

B27627

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

ANNUAL FINANCIAL REPORT

2005

CITY OF RUSHVILLE

RUSH COUNTY, INDIANA



FILED
08/16/2006

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Ann L. Copley	01-01-04 to 12-31-07
Mayor	Robert M. Bridges	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Robert M. Bridges	01-01-04 to 12-31-07
President of the Common Council	Michael Pavey	01-01-05 to 12-31-06
Superintendent of Utilities	EMC of Indiana, LLC	01-01-05 to 12-31-06
Utility Office Manager	Ruth Ann Wise	01-01-05 to 12-31-06



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

TO: THE OFFICIALS OF THE CITY OF RUSHVILLE, RUSH COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the City of Rushville (City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2005, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated July 5, 2006, 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 and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

The Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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

STATE BOARD OF ACCOUNTS

July 5, 2006



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

TO: THE OFFICIALS OF THE CITY OF RUSHVILLE, RUSH COUNTY, INDIANA

We have audited the financial statements of the City of Rushville (City), as of and for the year ended December 31, 2005, and have issued our report thereon dated July 5, 2006. 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.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

We noted certain immaterial instances of noncompliance that we have discussed with the management of the City on July 5, 2006. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

We noted other matters involving the internal control over financial reporting that we have discussed with the management of the City on July 5, 2006. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

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

STATE BOARD OF ACCOUNTS

July 5, 2006

CITY OF RUSHVILLE
STATEMENT OF CASH ACTIVITIES AND NET ASSETS - CASH BASIS
For The Year Ended December 31, 2005

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,257,445	\$ 31,134	\$ -	\$ -	\$ (1,226,311)	\$ -	\$ (1,226,311)
Public safety	1,756,882	2,350	2,945	6,000	(1,745,587)	-	(1,745,587)
Highways and streets	417,539	2,566	-	-	(414,973)	-	(414,973)
Sanitation	289,588	9,684	-	-	(279,904)	-	(279,904)
Health and welfare	67,944	-	-	-	(67,944)	-	(67,944)
Economic development	311,161	-	14,291	-	(296,870)	-	(296,870)
Culture and recreation	448,921	44,895	-	-	(404,026)	-	(404,026)
Interest on long-term debt	64,180	-	-	-	(64,180)	-	(64,180)
Total governmental activities	4,613,660	90,629	17,236	6,000	(4,499,795)	-	(4,499,795)
Business-type activities:							
Water	1,355,660	795,303	-	-	-	(560,357)	(560,357)
Wastewater	1,627,603	1,040,955	-	-	-	(586,648)	(586,648)
Total business-type activities	2,983,263	1,836,258	-	-	-	(1,147,005)	(1,147,005)
Total primary government	\$ 7,596,923	\$ 1,926,887	\$ 17,236	\$ 6,000	(4,499,795)	(1,147,005)	(5,646,800)
General receipts:							
Property taxes					2,966,581	-	2,966,581
Other local sources					325,650	32,736	358,386
Bonds and loans					-	590,000	590,000
Other intergovernmental revenues to specific programs					1,315,416	-	1,315,416
Unrestricted investment earnings					-	93,246	93,246
Transfers					-	18,994	18,994
					(596,045)	596,045	-
Total general receipts and transfers					4,011,602	1,331,021	5,342,623
Change in net assets					(488,193)	184,016	(304,177)
Net assets - beginning					4,942,351	762,406	5,704,757
Net assets - ending					\$ 4,454,158	\$ 946,422	\$ 5,400,580
<u>Assets</u>							
Cash and cash equivalents					\$ 3,410,033	\$ 258,088	\$ 3,668,121
Cash with fiscal agent					119,833	-	119,833
Restricted assets:							
Cash and cash equivalents					924,292	688,334	1,612,626
Total assets					\$ 4,454,158	\$ 946,422	\$ 5,400,580
<u>Net Assets</u>							
Restricted for:							
Public safety					\$ 19,333	\$ -	\$ 19,333
Highways and streets					401,232	-	401,232
Health and welfare					1,566	-	1,566
Urban redevelopment and housing					384,560	-	384,560
Debt service					119,833	346,915	466,748
Construction					-	233,167	233,167
Other purposes					117,601	108,252	225,853
Unrestricted					3,410,033	258,088	3,668,121
Total net assets					\$ 4,454,158	\$ 946,422	\$ 5,400,580

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

CITY OF RUSHVILLE
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND
CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2005

