

B37562

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

ANNUAL FINANCIAL REPORT

2009

CITY OF AUBURN

DEKALB COUNTY, INDIANA



FILED
09/22/2010

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Patricia M. Miller	01-01-08 to 12-31-11
Mayor	Norman E. Yoder	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Norman E. Yoder	01-01-09 to 12-31-11
President of the Common Council	Marilyn Gearhart	01-01-09 to 12-31-10
Superintendent of Water Utility	Steve Blaugh Randy Harvey	01-01-09 to 04-30-09 05-01-09 to 12-31-10
Superintendent of Wastewater Utility	David Lochner	01-01-09 to 12-31-10
Superintendent of Electric Utility	Stuart Tuttle	01-01-09 to 12-31-10



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 AUBURN, DEKALB COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Auburn (City), as of and for the year ended December 31, 2009, 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, 2009, 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 August 30, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. 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.

The Schedules of Funding Progress and Schedule of Contributions From the Employer and Other Contributing Entities, 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, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts 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 Capital Assets and 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

August 30, 2010



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF AUBURN, DEKALB COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Auburn (City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

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

Compliance and Other Matters

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

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

STATE BOARD OF ACCOUNTS

August 30, 2010

CITY OF AUBURN
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2009

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	Totals
Primary government:							
Governmental activities:							
General government	\$ 2,199,265	\$ 47,218	\$ -	\$ -	\$ (2,152,047)	\$ -	\$ (2,152,047)
Public safety	3,603,671	49,214	211,834	-	(3,342,623)	-	(3,342,623)
Highways and streets	1,598,594	1,615	378,438	-	(1,218,541)	-	(1,218,541)
Sanitation	674,562	600,662	-	-	(73,900)	-	(73,900)
Economic development	2,814,856	-	-	-	(2,814,856)	-	(2,814,856)
Culture and recreation	856,556	74,510	-	288,477	(493,569)	-	(493,569)
Interest on long-term debt	124,280	-	-	-	(124,280)	-	(124,280)
Total governmental activities	11,871,784	773,219	590,272	288,477	(10,219,816)	-	(10,219,816)
Business-type activities:							
Water	2,277,909	2,094,213	-	-	-	(183,696)	(183,696)
Wastewater	4,325,799	3,189,836	-	-	-	(1,135,963)	(1,135,963)
Electric	23,722,801	22,468,892	-	-	-	(1,253,909)	(1,253,909)
Total business-type activities	30,326,509	27,752,941	-	-	-	(2,573,568)	(2,573,568)
Total primary government	\$ 42,198,293	\$ 28,526,160	\$ 590,272	\$ 288,477	(10,219,816)	(2,573,568)	(12,793,384)
General receipts:							
Property taxes					4,932,235	-	4,932,235
Income taxes					589,948	-	589,948
Intergovernmental					1,727,857	-	1,727,857
Other local sources					701,247	312,655	1,013,902
Bonds and loans					-	2,399,090	2,399,090
Unrestricted investment earnings					20,934	69,719	90,653
Transfers					1,798,830	(1,798,830)	-
Total general receipts and transfers					9,771,051	982,634	10,753,685
Change in net assets					(448,765)	(1,590,934)	(2,039,699)
Net assets - beginning					15,867,418	13,833,050	29,700,468
Net assets - ending					\$ 15,418,653	\$ 12,242,116	\$ 27,660,769
<u>Assets</u>							
Cash and investments					\$ 4,351,298	\$ 4,512,040	\$ 8,863,338
Restricted assets:							
Cash and investments					11,067,355	7,730,076	18,797,431
Total assets					\$ 15,418,653	\$ 12,242,116	\$ 27,660,769
<u>Net Assets</u>							
Restricted for:							
Public safety					\$ 233,247	\$ -	\$ 233,247
Highways and streets					781,244	-	781,244
Culture and recreation					437,208	-	437,208
Debt service					148,114	2,416,627	2,564,741
Other purposes					9,467,542	5,313,449	14,780,991
Unrestricted					4,351,298	4,512,040	8,863,338
Total net assets					\$ 15,418,653	\$ 12,242,116	\$ 27,660,769

