	\$ 93,446	\$ 337,539	\$ 25,848	\$ -	\$ 436,128	\$ 11,108	\$ 7,447
Receipts:							
Taxes	181,560	-	-	13	70,750	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	13,071	-	-	-	5,093	-	-
Charges for services	18,095	-	-	-	-	-	17,290
Fines and forfeits	-	-	650	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	6,475	-	-	-	-	673,400	-
Total receipts	219,201	-	650	13	75,843	673,400	17,290
Disbursements:							
Personal services	131,338	-	-	-	-	-	-
Supplies	35,142	-	2,000	-	-	-	-
Other services and charges	65,658	-	-	-	-	131,225	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	5,570	-	-	-	60,348	553,274	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	6,905	-	-	-	-	-	-
Total disbursements	244,613	-	2,000	-	60,348	684,499	-
Excess (deficiency) of receipts over disbursements	(25,412)	-	(1,350)	13	15,495	(11,099)	17,290
Cash and investments - ending	\$ 68,034	\$ 337,539	\$ 24,498	\$ 13	\$ 451,623	\$ 9	\$ 24,737

CITY OF SCOTTSBURG
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	CUMULATIVE CAPITAL IMPROVEMENT	SE REDEVELOPMENT DISTRICT CAPITAL	NON-REVERTING INSURANCE	POLICE PENSION	WATER PLANT/LINE GRANT RETAINAGE	BACALA SR YOUTH CENTER	USDA RD-RBEG RLF 2012
Cash and investments - beginning	\$ 169,571	\$ 1,044,220	\$ 429,453	\$ 603,153	\$ -	\$ 2,714	\$ 50,790
Receipts:							
Taxes	-	383,429	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	17,847	-	-	149,756	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	132,105	779,849	3,791	44,355	-	-
Total receipts	17,847	515,534	779,849	153,547	44,355	-	-
Disbursements:							
Personal services	-	-	755,567	27,484	-	-	-
Supplies	-	2,268	-	-	-	-	-
Other services and charges	-	66,329	-	146,219	-	504	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	73,662	-	-	17,829	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	692,434	170,770	-	-	-	50,000
Total disbursements	-	834,693	926,337	173,703	17,829	504	50,000
Excess (deficiency) of receipts over disbursements	17,847	(319,159)	(146,488)	(20,156)	26,526	(504)	(50,000)
Cash and investments - ending	\$ 187,418	\$ 725,061	\$ 282,965	\$ 582,997	\$ 26,526	\$ 2,210	\$ 790

CITY OF SCOTTSBURG
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	HISTORIC REVIEW BOARD	REVOLVING LOAN CITY/COUNTY	RURAL DEVELOPMENT REVOLVING LOAN	SCOTTSBURG HERITAGE STATION	FEDERAL ASSET FORFEITURE	INTERURBAN MAINTENANCE 2009	OGLE GRANT 2010
Cash and investments - beginning	\$ 290	\$ 173,290	\$ 101,219	\$ 26,818	\$ 104,207	\$ 2,345	\$ 6,430
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	20	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	10,112	-	-	-
Fines and forfeits	-	-	-	-	10,524	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	143,504	10	-	-	-	-
Total receipts	20	143,504	10	10,112	10,524	-	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	1,511	-	-	-
Other services and charges	-	-	-	5,469	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	5,013	-	6,430
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	132,817	-	700	-	-	-
Total disbursements	-	132,817	-	7,680	5,013	-	6,430
Excess (deficiency) of receipts over disbursements	20	10,687	10	2,432	5,511	-	(6,430)
Cash and investments - ending	\$ 310	\$ 183,977	\$ 101,229	\$ 29,250	\$ 109,718	\$ 2,345	\$ -

CITY OF SCOTTSBURG
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	OPERATION PULLOVER	POLICE DONATION	BROWNFIELD GRANT FUND	SAFE STREET TASK FORCE	POLICE LOCAL GRANTS	NW REDEVELOPMENT DISTRICT CAPITAL	PARK DONATIONS RESTRICTED
Cash and investments - beginning	\$ (417)	\$ 7,700	\$ 76,190	\$ (1,638)	\$ 6,381	\$ 329,185	\$ 8,000
Receipts:							
Taxes	-	-	-	-	-	733,002	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	6,191	-	-	13,804	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	2,500	31,999	-	4,000	957,794	400
Total receipts	6,191	2,500	31,999	13,804	4,000	1,690,796	400
Disbursements:							
Personal services	-	-	-	16,280	-	-	-
Supplies	-	-	-	-	-	32,799	-
Other services and charges	-	-	-	-	-	646,651	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	935,382	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	7,387	342	63,059	-	4,735	-	250
Total disbursements	7,387	342	63,059	16,280	4,735	1,614,832	250
Excess (deficiency) of receipts over disbursements	(1,196)	2,158	(31,060)	(2,476)	(735)	75,964	150
Cash and investments - ending	\$ (1,613)	\$ 9,858	\$ 45,130	\$ (4,114)	\$ 5,646	\$ 405,149	\$ 8,150