	General	Electric Liquidation	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 2,620,143	\$ -	\$ 346,438	\$ 2,966,581
Licenses and permits	1,093	-	3,130	4,223
Intergovernmental	1,028,980	-	309,672	1,338,652
Charges for services	25,997	-	64,632	90,629
Fines and forfeits	9,964	-	-	9,964
Other	58,511	70,194	163,836	292,541
Total receipts	3,744,688	70,194	887,708	4,702,590
Disbursements:				
General government	1,190,860	-	27,208	1,218,068
Public safety	1,724,556	-	32,326	1,756,882
Highways and streets	-	-	417,539	417,539
Sanitation	274,588	-	15,000	289,588
Health and welfare	67,944	-	-	67,944
Culture and recreation	302,840	-	111,081	413,921
Urban redevelopment and housing	46,000	-	199,078	245,078
Debt service:				
Principal	-	-	85,623	85,623
Interest	-	-	62,665	62,665
Administrative fees	-	-	1,515	1,515
Capital outlay:				
General government	-	-	39,377	39,377
Urban redevelopment and housing	-	-	15,460	15,460
Total disbursements	3,606,788	-	1,006,872	4,613,660
Excess (deficiency) of revenue over (under) disbursements	137,900	70,194	(119,164)	88,930
Other financing sources (uses)				
Transfers in	33,200	-	37,803	71,003
Transfers out	(37,803)	(618,045)	(11,200)	(667,048)
Other receipts	7,771	-	11,151	18,922
Total other financing sources (uses)	3,168	(618,045)	37,754	(577,123)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	141,068	(547,851)	(81,410)	(488,193)
Cash basis fund balance - beginning	1,121,470	2,050,708	1,770,173	4,942,351
Cash basis fund balance - ending	<u>\$ 1,262,538</u>	<u>\$ 1,502,857</u>	<u>\$ 1,688,763</u>	<u>\$ 4,454,158</u>
Cash Basis Assets - December 31				
Cash and cash equivalents	\$ 1,262,538	\$ 1,502,857	\$ 644,638	\$ 3,410,033
Cash with fiscal agent	-	-	119,833	119,833
Restricted assets:				
Cash and cash equivalents	-	-	924,292	924,292
Total cash basis assets - December 31	<u>\$ 1,262,538</u>	<u>\$ 1,502,857</u>	<u>\$ 1,688,763</u>	<u>\$ 4,454,158</u>
Cash Basis Fund Balance - December 31				
Restricted for:				
Public safety	\$ -	\$ -	\$ 19,333	\$ 19,333
Highways and streets	-	-	401,232	401,232
Health and welfare	-	-	1,566	1,566
Urban redevelopment and housing	-	-	384,560	384,560
Debt service	-	-	119,833	119,833
Other purposes	-	-	117,601	117,601
Unrestricted	1,262,538	1,502,857	644,638	3,410,033
Total cash basis fund balance - December 31	<u>\$ 1,262,538</u>	<u>\$ 1,502,857</u>	<u>\$ 1,688,763</u>	<u>\$ 4,454,158</u>

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

CITY OF RUSHVILLE
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND
CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2005

	Water Utility	Wastewater Utility	Total
Operating receipts:			
Customer collections	\$ 795,303	\$ 1,040,955	\$ 1,836,258
Other water receipts	27,740	-	27,740
Other	88	4,908	4,996
	<u>823,131</u>	<u>1,045,863</u>	<u>1,868,994</u>
Total operating receipts			
Operating disbursements:			
Cost of sales and services	356,154	562,262	918,416
Equipment and capital improvements	394,700	315,384	710,084
Other	17,095	-	17,095
Salaries and wages	220,022	254,803	474,825
	<u>987,971</u>	<u>1,132,449</u>	<u>2,120,420</u>
Total operating disbursements			
Deficiency of receipts over disbursements	<u>(164,840)</u>	<u>(86,586)</u>	<u>(251,426)</u>
Nonoperating receipts (disbursements):			
Bond proceeds	540,000	50,000	590,000
Federal contributions	-	93,246	93,246
Municipal contributions	-	596,045	596,045
Interest and investment receipts	8,322	10,672	18,994
Debt service of principal	(325,000)	(400,000)	(725,000)
Interest and investment disbursement	(42,689)	(95,154)	(137,843)
	<u>180,633</u>	<u>254,809</u>	<u>435,442</u>
Total nonoperating receipts (disbursements)			
Excess of receipts over disbursements and nonoperating receipts (disbursements)	15,793	168,223	184,016
Cash basis fund balance - beginning	<u>339,930</u>	<u>422,476</u>	<u>762,406</u>
Cash basis fund balance - ending	<u>\$ 355,723</u>	<u>\$ 590,699</u>	<u>946,422</u>
<u>Cash Basis Assets - December 31</u>			
Cash and cash equivalents	\$ 112,017	\$ 146,071	258,088
Restricted assets:			
Cash and cash equivalents	<u>243,706</u>	<u>444,628</u>	<u>688,334</u>
Total cash basis assets - December 31	<u>\$ 355,723</u>	<u>\$ 590,699</u>	<u>946,422</u>
<u>Cash Basis Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 126,591	\$ 220,324	346,915
Construction	8,863	224,304	233,167
Other purposes	108,252	-	108,252
Unrestricted	<u>112,017</u>	<u>146,071</u>	<u>258,088</u>
Total cash basis fund balance - December 31	<u>\$ 355,723</u>	<u>\$ 590,699</u>	<u>946,422</u>