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

CITY OF AUBURN
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2009

	General	Cumulative Capital Development	County Economic Development Income Tax	Tax Incremental Financing	Other Governmental Funds	Totals
Receipts:						
Taxes	\$ 2,560,789	\$ 177,412	\$ -	\$ 517,741	\$ 1,676,293	\$ 4,932,235
Licenses and permits	21,783	-	-	-	-	21,783
Intergovernmental	1,541,572	14,285	468,641	-	712,923	2,737,421
Charges for services	1,039,590	-	-	-	88,077	1,127,667
Fines and forfeits	6,019	-	-	-	9,057	15,076
Other	109,409	3,417	2,831	10,330	477,192	603,179
Total receipts	5,279,162	195,114	471,472	528,071	2,963,542	9,437,361
Disbursements:						
General government	1,037,686	-	-	-	-	1,037,686
Public safety	3,748,788	-	-	-	186,701	3,935,489
Highways and streets	58,468	-	-	-	1,411,942	1,470,410
Sanitation	674,562	-	-	-	-	674,562
Culture and recreation	-	-	-	-	606,016	606,016
Debt service:						
Principal	-	-	2,165,000	-	225,000	2,390,000
Interest	-	-	80,440	-	43,840	124,280
Capital outlay:						
Public safety	-	-	471,128	-	-	471,128
Highways and streets	-	5,446	147,856	345,465	-	498,767
Culture and recreation	-	-	-	-	361,904	361,904
Economic development	-	-	30,872	-	-	30,872
Total disbursements	5,519,504	5,446	2,895,296	345,465	2,835,403	11,601,114
Excess (deficiency) of revenue over disbursements	(240,342)	189,668	(2,423,824)	182,606	128,139	(2,163,753)
Other financing sources (uses):						
Transfers in	-	-	2,070,000	-	165,000	2,235,000
Transfers out	(130,000)	-	-	-	(306,170)	(436,170)
Other receipts	11,409	-	-	3,125	844	15,378
Total other financing sources (uses)	(118,591)	-	2,070,000	3,125	(140,326)	1,814,208
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(358,933)	189,668	(353,824)	185,731	(12,187)	(349,545)
Cash and investment fund balance - beginning	1,171,810	2,105,628	1,856,945	6,490,125	2,907,926	14,532,434
Cash and investment fund balance - ending	\$ 812,877	\$ 2,295,296	\$ 1,503,121	\$ 6,675,856	\$ 2,895,739	14,182,889
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because:						
Internal services funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.						
						1,235,764
Net assets of governmental activities						\$ 15,418,653
Cash and Investment Assets - December 31						
Cash and investments	\$ 812,877	\$ -	\$ 1,503,121	\$ -	\$ 799,536	\$ 3,115,534
Restricted assets:						
Cash and investments	-	2,295,296	-	6,675,856	2,096,203	11,067,355
Total cash and investment assets - December 31	\$ 812,877	\$ 2,295,296	\$ 1,503,121	\$ 6,675,856	\$ 2,895,739	\$ 14,182,889
Cash and Investment Fund Balance - December 31						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 233,247	\$ 233,247
Highways and streets	-	-	-	-	781,244	781,244
Culture and recreation	-	-	-	-	437,208	437,208
Debt service	-	-	-	-	148,114	148,114
Other purposes	-	2,295,296	-	6,675,856	496,390	9,467,542
Unrestricted	812,877	-	1,503,121	-	799,536	3,115,534
Total cash and investment fund balance - December 31	\$ 812,877	\$ 2,295,296	\$ 1,503,121	\$ 6,675,856	\$ 2,895,739	\$ 14,182,889