CITY OF SCOTTSBURG
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	WASTEWATER GRANT RETAINAGE	CHILD SUPPORT A	457 EMPLOYEE SHARE	MEDICARE W/H	NET SALARIES	DIRECT DEPOSIT	UNITED WAY
Cash and investments - beginning	\$ 20,740	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	29,579	732	103,296	103,757	955,893	1,582,486	1,797
Total receipts	29,579	732	103,296	103,757	955,893	1,582,486	1,797
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	50,319	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	732	103,296	103,757	955,893	1,582,486	1,797
Total disbursements	50,319	732	103,296	103,757	955,893	1,582,486	1,797
Excess (deficiency) of receipts over disbursements	(20,740)	-	-	-	-	-	-
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, 2014
 (Continued)

	COMPANION LIFE	BOSTON LIFE	GRANGE LIFE INS	ID THEFT	HEALTH INSURANCE	AMERITAS HEALTHPLAN SERVICES	AVESIS
Cash and investments - beginning	\$ 10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	8,433	17,972	6,836	1,572	121,336	2,176	6,376
Total receipts	8,433	17,972	6,836	1,572	121,336	2,176	6,376
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	8,443	17,972	6,836	1,572	121,336	2,176	6,376
Total disbursements	8,443	17,972	6,836	1,572	121,336	2,176	6,376
Excess (deficiency) of receipts over disbursements	(10)	-	-	-	-	-	-
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, 2014
 (Continued)

	COMPANION DENTAL	AFLAC 125 PRETAX	AFLAC	CHILD SUPPORT B	457 PLAN	FEDERAL W/H	FICA W/H
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	32,034	28,281	5,869	660	128,067	432,516	358,884
Total receipts	32,034	28,281	5,869	660	128,067	432,516	358,884
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	32,034	28,281	5,869	660	128,067	432,516	358,884
Total disbursements	32,034	28,281	5,869	660	128,067	432,516	358,884
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, 2014
(Continued)

	HSA 125 SCOTT COUNTY STATE BANK	HSA BANK	COUNTY W/H	PERF CIVIL	POLICE PERF CONVERTEE	STATE W/H	GARNISHMENT B
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	127,004	2,457	48,669	395,209	169,974	124,208	3,855
Total receipts	127,004	2,457	48,669	395,209	169,974	124,208	3,855
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	127,004	2,457	48,669	395,209	169,974	124,208	3,855
Total disbursements	127,004	2,457	48,669	395,209	169,974	124,208	3,855
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, 2014
(Continued)

	GARNISHMENT A	COPS HIRING GRANT 2012	WASTEWATER CDBG GRANT 2012	WATER PLANT/LINE GRANT 2013	ELECTRIC PETTY CASH	ELECTRIC CUSTOMER DEPOSIT	ELECTRIC OPERATING
Cash and investments - beginning	\$ -	\$ 3,049	\$ 79,577	\$ 144,647	\$ 600	\$ 121,004	\$ 460,064
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	50,000	154,671	512,258	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	48,500	13,136,042
Other receipts	750	17,500	-	-	-	-	171,189
Total receipts	750	67,500	154,671	512,258	-	48,500	13,307,231
Disbursements:							
Personal services	-	60,937	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	204,669	578,793	-	-	282,026
Utility operating expenses	-	-	-	-	-	44,550	12,926,739
Other disbursements	750	-	29,579	44,355	-	-	160,313
Total disbursements	750	60,937	234,248	623,148	-	44,550	13,369,078
Excess (deficiency) of receipts over disbursements	-	6,563	(79,577)	(110,890)	-	3,950	(61,847)
Cash and investments - ending	\$ -	\$ 9,612	\$ -	\$ 33,757	\$ 600	\$ 124,954	\$ 398,217

CITY OF SCOTTSBURG
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2014
(Continued)

