

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

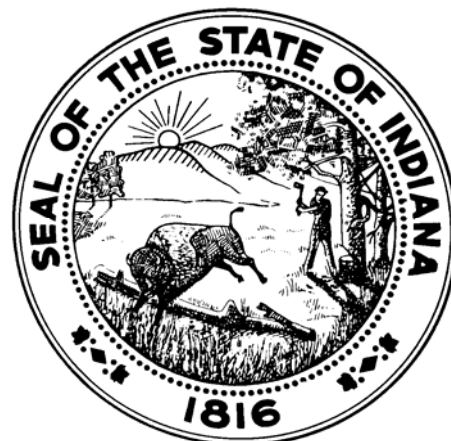
AUDIT REPORT

OF

SOUTHERN INDIANA DEVELOPMENT COMMISSION

MARTIN COUNTY, INDIANA

January 1, 2004 to December 31, 2005



FILED
08/24/2006

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials.....	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
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.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	6, 8
Fund Financial Statements:	
Governmental Fund:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Fund.....	7, 9
Notes to Financial Statements	10-14
Required Supplementary Information:	
Schedule of Funding Progress	15
Supplementary Information:	
Schedule of Capital Assets.....	16
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	18-19
Schedule of Expenditures of Federal Awards.....	20
Notes to Schedule of Expenditures of Federal Awards	21
Schedule of Findings and Questioned Costs.....	22
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings.....	23
Exit Conference.....	24

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Jo Arthur	01-01-04 to 07-31-06
Treasurer	Gordon Stinebaugh Mike Healey	05-01-03 to 02-11-04 02-12-04 to 04-30-07
President of the Board	Tom Baumert Tim Terry Dorman Clark	05-01-03 to 02-11-04 02-12-04 to 04-30-05 05-01-05 to 04-30-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE SOUTHERN INDIANA DEVELOPMENT
COMMISSION, MARTIN COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Southern Indiana Development Commission (Plan Commission), as of and for the years ended December 31, 2004 and 2005, which collectively comprise the Plan Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Plan Commission'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 Plan Commission 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 and each major fund of the Plan Commission as of December 31, 2004 and 2005, and the respective cash receipts and cash disbursements during the years 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 18, 2006, on our consideration of the Plan Commission'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 Plan Commission 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 Schedule of Funding Progress, as listed in the table of contents, is not a required part of the basic financial statements but is 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 Plan Commission 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 Plan Commission's basic financial statements. The Schedule of Capital Assets is presented for additional analysis and is not a required part of the basic financial statements. The Schedule of Capital Assets has 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 18, 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 SOUTHERN INDIANA DEVELOPMENT
COMMISSION, MARTIN COUNTY, INDIANA

We have audited the financial statements of the Southern Indiana Development Commission (Plan Commission), as of and for the years ended December 31, 2004 and 2005, and have issued our report thereon dated July 18, 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 Plan Commission'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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Plan Commission'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.

This report is intended solely for the information and use of the Plan Commission'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 18, 2006

SOUTHERN INDIANA DEVELOPMENT COMMISSION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2004

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>			<u>Net (Disbursement) Receipt and Changes in Net Assets</u>
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 1,211,288	\$ 395,721	\$ 140,451	\$ 590,431	\$ (84,685)
General receipts:					
Unrestricted investment earnings					354
Change in net assets					(84,331)
Net assets - beginning					128,505
Net assets - ending					\$ 44,174
<u>Assets</u>					
Cash and investments					\$ 44,174
<u>Net Assets</u>					
Unrestricted					\$ 44,174

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

SOUTHERN INDIANA DEVELOPMENT COMMISSION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUND
For The Year Ended December 31, 2004

	General
Receipts:	
Intergovernmental	\$ 728,992
Charges for services	395,721
Other	2,244
Total receipts	1,126,957
Disbursements:	
General government	1,211,288
Deficiency of revenue under disbursements	(84,331)
Cash and investment fund balance - beginning	128,505
Cash and investment fund balance - ending	\$ 44,174
 <u>Cash and Investment Assets - December 31</u>	
Cash and investments	\$ 44,174
 <u>Cash and Investment Fund Balance - December 31</u>	
Unrestricted	\$ 44,174

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

SOUTHERN INDIANA DEVELOPMENT COMMISSION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUND
For the Year Ended December 31, 2005

	General
Receipts:	
Intergovernmental	\$ 1,021,952
Charges for services	472,237
Other	2,903
Total receipts	1,497,092
Disbursements:	
General government	1,494,774
Excess of revenue over disbursements	2,318
Other financing sources	
Other receipts	30,000
Excess of receipts and other financing sources over disbursements and other financing uses	32,318
Cash and investment fund balance - beginning	44,174
Cash and investment fund balance - ending	\$ 76,492
 <u>Cash and Investment Assets - December 31</u>	
Cash and investments	\$ 76,492
 <u>Cash and Investment Fund Balance - December 31</u>	
Unrestricted	\$ 76,492

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

SOUTHERN INDIANA DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Plan Commission was established under the laws of the State of Indiana. The Plan Commission operates under an appointed governing board.

In determining the financial reporting entity, the Plan Commission 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 non-exchange 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. However, at this time, the Plan Commission has not established any enterprise funds.

The Plan Commission reports the following major governmental fund:

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.