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

CITY OF RUSHVILLE
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2005

	Pension Trust Funds	Agency Funds
Additions:		
Contributions:		
Employer	\$ 290,929	\$ -
Investment earnings:		
Interest	9,794	-
Transfers in	20,000	-
Agency fund additions	-	2,707,310
Total additions	320,723	2,707,310
Deductions:		
Benefits	292,066	-
Administrative and general	405	-
Transfers out	20,000	-
Agency fund deductions	-	2,699,718
Total deductions	312,471	2,699,718
Excess of total additions over total deductions	8,252	7,592
Cash and cash equivalents - beginning	515,410	90,156
Cash and cash equivalents - ending	\$ 523,662	\$ 97,748

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

CITY OF RUSHVILLE
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor Town Council form of government and provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, and urban redevelopment and housing.

The City's financial reporting entity is composed of the primary government.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis display information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The electric liquidation fund accounts for the proceeds from the sale of the City's electric utility and is utilized to fund capital projects when necessary.

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations and collection systems.

CITY OF RUSHVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Additionally, the City reports the following fund types:

The pension trust funds account for the activities of the Fire and Police pension funds, which accumulate resources for pension benefit payments.

Agency funds account for assets held by the City as an agent for various taxing authorities and city employees' benefit providers.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

CITY OF RUSHVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments (2) law through constitutional provisions or enabling legislations.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds).

CITY OF RUSHVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

On or before August 31, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

CITY OF RUSHVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2005, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2005
CEDIT	\$ 16,926
Firefighters' Pension	793
 Total	 \$ 17,719

These disbursements were funded by the available fund balance.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2005, were as follows:

Transfer From	Transfer To	2005
General Fund	Rainy Day	\$ 37,803
Electric Liquidation	General Fund	22,000
Electric Liquidation	Wastewater Utility	596,045
Cumulative Capital Improvement	General Fund	11,200
 Total		 \$ 667,048

The City typically uses transfers to fund ongoing operating subsidies and to transfer the portion of state-shared revenues from the General Fund to the debt service fund for current-year debt service requirements.

CITY OF RUSHVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Job Related Illnesses or Injuries to Employees

During 1992, the City joined with other governmental entities in the Indiana Public Employer's Plan, Inc., a public entity risk pool currently operating as a common risk management and insurance program for approximately 350 member governmental entities. This risk pool was formed in 1990. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries to employees. The City pays an annual premium to the risk pool for its workman's compensation coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. Rate Structure – Enterprise Funds

Water Utility

On August 7, 2001, the City Council adopted Ordinance No. 2001-9 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on October 18, 2005.

Wastewater Utility

The current rate structure was approved by the City Council on October 18, 2005.

C. Pension Plans

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

a. Public Employees' Retirement Fund

Plan Description

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

CITY OF RUSHVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

c. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death

CITY OF RUSHVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
	<u> </u>	<u> </u>	<u> </u>
Annual required contribution	\$ 104,954	\$ 343,400	\$ 147,000
Interest on net pension obligation	(7,154)	61,500	24,100
Adjustment to annual required contribution	<u>8,153</u>	<u>(102,600)</u>	<u>(40,100)</u>
Annual pension cost	105,953	302,300	131,000
Contributions made	<u>115,404</u>	<u>209,612</u>	<u>140,935</u>
Increase (decrease) in net pension obligation	(9,451)	92,688	(9,935)
Net pension obligation, beginning of year	<u>(98,680)</u>	<u>911,386</u>	<u>356,432</u>
Net pension obligation, end of year	<u>\$ (108,131)</u>	<u>\$ 1,004,074</u>	<u>\$ 346,497</u>
Contribution rates:			
City	11.5%	981%	N/A
Plan members	3%	6%	6%
Actuarial valuation date	07-01-05	01-01-04	01-01-04
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	32 years	13 years	13 years
Amortization period (from date)	07-01-97	12-31-77	12-31-77
Asset valuation method	4 year smoothed market	4 year smoothed market	4 year smoothed market