	ELECTRIC DEPRECIATION	ELECTRIC CASH RESERVE	BROADBAND OPERATING	BB CUSTOMER DEPOSIT	SEWER OPERATING	SEWER WEST I 65	WATER OPERATING
Cash and investments - beginning	\$ 73,502	\$ 154,000	\$ 150,749	\$ 26,149	\$ 137,789	\$ 7,082	\$ 628,145
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	816,553	3,350	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	1,438,258	-	2,112,383
Other receipts	-	-	11,759	-	23,235	-	17,010
Total receipts	-	-	828,312	3,350	1,461,493	-	2,129,393
Disbursements:							
Personal services	-	-	446,771	-	472,948	-	548,915
Supplies	-	-	112,590	-	-	-	-
Other services and charges	-	-	270,013	-	11,398	-	6,974
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	119,693	-	3,949
Utility operating expenses	-	-	-	-	855,409	-	933,766
Other disbursements	-	-	11,872	6,250	50,011	7,082	725,047
Total disbursements	-	-	841,246	6,250	1,509,459	7,082	2,218,651
Excess (deficiency) of receipts over disbursements	-	-	(12,934)	(2,900)	(47,966)	(7,082)	(89,258)
Cash and investments - ending	\$ 73,502	\$ 154,000	\$ 137,815	\$ 23,249	\$ 89,823	\$ -	\$ 538,887

CITY OF SCOTTSBURG
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2014
(Continued)

	WATER BOND AND INTEREST	WATER DEPRECIATION	WATER CUSTOMER DEPOSIT	WATER TOWER FUND	WATER DEBT SERVICE RESERVE	Totals
Cash and investments - beginning	\$ 144,332	\$ 34,370	\$ 72,173	\$ 85,000	\$ 291,563	\$ 8,736,532
Receipts:						
Taxes	-	-	-	-	-	2,917,713
Licenses and permits	-	-	-	-	-	53,359
Intergovernmental	-	-	-	-	-	2,305,284
Charges for services	-	-	-	-	-	1,308,394
Fines and forfeits	-	-	-	-	-	34,267
Utility fees	-	-	26,375	-	-	16,761,558
Other receipts	317,863	-	-	60,000	-	8,400,644
Total receipts	317,863	-	26,375	60,000	-	31,781,219
Disbursements:						
Personal services	-	-	-	-	-	4,343,395
Supplies	-	-	-	-	-	462,681
Other services and charges	-	-	-	-	-	2,503,141
Debt service - principal and interest	316,842	-	-	-	-	316,842
Capital outlay	-	-	-	-	-	3,004,918
Utility operating expenses	-	-	-	-	-	14,760,464
Other disbursements	-	-	24,100	-	-	7,071,825
Total disbursements	316,842	-	24,100	-	-	32,463,266
Excess (deficiency) of receipts over disbursements	1,021	-	2,275	60,000	-	(682,047)
Cash and investments - ending	\$ 145,353	\$ 34,370	\$ 74,448	\$ 145,000	\$ 291,563	\$ 8,054,485

CITY OF SCOTTSBURG
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2014

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Electric	\$ 928,485	\$ 188,658
Internet	23,722	-
Wastewater	66,917	32,317
Water	54,694	35,128
Governmental activities	<u>561,651</u>	<u>331,689</u>
Totals	<u><u>\$ 1,635,469</u></u>	<u><u>\$ 587,792</u></u>

CITY OF SCOTTSBURG
SCHEDULE OF LEASES AND DEBT
December 31, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Internet: Broadband Towers	45 Tower Rentals	\$ 77,389	1/1/2015	12/31/2015
Water: Kubota Leasing	Snow removal	5,843	11/26/2012	11/26/2016
Total of annual lease payments		<u>\$ 83,232</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities: Notes and loans payable	Bond Anticipation Note	\$ 883,391	\$ 910,752
Water:			
Revenue bonds	Water Utility Bonds USDA Series A	1,482,000	105,690
Revenue bonds	Water Utility Bonds USDA Series B	444,000	30,980
Revenue bonds	State Revolving Loan #1	926,000	147,854
Revenue bonds	State Revolving Loan #2	293,000	34,649
Total Water		<u>3,145,000</u>	<u>319,173</u>
Totals		<u>\$ 4,028,391</u>	<u>\$ 1,229,925</u>