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

CITY OF AUBURN
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2009

	Water Utility	Wastewater Utility	Electric Utility	Totals	Internal Service Funds
Operating receipts:					
Metered water receipts:					
Residential	\$ 1,043,029	\$ -	\$ -	\$ 1,043,029	\$ -
Commercial	346,778	-	-	346,778	-
Industrial	527,482	-	-	527,482	-
Residential sales	-	-	3,421,475	3,421,475	-
Commercial and industrial sales	-	-	17,923,387	17,923,387	-
Public street and highway lighting	-	-	163,163	163,163	-
Fire protection receipts	131,720	-	-	131,720	-
Penalties	13,568	53,868	63,023	130,459	-
Flat rate receipts	-	62,317	-	62,317	-
Measured receipts:					
Residential	-	1,385,353	-	1,385,353	-
Commercial	-	1,345,948	-	1,345,948	-
Network service fees	-	-	517,206	517,206	-
Insurance proceeds	-	-	-	-	1,113,636
Other	31,636	342,350	380,638	754,624	171,450
Total operating receipts	2,094,213	3,189,836	22,468,892	27,752,941	1,285,086
Operating disbursements:					
Source of supply and disbursements - operations and maintenance	82,342	-	-	82,342	-
Water treatment disbursements - operations and maintenance	439,842	-	-	439,842	-
Transmission and distribution	465,596	-	-	465,596	-
Collection system - operations and maintenance	-	228,674	-	228,674	-
Pumping - operations and maintenance	-	244,279	-	244,279	-
Treatment and disposal disbursements - operations and maintenance	-	1,154,843	-	1,154,843	-
Purchased power	-	-	17,218,603	17,218,603	-
Operations and maintenance	-	-	1,313,891	1,313,891	-
Network services	-	-	606,803	606,803	-
Customer accounts	58,372	78,851	97,176	234,399	-
Administration and general	568,948	625,532	1,309,141	2,503,621	-
Insurance claims and premiums	28,720	58,294	79,795	166,809	1,384,306
Miscellaneous disbursements	85,233	144,916	785,264	1,015,413	-
Total operating disbursements	1,729,053	2,535,389	21,410,673	25,675,115	1,384,306
Excess (deficiency) of operating receipts over operating disbursements	365,160	654,447	1,058,219	2,077,826	(99,220)
Nonoperating receipts (disbursements):					
Loan proceeds	-	2,399,090	-	2,399,090	-
Interest and investment receipts	3,530	6,308	59,881	69,719	-
Miscellaneous receipts	60,044	126,926	125,685	312,655	-
Debt service principal and interest disbursements	(417,553)	(373,315)	-	(790,868)	-
Equipment and capital improvements disbursements	(25,915)	(1,239,827)	(2,151,213)	(3,416,955)	-
Miscellaneous disbursements	(105,388)	(177,268)	(160,915)	(443,571)	-
Total nonoperating receipts (disbursements)	(485,282)	741,914	(2,126,562)	(1,869,930)	-
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	(120,122)	1,396,361	(1,068,343)	207,896	(99,220)
Transfers in	-	271,170	-	271,170	-
Transfers out	-	(2,070,000)	-	(2,070,000)	-
Deficiency of receipts and transfers in over disbursements and transfers out	(120,122)	(402,469)	(1,068,343)	(1,590,934)	(99,220)
Cash and investment fund balance - beginning	2,585,323	4,702,742	6,544,985	13,833,050	1,334,984
Cash and investment fund balance - ending	<u>\$ 2,465,201</u>	<u>\$ 4,300,273</u>	<u>\$ 5,476,642</u>	<u>\$ 12,242,116</u>	<u>\$ 1,235,764</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 178,909	\$ 586,792	\$ 3,746,339	\$ 4,512,040	\$ 1,235,764
Restricted assets:					
Cash and investments	<u>2,286,292</u>	<u>3,713,481</u>	<u>1,730,303</u>	<u>7,730,076</u>	<u>-</u>
Total cash and investment assets - December 31	<u>\$ 2,465,201</u>	<u>\$ 4,300,273</u>	<u>\$ 5,476,642</u>	<u>\$ 12,242,116</u>	<u>\$ 1,235,764</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Debt service	\$ 556,421	\$ 1,859,486	\$ 720	\$ 2,416,627	\$ -
Other purposes	1,729,871	1,853,995	1,729,583	5,313,449	-
Unrestricted	<u>178,909</u>	<u>586,792</u>	<u>3,746,339</u>	<u>4,512,040</u>	<u>1,235,764</u>
Total cash and investment fund balance - December 31	<u>\$ 2,465,201</u>	<u>\$ 4,300,273</u>	<u>\$ 5,476,642</u>	<u>\$ 12,242,116</u>	<u>\$ 1,235,764</u>