N/A = Not available

CITY OF RUSHVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Investment rate of return	7.25%	7%	7%
Projected future salary increases:			
Total	5%	5%	5%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	1%	1%
Cost-of-living adjustments	2%	0%	0%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 107,901	127%	\$ (43,890)
	06-30-04	89,356	161%	(98,680)
	06-30-05	105,953	129%	(108,131)
1925 Police Officers' Pension Plan	12-31-01	287,900	69%	845,122
	12-31-02	299,200	78%	911,386
	12-31-03	302,300	69%	1,004,074
1937 Firefighters' Pension Plan	12-31-01	123,500	116%	395,384
	12-31-02	131,600	130%	356,432
	12-31-03	131,000	108%	346,497

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2005, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retires and beneficiaries currently receiving benefits	10	8
Terminated employees entitled to but not yet receiving benefits	0	0
Current active employees	0	1

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

CITY OF RUSHVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

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

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

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2005, 2004, and 2003, were \$200,429, \$190,553, and \$179,153, respectively, equal to the required contributions for each year.

CITY OF RUSHVILLE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 330,953	\$ 1,005,290	\$ (674,337)	33%	\$ 864,479	(78%)
07-01-04	437,794	1,201,297	(763,503)	36%	1,028,216	(74%)
07-01-05	530,772	986,892	(456,120)	54%	835,383	(55%)

Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-99	\$ 69,725	\$ 3,118,800	\$ (3,049,075)	2%	\$ 88,200	(3,457%)
01-01-00	98,185	3,065,900	(2,967,715)	3%	30,800	(9,635%)
01-01-01	103,134	3,066,700	(2,963,566)	3%	31,700	(9,349%)
01-01-02	131,613	3,128,200	(2,996,587)	4%	33,800	(8,866%)
01-01-03	181,678	2,723,500	(2,541,822)	7%	33,600	(7,565%)
01-01-04	195,217	3,082,100	(2,886,883)	6%	35,000	(8,248%)

Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-99	\$ 63,040	\$ 1,467,600	\$ (1,404,560)	4%	No covered payroll	N/A
01-01-00	80,195	1,415,100	(1,334,905)	6%	No covered payroll	N/A
01-01-01	59,284	1,375,900	(1,316,616)	4%	No covered payroll	N/A
01-01-02	104,203	1,411,000	(1,306,797)	7%	No covered payroll	N/A
01-01-03	168,932	1,348,000	(1,179,068)	13%	No covered payroll	N/A
01-01-04	198,038	1,363,700	(1,165,662)	15%	No covered payroll	N/A

N/A = not available

CITY OF RUSHVILLE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF CONTRIBUTIONS

	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
1925 Police Officers' Pension Plan	12-31-98	\$ 300,600	40%
	12-31-99	317,400	57%
	12-31-00	305,900	56%
	12-31-01	315,600	63%
	12-31-02	333,600	70%
	12-31-03	343,400	61%
1937 Firefighters' Pension Plan	12-31-98	\$ 366,600	58%
	12-31-99	138,700	99%
	12-31-00	137,900	56%
	12-31-01	138,700	103%
	12-31-02	147,600	116%
	12-31-03	147,000	96%