CITY OF SCOTTSBURG
SCHEDULE OF CAPITAL ASSETS
December 31, 2014

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	\$ 4,766,769
Infrastructure	12,191,304
Buildings	7,483,552
Improvements other than buildings	11,511,333
Machinery, equipment, and vehicles	4,212,982
Construction in progress	<u>1,031,029</u>
Total governmental activities	<u>41,196,969</u>
Electric:	
Infrastructure	6,222,115
Buildings	1,390,325
Improvements other than buildings	51,157
Machinery, equipment, and vehicles	<u>1,255,344</u>
Total Electric	<u>8,918,941</u>
Internet:	
Infrastructure	744,050
Machinery, equipment, and vehicles	<u>94,939</u>
Total Internet	<u>838,989</u>
Wastewater:	
Infrastructure	4,733,502
Buildings	1,363,000
Improvements other than buildings	2,023,701
Machinery, equipment, and vehicles	<u>2,333,969</u>
Total Wastewater	<u>10,454,172</u>
Water:	
Infrastructure	6,406,533
Buildings	6,541,999
Improvements other than buildings	1,790,947
Machinery, equipment, and vehicles	<u>978,684</u>
Total Water	<u>15,718,163</u>
Total capital assets	<u>\$ 77,127,234</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 EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each 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 each of its major federal programs for the year ended December 31, 2014. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

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 each of the City's major federal programs 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 each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each 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 each of its major federal programs for the year ended December 31, 2014.

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

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each 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 item 2014-003 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

April 26, 2016

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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, 2014

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
<u>Department of Commerce</u>				
Economic Development Cluster				
Economic Adjustment Assistance	Direct grant			
Revolving Loan Fund		11.307	06-3902499/06-1902674	\$ 467,315 (A)
Total - Economic Development Cluster				467,315
Total - Department of Commerce				467,315
<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	Indiana Office of Community and Rural Affairs			
Wastewater Treatment Plant Grant		14.228	A192-13-CF-12-119	154,671
Water Plant/Line Grant		14.228	A192-14-CF-13-104	397,896
Total - Community Development Block Grants/State's program				552,567
and Non-Entitlement Grants in Hawaii				
Total - CDBG - State-Administered CDBG Cluster				552,567
Total - Department of Housing and Urban Development				552,567
<u>Department of Justice</u>				
ARRA - Public Safety Partnership and Community Policing Grants	Direct grant			
Cops Hiring Grant		16.710	2012-UMWX-0077	43,437
Equitable Sharing Program	Direct grant			
Federal Asset Forfeiture		16.922	2014	5,013
Total - Department of Justice				48,450
<u>Department of Transportation</u>				
Highway Safety Cluster				
State and Community Highway Safety	Scott County Sheriff's Department			
Operation Pullover		20.600	D3-14-8178	6,191
Total - Highway Safety Cluster				6,191
Total - Department of Transportation				6,191
Total federal awards expended				\$ 1,074,523

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 12/31/14	\$ 333,851
Revolving Loan Fund (RLF) Cash and Investment Balance at 12/31/14	183,977
Administrative Expenses Paid During 2014	1,411
Total Calculation Basis	519,239
Multiplied by Original Federal Share of Revolving Loan Funds (RLF)	90%
Total Reported in Schedule of Federal Awards	\$ 467,315

CITY OF SCOTTSBURG
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) 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, 2014. These loan balances outstanding are also included in the federal expenditures presented in the SEFA.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>2014</u>
Economic Adjustment Assistance	11.307	<u>\$ 333,851</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 programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	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 Programs:

Name of Federal Program or Cluster

Economic Development Cluster
CDBG - State-Administered CDBG 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 2014-001 - 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 was reported in the financial statement to ensure complete and accurate reporting. Financial activity related to the Mid-America Science Park (MASP) was not available for audit and was not included in the financial statement. In addition, the City did not have controls in place to provide proper accountability related to the receipt activity at the MASP.

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

The City had an agreement with the Scott County Economic Development Corporation (SCEDC), a not-for-profit entity, to manage the MASP. Monies were 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 were 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 allowed for the SCEDC to retain the rental proceeds rather than remit the rental proceeds to the City Clerk-Treasurer. The agreement did not require the SCEDC to report the collection activity to the City. As a result, financial activity related to rental proceeds was not reflected on the City's financial records and was not reported on the City's annual financial statement.
2. Information was not contained in the contract that required the SCEDC to make any type of financial reporting to the City regarding rental monies collected, tenants 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 did 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 did 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 did 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 did not require the City to be allowed access to the financial records of the SCEDC or an audit of the MASP activity to determine proper accountability and reporting of MASP monies.