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

CITY OF AUBURN
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2009

	Pension Trust Fund	Agency Funds
Additions:		
Contributions:		
State	<u>\$ 60,766</u>	
Investment earnings:		
Interest	<u>193</u>	
Total additions	<u>60,959</u>	
Deductions:		
Benefits	59,554	
Administrative and general	<u>1,393</u>	
Total deductions	<u>60,947</u>	
Excess of total additions over total deductions	12	
Cash and investment fund balance - beginning	<u>131,751</u>	
Cash and investment fund balance - ending	<u>\$ 131,763</u>	<u>\$ 14,767</u>

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

CITY OF AUBURN
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 form of government and provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, and urban redevelopment.

The City's financial reporting entity is composed of the following:

Primary Government: City of Auburn

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 displays 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, 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 Cumulative Capital Development Fund is used to account for receipts and disbursements of taxes levied under Indiana Code IC 36-9-15.5 for capital project uses.

The CEDIT Fund accounts for the City's use of economic development income tax revenues.

The TIF Fund accounts for the financial resources for public improvements and economic development within the TIF district.

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
(Continued)

The City reports the following major enterprise 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.

The Electric Utility Fund accounts for the operation of the electric distribution system.

Additionally, the City reports the following fund types:

The internal service fund accounts for health insurance provided to other departments on a cost-reimbursement basis.

The pension trust funds account for the activities of the 1925 police pension fund and the utilities pension fund which accumulate resources for pension benefit payments.

Agency funds account for assets held by the City as an agent for federal and state revenue agencies and serve as control of accounts for cash transactions during the time they are a liability to the City.

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 its enterprise funds. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

When both restricted and unrestricted resources are available for use, the City's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the City in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which may become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

4. 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.

5. Long-Term Debt

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

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
(Continued)

6. 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, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

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

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund 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 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.

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

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

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 loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

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.

Prior to the first required publication, 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. Prior to November 1, 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.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. 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. IC 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

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
(Continued)

eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The City does not have a deposit policy for custodial credit risk. At December 31, 2009, the City had deposit balances in the amount of \$27,807,299.

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.

2. Investments

Statutory Authorization for Investments

IC 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the City to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2009, were as follows:

Transfer From	Transfer To	2009
General Fund	Other Governmental Funds	\$ 130,000
Other Governmental Funds	Other Governmental Funds	35,000
	Wastewater Fund	271,170
Wastewater Fund	CEDIT Fund	2,070,000
Total		\$ 2,506,170

The City typically uses transfers for cash flow purposes as provided by various statutory provisions. The City also transferred \$271,170 from CEDIT Debt Service Reserve to Wastewater in order to partially fund the 2009 SRF debt reserve and \$2,070,000 from Wastewater to CEDIT for early payoff of the 1995 CEDIT SRF loan.

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; medical benefits to employees, retirees, and dependents; 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.

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
(Continued)

The City has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees and dependents. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. The City purchases commercial insurance for claims in excess of coverage provided by the fund. Amounts are paid into the Self-Insurance Fund by all funds from which payroll is paid. The amounts paid by each fund are determined by a percentage of total payroll to the payroll paid from that fund.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

During 2003, the City joined with other governmental entities in the Indiana Public Employers Plan, a public entity risk pool currently operating as a common risk management and insurance program for 350 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of job related illness or injury (workers' comp). The City pays an annual premium to the risk pool for its job related illness or injury (workers' comp) 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. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

B. Holding Corporation

The City has entered into a capital lease with City of Auburn Fire Station Building Corp. (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the City. The lessor has been determined to be a related party of the City. Lease payments during the year 2009 totaled \$268,840.

C. Subsequent Events

Video transmission capability for Auburn Essential Services - The City awarded a \$1,350,000 contract for equipment to Mega Hurtz on January 14, 2010.

Smart Grid (utility monitoring system) - A 50/50 grant from US Dept of Energy (\$2,075,080) was approved on March 25, 2010. The City awarded a \$1,845,286 contract for engineering to Spectrum on April 22, 2010.