CITY OF RUSHVILLE
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005

	Motor Vehicle Highway	Local Road and Street	Law Enforcement Continuing Education	Park Nonreverting Operating	Rainy Day	Miscellaneous Revenue Revolving Loan	Unsafe Building
Receipts:							
Taxes	\$ 118,098	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	1,500	-	530	-	-	-	450
Intergovernmental	237,459	20,272	1,262	-	-	-	-
Charges for services	2,566	-	2,350	44,895	-	-	5,137
Other	7,564	1,337	6	7,866	3,990	2,107	74
Total receipts	367,187	21,609	4,148	52,761	3,990	2,107	5,661
Disbursements:							
General government	-	-	-	-	11,195	-	16,013
Public safety	-	-	3,944	-	-	-	-
Highways and streets	391,372	26,167	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	-	-	-	70,884	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Administrative fees	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Total disbursements	391,372	26,167	3,944	70,884	11,195	-	16,013
Excess (deficiency) of revenue over (under) disbursements	(24,185)	(4,558)	204	(18,123)	(7,205)	2,107	(10,352)
Other financing sources (uses)							
Interfund loans	-	-	-	(7,500)	-	-	-
Transfers in	-	-	-	-	37,803	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	-	-	-	-	11,151	-	-
Total other financing sources (uses)	-	-	-	(7,500)	48,954	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(24,185)	(4,558)	204	(25,623)	41,749	2,107	(10,352)
Cash basis fund balance - beginning	357,106	72,869	7,565	90,650	143,052	59,810	12,817
Cash basis fund balance - ending	<u>\$ 332,921</u>	<u>\$ 68,311</u>	<u>\$ 7,769</u>	<u>\$ 65,027</u>	<u>\$ 184,801</u>	<u>\$ 61,917</u>	<u>\$ 2,465</u>
Cash Basis Assets - December 31							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 65,027	\$ 184,801	\$ -	\$ 2,465
Cash with fiscal agent	-	-	-	-	-	-	-
Restricted assets:							
Cash and cash equivalents	332,921	68,311	7,769	-	-	61,917	-
Total cash basis assets - December 31	\$ 332,921	\$ 68,311	\$ 7,769	\$ 65,027	\$ 184,801	\$ 61,917	\$ 2,465
Cash Basis Fund Balance - December 31							
Restricted for:							
Public safety	\$ -	\$ -	\$ 7,769	\$ -	\$ -	\$ -	\$ -
Highways and streets	332,921	68,311	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	61,917	-
Debt service	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Unrestricted	-	-	-	65,027	184,801	-	2,465
Total cash basis fund balance - December 31	\$ 332,921	\$ 68,311	\$ 7,769	\$ 65,027	\$ 184,801	\$ 61,917	\$ 2,465

CITY OF RUSHVILLE
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Abandoned Vehicle	K-9 Division	Donation	Forfeiture Monies	21st Century	Tobacco Enforcement	Flatrock Apartments
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Other	-	14,500	23,433	10	55,765	-	89
Total receipts	-	14,500	23,433	10	55,765	-	89
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	14,171	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	-	-	25,070	-	-	-	-
Urban redevelopment and housing	-	-	-	-	27	-	70,000
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Administrative fees	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Total disbursements	-	14,171	25,070	-	27	-	70,000
Excess (deficiency) of revenue over (under) disbursements	-	329	(1,637)	10	55,738	-	(69,911)
Other financing sources (uses)							
Interfund loans	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	-	329	(1,637)	10	55,738	-	(69,911)
Cash basis fund balance - beginning	1,415	199	13,114	8,458	31,587	1,566	75,418
Cash basis fund balance - ending	<u>\$ 1,415</u>	<u>\$ 528</u>	<u>\$ 11,477</u>	<u>\$ 8,468</u>	<u>\$ 87,325</u>	<u>\$ 1,566</u>	<u>\$ 5,507</u>
Cash Basis Assets - December 31							
Cash and cash equivalents	\$ 1,415	\$ -	\$ -	\$ -	\$ 87,325	\$ -	\$ -
Cash with fiscal agent	-	-	-	-	-	-	-
Restricted assets:							
Cash and cash equivalents	-	528	11,477	8,468	-	1,566	5,507
Total cash basis assets - December 31	<u>\$ 1,415</u>	<u>\$ 528</u>	<u>\$ 11,477</u>	<u>\$ 8,468</u>	<u>\$ 87,325</u>	<u>\$ 1,566</u>	<u>\$ 5,507</u>
Cash Basis Fund Balance - December 31							
Restricted for:							
Public safety	\$ -	\$ 528	\$ -	\$ 8,468	\$ -	\$ -	\$ -
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	1,566	-
Urban redevelopment and housing	-	-	-	-	-	-	5,507
Debt service	-	-	-	-	-	-	-
Other purposes	-	-	11,477	-	-	-	-
Unrestricted	1,415	-	-	-	87,325	-	-
Total cash basis fund balance - December 31	<u>\$ 1,415</u>	<u>\$ 528</u>	<u>\$ 11,477</u>	<u>\$ 8,468</u>	<u>\$ 87,325</u>	<u>\$ 1,566</u>	<u>\$ 5,507</u>