Effective internal control over financial reporting would have involved 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 have been managed. The City had not identified risks to the preparation of a reliable financial statement and as a result 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)

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

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 2014-002 - INTERNAL CONTROLS OVER PAYROLL DISBURSEMENTS

The City did 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.

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 36-4-8-14(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 2014-003 - SPECIAL TESTS AND PROVISIONS

Federal Agency: Department of Commerce

Federal Program: Economic Adjustment Assistance

CFDA Number: 11.307

Federal Award Numbers and Years (or Other Identifying Numbers): 06-1902674 and 06-3902499

Pass-Through Entity: Direct

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

Management of the City of Scottsburg had not established an effective internal control system, related to the grant agreement and the following compliance requirement: Special Tests and Provisions. The grant had a requirement that the portion of the Revolving Loan Fund (RLF) capital base that was not loaned out must have been made available for lending. Generally, the Economic Development Administration would have required that recipients have at least 75 percent of the RLF's capital base loaned or committed at any given time; however, the City was required by Economic Development Administration (EDA) to sequester \$61,406 that was categorized as excess funds because proper allocation of funds did not meet the EDA program guidelines of 75 percent for two consecutive reporting periods.

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 placed the City at risk of noncompliance with the grant agreement and the compliance requirement.

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, detected and corrected, on a timely basis.

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 would have enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program would have resulted 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 requirements for Special Tests and Provisions that have a direct and material effect to the program.

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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 2013-004 - INTERNAL CONTROLS AND NONCOMPLIANCE OVER REPORTING

Original Assigned SBA Audit Report Number: B45129
Report Period: 1/1/13 - 12/31/13
Pass-Through Entity or Federal Grantor Agency: 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 2013-005 - INTERNAL CONTROLS OVER SPECIAL TESTS AND PROVISIONS

Original Assigned SBA Audit Report Number: B45129
Report Period: 1/1/13 - 12/31/13
Pass-Through Entity or Federal Grantor Agency: 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. River Hills prepares the semi-annual financial report to be submitted to the U.S. Department of Commerce upon the Clerk-Treasurer's approval. In addition River Hills will submit the completed report to the Common Council and the Board of Public Works and identify any compliance requirements that could result in the loss of federal funds to the City or result in sequestration of current City funds.

8-17-15
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

April 18, 2016

Re: City of Scottsburg

***FINDING 2014-001 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 2014-001, 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 after date of that letter corrected the findings from 2013-2. That contract was executed 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 dated January 13, 2015, is enclosed. The terms of the amended contract adequately address the issues expressed in finding 2013-2 and again in finding 2014-001, so the corrective action plan 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

**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.

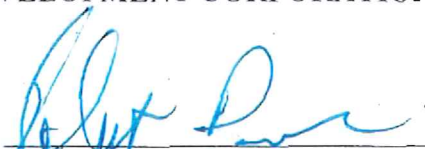
5. SCEDC shall be responsible for any theft or fraud involving funds within its control. SCEDC shall obtain theft/fraud insurance for loss due to employee theft/fraud.

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: 
Ray Zollman

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

FINDING 2014-002 INTERNAL CONTROLS OVER PAYROLL DISBURSEMENTS

Contact: Janetta C. Hardy

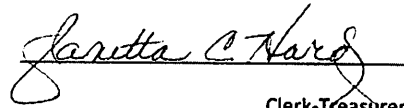
Clerk-Treasurer

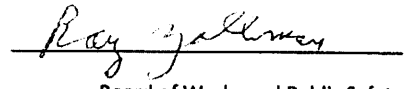
812-752-4343 x222


We concur with the finding.

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.

Anticipated Completion Date: Action plan was initiated in February 2015 and will remain in effect indefinitely.


Clerk-Treasurer


Board of Works and Public Safety


Water Utility Board

April, 12, 2016

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

FINDING 2014-003: SPECIAL TESTS AND PROVISIONS

Contact: Janetta C. Hardy

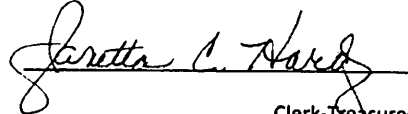
Clerk-Treasurer

812-752-4343 x222

We concur with the finding.

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 fund to the City or result in the sequestration of current City funds.

Anticipated Completion Date: Action plan was initiated with the March 2015 semi-annual report and will remain in effect indefinitely.


Clerk-Treasurer

April, 12, 2016

OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.