D. Conduit Debt Obligation

The City has issued conduit debt (no commitment debt) to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying notes to the financial statements.

As of December 31, 2009, the outstanding aggregate principal amount payable was \$222,424.

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Other Postemployment Benefits

In addition to the pension benefits described below, the City provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the City and are eligible to receive pension benefits from at least one of the pension plans described below. A retiree may continue in the City's self-insurance plan until the retiree reaches eligibility age under the federal Medicare program in which the City's insurance plan will automatically terminate. Currently, 12 retirees meet these eligibility requirements. The City and retirees provide 80% and 20%, respectively, for single coverage of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2009, the City and retirees paid \$39,881 and \$9,971, respectively, for these benefits.

F. Rate Structure – Enterprise Funds

Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on January 11, 2000.

Wastewater Utility

The current rate structure was approved by the City Council on September 8, 2009.

Electric Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on July 28, 1990.

G. Receipts Pledged

Water Utility Receipts Pledged

The City has pledged future water receipts, net of specified operating disbursements, to repay revenue bonds issued in 2000. Proceeds from the bonds provided financing for waterworks improvements. The bonds are payable solely from water net receipts and are payable through 2018.

Wastewater Utility Receipts Pledged

The City has pledged future wastewater receipts, net of specified operating disbursements, to repay revenue bonds issued in 1995 and 2009, respectively. Proceeds from the bonds provided financing for wastewater collection and treatment system improvements. The bonds are payable solely from wastewater net receipts and are payable through 2017 and 2030, respectively.

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
(Continued)

H. 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 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

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the City during the period were \$441,951.

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

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
(Continued)

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11. The State of Indiana has contributed \$60,766 on behalf of the City. On behalf contributions from the State of Indiana approximates the amount paid out for benefits.

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.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

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

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

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan during the period were \$422,858.

CITY OF AUBURN
 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)
07-01-07	\$ 5,230,809	\$ 6,135,155	\$ (904,346)	85%	\$ 3,658,202	25%
07-01-08	5,728,801	6,686,282	(957,481)	86%	3,965,895	24%
07-01-09	4,834,772	6,644,618	(1,809,846)	73%	3,908,025	46%

1925 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)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-04	\$ 213,033	\$ 1,708,800	\$ (1,495,767)	12%	\$ -	No Covered Payroll
01-01-05	220,714	1,587,000	(1,366,286)	14%	-	No Covered Payroll
01-01-06	203,506	1,605,300	(1,401,794)	13%	-	No Covered Payroll
01-01-07	177,875	1,599,800	(1,421,925)	11%	-	No Covered Payroll
01-01-08	158,031	1,598,500	(1,440,469)	10%	-	No Covered Payroll
01-01-09	131,751	1,012,400	(880,649)	13%	-	No Covered Payroll

CITY OF AUBURN
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS FROM THE
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
			City	State
1925 Police Officers' Pension Plan	12-31-04	\$ 195,200	19%	23%
	12-31-05	112,100	4%	34%
	12-31-06	114,700	7%	19%
	12-31-07	116,000	6%	26%
	12-31-08	117,600	2%	27%
	12-31-09	75,700	0%	80%