CITY OF RUSHVILLE
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Law Enforcement Block Grant	Operation Pullover	CDBG Program Income	Air Pack Grant	OJP Grants/Vests	IDFA Ameitech	Sanitation Nonreverting Landfill
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	650
Intergovernmental	-	2,945	-	6,000	-	-	-
Charges for services	-	-	-	-	-	-	9,684
Other	-	-	8,977	-	-	392	636
Total receipts	-	2,945	8,977	6,000	-	392	10,970
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	5,040	2,467	-	6,704	-	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	15,000
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	24,500	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Administrative fees	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Total disbursements	5,040	2,467	24,500	6,704	-	-	15,000
Excess (deficiency) of revenue over (under) disbursements	(5,040)	478	(15,523)	(704)	-	392	(4,030)
Other financing sources (uses)							
Interfund loans	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(5,040)	478	(15,523)	(704)	-	392	(4,030)
Cash basis fund balance - beginning	5,040	145	37,804	704	1,945	18,306	30,237
Cash basis fund balance - ending	\$ -	\$ 623	\$ 22,281	\$ -	\$ 1,945	\$ 18,698	\$ 26,207
Cash Basis Assets - December 31							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,207
Cash with fiscal agent	-	-	-	-	-	-	-
Restricted assets:							
Cash and cash equivalents	-	623	22,281	-	1,945	18,698	-
Total cash basis assets - December 31	\$ -	\$ 623	\$ 22,281	\$ -	\$ 1,945	\$ 18,698	\$ 26,207
Cash Basis Fund Balance - December 31							
Restricted for:							
Public safety	\$ -	\$ 623	\$ -	\$ -	\$ 1,945	\$ -	\$ -
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	22,281	-	-	18,698	-
Debt service	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	26,207
Total cash basis fund balance - December 31	\$ -	\$ 623	\$ 22,281	\$ -	\$ 1,945	\$ 18,698	\$ 26,207

CITY OF RUSHVILLE
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Brownfields Grant	Music for Rush County	Booker T. Washington	2nd and Perkins Turn Radius	CEDIT	Redevelopment Bond	Cumulative Capital Improvement
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 96,148	\$ 80,161	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	14,291	-	-	3,350	-	-	18,532
Charges for services	-	-	-	-	-	-	-
Other	351	736	19,949	-	6,861	2,464	179
Total receipts	14,642	736	19,949	3,350	103,009	82,625	18,711
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	-	736	14,391	-	-	-	-
Urban redevelopment and housing	16,775	-	-	-	87,776	-	-
Debt service:							
Principal	-	-	-	-	35,000	50,623	-
Interest	-	-	-	-	23,288	39,377	-
Administrative fees	-	-	-	-	511	1,004	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Total disbursements	16,775	736	14,391	-	146,575	91,004	-
Excess (deficiency) of revenue over (under) disbursements	(2,133)	-	5,558	3,350	(43,566)	(8,379)	18,711
Other financing sources (uses)							
Interfund loans	-	-	7,500	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(11,200)
Other receipts	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	7,500	-	-	-	(11,200)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(2,133)	-	13,058	3,350	(43,566)	(8,379)	7,511
Cash basis fund balance - beginning	20,185	-	-	-	304,556	128,212	11,192
Cash basis fund balance - ending	<u>\$ 18,052</u>	<u>\$ -</u>	<u>\$ 13,058</u>	<u>\$ 3,350</u>	<u>\$ 260,990</u>	<u>\$ 119,833</u>	<u>\$ 18,703</u>
Cash Basis Assets - December 31							
Cash and cash equivalents	\$ -	\$ -	\$ 13,058	\$ 3,350	\$ 260,990	\$ -	\$ -
Cash with fiscal agent	-	-	-	-	-	119,833	-
Restricted assets:							
Cash and cash equivalents	18,052	-	-	-	-	-	18,703
Total cash basis assets - December 31	\$ 18,052	\$ -	\$ 13,058	\$ 3,350	\$ 260,990	\$ 119,833	\$ 18,703
Cash Basis Fund Balance - December 31							
Restricted for:							
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Urban redevelopment and housing	18,052	-	-	-	-	-	-
Debt service	-	-	-	-	-	119,833	-
Other purposes	-	-	-	-	-	-	18,703
Unrestricted	-	-	13,058	3,350	260,990	-	-
Total cash basis fund balance - December 31	\$ 18,052	\$ -	\$ 13,058	\$ 3,350	\$ 260,990	\$ 119,833	\$ 18,703