C. Measurement Focus and Basis of Accounting

The government-wide and governmental 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.

SOUTHERN INDIANA DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Continued)

If the Plan Commission 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.

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.

2. 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 Plan Commission'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). The Plan Commission does not have any enterprise funds.

SOUTHERN INDIANA DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Stewardship, Compliance and Accountability

Budgetary Information

The operating budget is initially prepared and approved at the local level. Budget modifications have been made in accordance with the laws of the State of Indiana.

Budgets for the budgetary fund of the Plan Commission are prepared in detail by object classification. The disbursements have been converted to functional classifications for external reporting.

Formal budgetary integration is required by state statute and is employed as a management control device. An annual budget was legally adopted for the following fund:

General Fund:
Operating

III. Detailed Notes on All Funds

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.

IV. Other Information

A. Risk Management

The Plan Commission 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; job related illnesses or injuries to employees; 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.

B. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Plan Commission 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,

SOUTHERN INDIANA DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Continued)

through the PERF Board, most requirements of the system and give the Plan Commission 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 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 Plan Commission'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 Plan Commission and the Utilities is not available.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 24,776
Interest on net pension obligation	(2,290)
Adjustment to annual required contribution	2,610
Annual pension cost	25,096
Contributions made	29,422
Decrease in net pension obligation	(4,326)
Net pension obligation, beginning of year	(31,592)
Net pension obligation, end of year	\$ (35,918)

SOUTHERN INDIANA DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF
Contribution rates:	
Plan Commission	10.25%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected Actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 23,752	121%	\$ (22,361)
	06-30-04	20,431	145%	(31,592)
	06-30-05	25,096	144%	(35,918)

SOUTHERN INDIANA DEVELOPMENT COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE 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	\$ 74,472	\$ 247,527	\$ (173,055)	30%	\$ 190,070	(91%)
07-01-04	96,289	284,063	(187,774)	34%	263,725	(71%)
07-01-05	119,796	344,271	(224,475)	35%	295,082	(76%)

SOUTHERN INDIANA DEVELOPMENT COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
For The Year Ended December 31, 2005

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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Machinery and equipment	<u>\$ 80,489</u>

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE SOUTHERN INDIANA DEVELOPMENT
COMMISSION, MARTIN COUNTY, INDIANA

Compliance

We have audited the compliance of the Southern Indiana Development Commission (Plan Commission) 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 years ended December 31, 2004 and 2005. The Plan Commission'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 Plan Commission's management. Our responsibility is to express an opinion on the Plan Commission'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 Plan Commission'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 Plan Commission's compliance with those requirements.

In our opinion, the Plan Commission complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2004 and 2005.

Internal Control Over Compliance

The management of the Plan Commission 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 Plan Commission'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 Plan Commission'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 18, 2006

SOUTHERN INDIANA DEVELOPMENT COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2004 and 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 12-31-04	Total Federal Awards Expended 12-31-05
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct Grant				
Rural Housing Preservation Grants	10.433		\$ 32,999	\$ -
			<u>-</u>	<u>16,668</u>
Total for federal grantor agency			<u>32,999</u>	<u>16,668</u>
<u>U.S. DEPARTMENT OF COMMERCE</u>				
Direct Grant				
Economic Development - Support for Planning Organizations Project No. 06-83-04928 Project No. 06-83-05032	11.302		25,814	25,814
			<u>-</u>	<u>25,814</u>
Total for federal grantor agency			<u>25,814</u>	<u>51,628</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Pass-Through Indiana Department of Transportation				
Highway Planning and Construction Cluster Highway Planning and Construction FY 2004 FY 2005	20.205		46,074	-
			<u>-</u>	<u>27,591</u>
Total for cluster			<u>46,074</u>	<u>27,591</u>
Formula Grants for Other Than Urbanized Areas FY 2004 FY 2004 FY 2005 FY 2005	20.509	18022370 1802237C 18023370 1802337C	290,920 26,400 -	- - 372,634 44,000
			<u>-</u>	<u>44,000</u>
Total for program			<u>317,320</u>	<u>416,634</u>
Total for federal grantor agency			<u>363,394</u>	<u>444,225</u>
Total federal awards expended			<u>\$ 422,207</u>	<u>\$ 512,521</u>

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

SOUTHERN INDIANA DEVELOPMENT COMMISSION
NOTES 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 Southern Indiana Development Commission (Plan Commission) 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.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of Plan Commissions shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Subrecipients

Of the federal expenditures presented in the schedule, the Plan Commission provided federal awards to subrecipients as follows for the years ended December 31, 2004 and 2005:

Program Title	Federal CFDA Number	2004	2005
Formula Grants for Other Than Urbanized Areas	20.509	<u>\$ 317,320</u>	<u>\$ 416,634</u>

SOUTHERN INDIANA DEVELOPMENT COMMISSION
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
20.509	Formula Grants for Other Than Urbanized Areas

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.

SOUTHERN INDIANA DEVELOPMENT COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

SOUTHERN INDIANA DEVELOPMENT COMMISSION
EXIT CONFERENCE

The contents of this report were discussed on July 19, 2006, with Jo Arthur, Director; and via telephone with Mike Healy, Treasurer; and Dorman Clark, President of the Board. Our audit disclosed no material items that warrant comment at this time.