CITY OF AUBURN
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009

	Motor Vehicle Highway	Local Road and Street	Parks and Recreation	Law Enforcement Continuing Education	Rainy Day	Fire Living Quarters	Drug Enforcement Grant
Receipts:							
Taxes	\$ 1,146,821	\$ -	\$ 318,346	\$ -	\$ -	\$ -	\$ -
Intergovernmental	411,388	59,394	25,633	-	121,307	-	17,263
Charges for services	1,615	-	59,215	11,431	-	521	-
Fines and forfeits	5,013	-	520	3,524	-	-	-
Other	-	-	-	-	-	634	-
Total receipts	1,564,837	59,394	403,714	14,955	121,307	1,155	17,263
Disbursements:							
Public safety	-	-	-	5,125	-	1,281	10,544
Highways and streets	1,346,114	65,828	-	-	-	-	-
Culture and recreation	-	-	573,245	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	1,346,114	65,828	573,245	5,125	-	1,281	10,544
Excess (deficiency) of revenue over disbursements	218,723	(6,434)	(169,531)	9,830	121,307	(126)	6,719
Other financing sources (uses):							
Transfers in	-	-	-	-	155,000	-	-
Transfers out	(20,000)	-	(5,000)	-	-	-	(10,000)
Other receipts	844	-	-	-	-	-	-
Total other financing sources (uses)	(19,156)	-	(5,000)	-	155,000	-	(10,000)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	199,567	(6,434)	(174,531)	9,830	276,307	(126)	(3,281)
Cash and investment fund balance - beginning	469,688	118,423	447,387	23,344	523,229	892	23,296
Cash and investment fund balance - ending	\$ 669,255	\$ 111,989	\$ 272,856	\$ 33,174	\$ 799,536	\$ 766	\$ 20,015
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 799,536	\$ -	\$ -
Restricted assets:							
Cash and investments	669,255	111,989	272,856	33,174	-	766	20,015
Total cash and investment assets - December 31	\$ 669,255	\$ 111,989	\$ 272,856	\$ 33,174	\$ 799,536	\$ 766	\$ 20,015
Cash and Investment Fund Balance - December 31							
Restricted for:							
Public safety	\$ -	\$ -	\$ -	\$ 33,174	\$ -	\$ 766	\$ 20,015
Highways and streets	669,255	111,989	-	-	-	-	-
Culture and recreation	-	-	272,856	-	-	-	-
Debt service	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	799,536	-	-
Total cash and investment fund balance - December 31	\$ 669,255	\$ 111,989	\$ 272,856	\$ 33,174	\$ 799,536	\$ 766	\$ 20,015

CITY OF AUBURN
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Multi-County Drug Task Force	DUI Grant	Donation	Park Nonreverting Operating	Police Department Local Grants	Local Law Enforcement Block Grant	Fire Donation
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	8,042	-	-	-	-	-
Charges for services	-	-	-	15,295	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	43,874	-	126,782	13,203	-	-	3,819
Total receipts	43,874	8,042	126,782	28,498	-	-	3,819
Disbursements:							
Public safety	40,459	8,342	105,077	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	32,771	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	40,459	8,342	105,077	32,771	-	-	-
Excess (deficiency) of revenue over disbursements	3,415	(300)	21,705	(4,273)	-	-	3,819
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,415	(300)	21,705	(4,273)	-	-	3,819
Cash and investment fund balance - beginning	63,054	300	75,610	115,530	1,172	162	355
Cash and investment fund balance - ending	\$ 66,469	\$ -	\$ 97,315	\$ 111,257	\$ 1,172	\$ 162	\$ 4,174
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	66,469	-	97,315	111,257	1,172	162	4,174
Total cash and investment assets - December 31	\$ 66,469	\$ -	\$ 97,315	\$ 111,257	\$ 1,172	\$ 162	\$ 4,174
Cash and Investment Fund Balance - December 31							
Restricted for:							
Public safety	\$ 66,469	\$ -	\$ 97,315	\$ -	\$ 1,172	\$ 162	\$ 4,174
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	111,257	-	-	-
Debt service	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-
Total cash and investment fund balance - December 31	\$ 66,469	\$ -	\$ 97,315	\$ 111,257	\$ 1,172	\$ 162	\$ 4,174