CITY OF RUSHVILLE
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Intat Storm Sewer Grant	Flatrock Project	Main Street Local	Main Street Build Indiana	Build Indiana Community Center	Cumulative Capital Development	Totals
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,031	\$ 346,438
Licenses and permits	-	-	-	-	-	-	3,130
Intergovernmental	-	-	-	-	-	5,561	309,672
Charges for services	-	-	-	-	-	-	64,632
Other	20	766	-	160	5,042	562	163,836
Total receipts	20	766	-	160	5,042	58,154	887,708
Disbursements:							
General government	-	-	-	-	-	-	27,208
Public safety	-	-	-	-	-	-	32,326
Highways and streets	-	-	-	-	-	-	417,539
Sanitation	-	-	-	-	-	-	15,000
Culture and recreation	-	-	-	-	-	-	111,081
Urban redevelopment and housing	-	-	-	-	-	-	199,078
Debt service:							
Principal	-	-	-	-	-	-	85,623
Interest	-	-	-	-	-	-	62,665
Administrative fees	-	-	-	-	-	-	1,515
Capital outlay:							
General government	-	-	-	-	7,526	31,851	39,377
Urban redevelopment and housing	-	242	1,702	13,516	-	-	15,460
Total disbursements	-	242	1,702	13,516	7,526	31,851	1,006,872
Excess (deficiency) of revenue over (under) disbursements	20	524	(1,702)	(13,356)	(2,484)	26,303	(119,164)
Other financing sources (uses)							
Interfund loans	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	37,803
Transfers out	-	-	-	-	-	-	(11,200)
Other receipts	-	-	-	-	-	-	11,151
Total other financing sources (uses)	-	-	-	-	-	-	37,754
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	20	524	(1,702)	(13,356)	(2,484)	26,303	(81,410)
Cash basis fund balance - beginning	7,147	35,365	1,702	13,356	260,589	18,062	1,770,173
Cash basis fund balance - ending	<u>\$ 7,167</u>	<u>\$ 35,889</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 258,105</u>	<u>\$ 44,365</u>	<u>\$ 1,688,763</u>
Cash Basis Assets - December 31							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 644,638
Cash with fiscal agent	-	-	-	-	-	-	119,833
Restricted assets:							
Cash and cash equivalents	7,167	35,889	-	-	258,105	44,365	924,292
Total cash basis assets - December 31	<u>\$ 7,167</u>	<u>\$ 35,889</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 258,105</u>	<u>\$ 44,365</u>	<u>\$ 1,688,763</u>
Cash Basis Fund Balance - December 31							
Restricted for:							
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,333
Highways and streets	-	-	-	-	-	-	401,232
Health and welfare	-	-	-	-	-	-	1,566
Urban redevelopment and housing	-	-	-	-	258,105	-	384,560
Debt service	-	-	-	-	-	-	119,833
Other purposes	7,167	35,889	-	-	-	44,365	117,601
Unrestricted	-	-	-	-	-	-	644,638
Total cash basis fund balance - December 31	<u>\$ 7,167</u>	<u>\$ 35,889</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 258,105</u>	<u>\$ 44,365</u>	<u>\$ 1,688,763</u>

CITY OF RUSHVILLE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2005

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Supplemental Police and Fire Pension</u>	<u>Total</u>
Additions:				
Contributions:				
Employer	\$ 170,120	\$ 120,809	\$ -	\$ 290,929
Investment earnings:				
Interest	3,900	3,662	2,232	9,794
Transfers in	-	-	20,000	20,000
Total additions	<u>174,020</u>	<u>124,471</u>	<u>22,232</u>	<u>320,723</u>
Deductions:				
Benefits	168,721	123,345	-	292,066
Administrative and general	100	305	-	405
Transfers out	10,000	10,000	-	20,000
Total deductions	<u>178,821</u>	<u>133,650</u>	<u>-</u>	<u>312,471</u>
Excess (deficiency) of total additions over (under) total deductions	(4,801)	(9,179)	22,232	8,252
Cash and cash equivalents - beginning	<u>212,294</u>	<u>220,988</u>	<u>82,128</u>	<u>515,410</u>
Cash and cash equivalents - ending	<u>\$ 207,493</u>	<u>\$ 211,809</u>	<u>\$ 104,360</u>	<u>\$ 523,662</u>