CITY OF AUBURN
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Drug Buy Money	Miscellaneous Federal Grants	Fire Station Building Corporation Lease	Computer Building Corporation Lease	CEDIT Debt Service Reserve	Cumulative Capital Improvement	Tower UDAG Project
Receipts:							
Taxes	\$ -	\$ -	\$ 211,126	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	15,873	17,000	-	-	37,023	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	-	-	-	403	-
Total receipts	-	15,873	228,126	-	-	37,426	-
Disbursements:							
Public safety	-	15,873	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	225,000	-	-	-	-
Interest	-	-	43,840	-	-	-	-
Capital outlay:							
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	-	15,873	268,840	-	-	-	-
Excess (deficiency) of revenue over disbursements	-	-	(40,714)	-	-	37,426	-
Other financing sources (uses):							
Transfers in	10,000	-	-	-	-	-	-
Transfers out	-	-	-	-	(271,170)	-	-
Other receipts	-	-	-	-	-	-	-
Total other financing sources (uses)	10,000	-	-	-	(271,170)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	10,000	-	(40,714)	-	(271,170)	37,426	-
Cash and investment fund balance - beginning	-	-	125,288	63,540	271,170	243,237	17,280
Cash and investment fund balance - ending	\$ 10,000	\$ -	\$ 84,574	\$ 63,540	\$ -	\$ 280,663	\$ 17,280
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	10,000	-	84,574	63,540	-	280,663	17,280
Total cash and investment assets - December 31	\$ 10,000	\$ -	\$ 84,574	\$ 63,540	\$ -	\$ 280,663	\$ 17,280
Cash and Investment Fund Balance - December 31							
Restricted for:							
Public safety	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Debt service	-	-	84,574	63,540	-	-	-
Other purposes	-	-	-	-	-	280,663	17,280
Unrestricted	-	-	-	-	-	-	-
Total cash and investment fund balance - December 31	\$ 10,000	\$ -	\$ 84,574	\$ 63,540	\$ -	\$ 280,663	\$ 17,280

CITY OF AUBURN
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Industrial Sewer Revolving	General Improvement	Auburn Drive Project	Rieke Park Construction	ISTEA/ACD Museum Grant	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,676,293
Intergovernmental	-	-	-	-	-	712,923
Charges for services	-	-	-	-	-	88,077
Fines and forfeits	-	-	-	-	-	9,057
Other	-	-	-	288,477	-	477,192
Total receipts	-	-	-	288,477	-	2,963,542
Disbursements:						
Public safety	-	-	-	-	-	186,701
Highways and streets	-	-	-	-	-	1,411,942
Culture and recreation	-	-	-	-	-	606,016
Debt service:						
Principal	-	-	-	-	-	225,000
Interest	-	-	-	-	-	43,840
Capital outlay:						
Culture and recreation	-	-	-	361,904	-	361,904
Total disbursements	-	-	-	361,904	-	2,835,403
Excess (deficiency) of revenue over disbursements	-	-	-	(73,427)	-	128,139
Other financing sources (uses):						
Transfers in	-	-	-	-	-	165,000
Transfers out	-	-	-	-	-	(306,170)
Other receipts	-	-	-	-	-	844
Total other financing sources (uses)	-	-	-	-	-	(140,326)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(73,427)	-	(12,187)
Cash and investment fund balance - beginning	118,615	41,859	34,218	126,522	3,755	2,907,926
Cash and investment fund balance - ending	\$ 118,615	\$ 41,859	\$ 34,218	\$ 53,095	\$ 3,755	\$ 2,895,739
Cash and Investment Assets - December 31						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 799,536
Restricted assets:						
Cash and investments	118,615	41,859	34,218	53,095	3,755	2,096,203
Total cash and investment assets - December 31	\$ 118,615	\$ 41,859	\$ 34,218	\$ 53,095	\$ 3,755	\$ 2,895,739
Cash and Investment Fund Balance - December 31						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 233,247
Highways and streets	-	-	-	-	-	781,244
Culture and recreation	-	-	-	53,095	-	437,208
Debt service	-	-	-	-	-	148,114
Other purposes	118,615	41,859	34,218	-	3,755	496,390
Unrestricted	-	-	-	-	-	799,536
Total cash and investment fund balance - December 31	\$ 118,615	\$ 41,859	\$ 34,218	\$ 53,095	\$ 3,755	\$ 2,895,739

CITY OF AUBURN
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2009

	<u>Payroll</u>	<u>Flex</u>	<u>COBRA Administration</u>	<u>Totals</u>
Additions:				
Agency fund additions	\$ 8,560,733	\$ 44,986	\$ -	\$ 8,605,719
Deductions:				
Agency fund deductions	<u>8,766,788</u>	<u>43,975</u>	<u>574</u>	<u>8,811,337</u>
Excess (deficiency) of total additions over total deductions	(206,055)	1,011	(574)	(205,618)
Cash and investment fund balance - beginning	<u>207,452</u>	<u>12,359</u>	<u>574</u>	<u>220,385</u>
Cash and investment fund balance - ending	<u>\$ 1,397</u>	<u>\$ 13,370</u>	<u>\$ -</u>	<u>\$ 14,767</u>

CITY OF AUBURN
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
For The Year Ended December 31, 2009

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 2,041,537
Infrastructure	32,842,509
Buildings	2,910,859
Improvements other than buildings	1,423,098
Machinery and equipment	9,268,135
Construction in progress	<u>2,913,523</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 51,399,661</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 735,068
Construction in progress	149,444
Capital assets, being depreciated:	
Buildings	3,532,927
Improvements other than buildings	13,569,834
Machinery and equipment	1,298,851
Transportation equipment	<u>272,050</u>
 Total Water Utility capital assets	 <u>19,558,174</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	377,757
Construction in progress	2,203,055
Capital assets, being depreciated:	
Buildings	6,288,738
Improvements other than buildings	23,781,254
Machinery and equipment	10,506,924
Transportation equipment	<u>321,214</u>
 Total Wastewater Utility capital assets	 <u>43,478,942</u>
Electric Utility:	
Capital assets, not being depreciated:	
Land	701,589
Construction in progress	7,191,508
Capital assets, being depreciated:	
Buildings	3,136,945
Improvements other than buildings	26,722,340
Machinery and equipment	2,610,744
Transportation equipment	<u>1,576,109</u>
 Total Electric Utility capital assets	 <u>41,939,235</u>
 Total business-type activities capital assets	 <u>\$ 104,976,351</u>

CITY OF AUBURN
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The City has entered into the following long-term debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Fire station	\$ 750,000	\$ 273,200
Dump trucks	<u>72,852</u>	<u>-</u>
Total governmental activities debt	<u>\$ 822,852</u>	<u>\$ 273,200</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
2000 Improvement	<u>\$ 2,915,000</u>	<u>\$ 419,928</u>
Wastewater Utility:		
Loans and Notes:		
1995 State Revolving Fund	4,910,000	747,010
2009 State Revolving Fund, Series A & B	2,163,798	480,426
2009 Forgiveable taxable BAN	<u>235,292</u>	<u>-</u>
Total Wastewater Utility	<u>7,309,090</u>	<u>1,227,436</u>
Total business-type activities debt	<u>\$ 10,224,090</u>	<u>\$ 1,647,364</u>

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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 46204-2769

Telephone: (317) 232-2513
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF AUBURN, DEKALB COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Auburn (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 its major federal program for the year ended December 31, 2009. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

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

STATE BOARD OF ACCOUNTS

August 30, 2010

CITY OF AUBURN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2009

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Governments	16.804	2009-SB-B9-1143	\$ <u>15,873</u>
Pass-Through Indiana Criminal Justice Institute Edward Byrne Memorial Justice Assistance Program	16.738	08(a)-DJ-019	<u>17,263</u>
Total for federal grantor agency			<u>33,136</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute Highway Cluster State and Community Highway Safety	20.600	OPO09010145	<u>2,750</u>
Pass-Through Town of Hudson Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	K8-2010-03-03-28 K4-2010-08-01-09	2,632 <u>2,660</u>
Total for program			<u>5,292</u>
Total for federal grantor agency			<u>8,042</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds	66.458	WW09051703	762,446
ARRA - Capitalization Grants for Clean Water State Revolving Funds		ARRA-WW09051703	<u>207,219</u>
Total for federal grantor agency			<u>969,665</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA DR 1740	<u>2,632</u>
Total federal awards expended			<u>\$ 1,013,475</u>

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

CITY OF AUBURN
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Auburn (City) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

CITY OF AUBURN
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
 Significant deficiencies 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
 Significant deficiencies 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
66.458	Capitalization Grants for Clean Water State Revolving Funds

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF AUBURN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF AUBURN
EXIT CONFERENCE

The contents of this report were discussed on August 30, 2010, with Patricia M. Miller, Clerk-Treasurer; Marilyn Gearhart, President of the Common Council; and Norman E. Yoder, Mayor. Our audit disclosed no material items that warrant comment at this time.