CITY OF RUSHVILLE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2005

	<u>City Payroll</u>	<u>Utility Payroll</u>	<u>Flexible Spending Account</u>	<u>Total</u>
Additions:				
Agency fund additions	\$ 2,364,849	\$ 324,681	\$ 17,780	\$ 2,707,310
Deductions:				
Agency fund deductions	<u>2,365,908</u>	<u>324,681</u>	<u>9,129</u>	<u>2,699,718</u>
Excess (deficiency) of total additions over (under) total deductions	(1,059)	-	8,651	7,592
Cash and cash equivalents - beginning	<u>90,156</u>	<u>-</u>	<u>-</u>	<u>90,156</u>
Cash and cash equivalents - ending	<u>\$ 89,097</u>	<u>\$ -</u>	<u>\$ 8,651</u>	<u>\$ 97,748</u>

CITY OF RUSHVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended December 31, 2005

CAPITAL LEASES

The City has entered into the following capital leases:

Description of Asset	Present Value of Net Minimum Lease Payments	Ending Balance	Due Within One Year
Fire truck	\$ 175,545	\$ 195,015	\$ 52,214
Trash packer	34,170	36,302	18,151
Backhoe	70,936	76,113	25,371
Sewage jet truck	82,064	89,643	29,881
	Ending Balance	Ending Balance	Due Within One Year
Governmental activities:			
Notes and loans payable	\$ 49,473	\$ 18,814	
Bonds payable:			
Revenue bonds:			
Park district bonds	505,000	35,000	
Total governmental activities long-term debt	\$ 554,473	\$ 53,814	
Business-type activities:			
Water Utility:			
Revenue bonds:			
2001 Water works refunding bonds	\$ 705,000	\$ 105,000	
2005 Water line extension bonds	794,000	5,000	
Total Water Utility	1,499,000	110,000	
Wastewater Utility:			
Revenue bonds:			
1995 Sewage works revenue bonds	1,425,000	110,000	
2005 Sewer line extension bonds	965,000	8,700	
Total Wastewater Utility	2,390,000	118,700	
Total business-type activities	\$ 3,889,000	\$ 228,700	

CITY OF RUSHVILLE
AUDIT RESULTS AND COMMENTS

PRESIGNING DOCUMENTS - POLICE DEPARTMENT

While testing receipts for timely deposits, it was noted that in several instances official receipts were issued for amounts charged on account by certain customers. These customers consist of insurance companies and law offices seeking copies of accident reports. The customers pay weekly, bi-weekly, or monthly.

Checks and receipts should be prepared timely and not signed in advance of the event or transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS - CITY

The City does not maintain detailed, completed capital asset records. Officials are in the process of reconstructing those records to reflect acquisition value.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS - UTILITIES

The Utility does not maintain sufficient detailed records of capital assets for its Utility Plant in Service accounts. Upon purchase, the costs of the capital assets are added to an aggregate Utility Plant in Service account, and to subsidiary accounts for land, buildings, etc., in the General Ledger. However, records providing historical costs for some of the Utility's capital assets are not available, and records classifying and summarizing the Utility's capital assets are incomplete. Deletions or disposals of capital assets are not recorded.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
Fire Pension	2005	\$ 793
CEDIT	2005	16,926

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

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

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

TO: THE OFFICIALS OF THE CITY OF RUSHVILLE, RUSH COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Rushville (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2005. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

STATE BOARD OF ACCOUNTS

July 5, 2006

CITY OF RUSHVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 21, 2005

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Direct Grant			
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 590,000
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Department of Commerce			
Community Development Block Grants/State's Program	14.228	CF-04-220	301,835
Pass-Through Indiana Development Finance Authority			
Brownfields Economic Development Initiative	14.246		14,291
Total for federal grantor agency			316,126
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Local Law Enforcement Block Grant	16.592		5,040
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	154AL-05-03-03-33 OP-058-02-03-33	1,373 302
Total for federal grantor agency			1,675
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant			
Assistance to Firefighters Grant	97.044	EMW-2004-FG-05801	6,704
Pass-Through Indiana State Emergency Management Agency			
Public Assistance Program	97.036	DR 1573 EM 3197	3,889 9,448
Total for program			13,337
Total for federal grantor agency			20,041
Total federal awards expended			\$ 932,882

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF RUSHVILLE
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Rushville (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF RUSHVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF RUSHVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF RUSHVILLE
EXIT CONFERENCE

The contents of this report were discussed on July 5, 2006, with Robert M. Bridges, Mayor; and Ann L. Copley, Clerk-Treasurer. The officials concurred with our audit findings.