

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

CITY OF AUSTIN

SCOTT COUNTY, INDIANA

January 1, 2010 to December 31, 2010



FILED
12/12/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Dillo Bush	01-01-08 to 12-31-11
Mayor	Douglas Campbell	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Douglas Campbell	01-01-08 to 12-31-11
President of the Common Council	Roger Hawkins	01-01-10 to 12-01-11
President of the Redevelopment Commission	Albert Thormyer	01-01-10 to 12-01-11
Superintendent of Wastewater Utility	Howard Watts	01-01-10 to 12-31-11



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial statement of the City of Austin (City), for the period of January 1, 2010 to December 31, 2010. The City's management is responsible for the financial statement. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2010, on the basis of accounting described in Note 1.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City's management and Common Council 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

October 24, 2011

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FINANCIAL STATEMENT

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

CITY OF AUSTIN
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Adjusted Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 268,823	\$ 673,456	\$ 792,588	\$ 149,691
Motor Vehicle Highway	104,949	129,168	203,233	30,884
Local Road And Street	763	24,589	26,809	(1,457)
Donations	2,748	9,019	7,850	3,917
Sanitation	70,501	265,362	298,207	37,656
Operation Pullover/Taser Grants	-	10,738	10,738	-
Law Enforcement Continuing Ed	5,675	3,120	2,107	6,688
Park And Recreation	5,748	2,060	5,162	2,646
Sewer Project	11,710	-	11,710	-
State Grant #2	816	-	-	816
Cdbg Money	-	124,829	124,829	-
Land Acquisition Fund	125,000	-	-	125,000
Planning Grant	-	20,440	18,440	2,000
Rainy Day	75,949	20,630	3,400	93,179
Levy Excess	-	1,474	-	1,474
Tif District #1	485,729	290,339	288,090	487,978
Police Activity	2,054	1	300	1,755
Christie Fund (Manaugh Park)	102,540	39,732	38,291	103,981
Manaugh Park	481	1,000	1,002	479
Tax Money In Lieu Of Annexation	16,074	42,400	55,198	3,276
Rental Income	3,577	7,399	537	10,439
Tif/Pepsi Project	-	93,500	-	93,500
Cumulative Capl Improvement Cigarette Tax	16,137	13,832	-	29,969
Cumulative Capital Development	19,864	22,912	28,330	14,446
Police Pension Fund	17,617	48,652	34,906	31,363
Payroll Fund	1,906	889,649	879,984	11,571
Sewer Cash Operating	199,068	1,086,512	1,283,967	1,613
Thoroughfare Bond (Sinking)	288,963	325,456	267,076	347,343
Utility Improvement Fund	52,198	39,025	77,206	14,017
Debt Reserve	191,380	15,743	-	207,123
Totals	<u>\$ 2,070,270</u>	<u>\$ 4,201,037</u>	<u>\$ 4,459,960</u>	<u>\$ 1,811,347</u>

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

CITY OF AUSTIN
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying financial statement presents the financial information for the City (primary government), and does not include financial information for any of the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the City (primary government).

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

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

CITY OF AUSTIN
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

CITY OF AUSTIN
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

CITY OF AUSTIN
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement and replacement items purchased.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is 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 this 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 members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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. That report may be obtained by contacting:

CITY OF AUSTIN
NOTES TO FINANCIAL STATEMENT
(Continued)

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 the plan members for PERF are established by the Board of Trustees of PERF.

B. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public 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.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

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

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

CITY OF AUSTIN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road And Street	Donations	Sanitation	Operation Pullover/Taser Grants	Law Enforcement Continuing Ed
Cash and investments - beginning	\$ 268,823	\$ 104,949	\$ 763	\$ 2,748	\$ 70,501	\$ -	\$ 5,675
Receipts:							
Taxes	318,232	4,718	-	-	50,928	-	-
Licenses and permits	3,099	-	-	-	-	-	925
Intergovernmental	266,128	124,126	24,589	-	5,811	10,738	-
Charges for services	-	-	-	-	203,499	-	266
Fines and forfeits	13,960	-	-	-	-	-	1,550
Other receipts	72,037	324	-	9,019	5,124	-	379
Total receipts	<u>673,456</u>	<u>129,168</u>	<u>24,589</u>	<u>9,019</u>	<u>265,362</u>	<u>10,738</u>	<u>3,120</u>
Disbursements:							
Personal services	506,340	141,318	-	-	103,128	-	-
Supplies	48,279	30,005	-	-	18,718	-	2,107
Other services and charges	231,696	29,910	-	-	72,478	-	-
Capital outlay	5,636	2,000	26,809	-	28,883	10,738	-
Other disbursements	637	-	-	7,850	75,000	-	-
Total disbursements	<u>792,588</u>	<u>203,233</u>	<u>26,809</u>	<u>7,850</u>	<u>298,207</u>	<u>10,738</u>	<u>2,107</u>
Excess (deficiency) of receipts over disbursements	<u>(119,132)</u>	<u>(74,065)</u>	<u>(2,220)</u>	<u>1,169</u>	<u>(32,845)</u>	<u>-</u>	<u>1,013</u>
Cash and investments - ending	<u>\$ 149,691</u>	<u>\$ 30,884</u>	<u>\$ (1,457)</u>	<u>\$ 3,917</u>	<u>\$ 37,656</u>	<u>\$ -</u>	<u>\$ 6,688</u>

CITY OF AUSTIN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Park And Recreation	Sewer Project	State Grant #2	Cdbg Money	Land Acquisition Fund	Planning Grant
Cash and investments - beginning	\$ 5,748	\$ 11,710	\$ 816	\$ -	\$ 125,000	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	124,829	-	17,040
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other receipts	2,060	-	-	-	-	3,400
Total receipts	<u>2,060</u>	<u>-</u>	<u>-</u>	<u>124,829</u>	<u>-</u>	<u>20,440</u>
Disbursements:						
Personal services	-	-	-	29,300	-	-
Supplies	4,836	-	-	-	-	-
Other services and charges	-	-	-	95,529	-	1,400
Capital outlay	326	-	-	-	-	17,040
Other disbursements	-	11,710	-	-	-	-
Total disbursements	<u>5,162</u>	<u>11,710</u>	<u>-</u>	<u>124,829</u>	<u>-</u>	<u>18,440</u>
Excess (deficiency) of receipts over disbursements	<u>(3,102)</u>	<u>(11,710)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
Cash and investments - ending	<u>\$ 2,646</u>	<u>\$ -</u>	<u>\$ 816</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 2,000</u>

CITY OF AUSTIN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Rainy Day	Levy Excess	Tif District #1	Police Activity	Christie Fund (Manauh Park)	Manauh Park
Cash and investments - beginning	\$ 75,949	\$ -	\$ 485,729	\$ 2,054	\$ 102,540	\$ 481
Receipts:						
Taxes	-	1,474	234,992	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	20,630	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other receipts	-	-	55,347	1	39,732	1,000
Total receipts	<u>20,630</u>	<u>1,474</u>	<u>290,339</u>	<u>1</u>	<u>39,732</u>	<u>1,000</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	269
Other services and charges	-	-	56,330	-	-	373
Capital outlay	-	-	173,322	-	38,291	360
Other disbursements	3,400	-	58,438	300	-	-
Total disbursements	<u>3,400</u>	<u>-</u>	<u>288,090</u>	<u>300</u>	<u>38,291</u>	<u>1,002</u>
Excess (deficiency) of receipts over disbursements	<u>17,230</u>	<u>1,474</u>	<u>2,249</u>	<u>(299)</u>	<u>1,441</u>	<u>(2)</u>
Cash and investments - ending	<u>\$ 93,179</u>	<u>\$ 1,474</u>	<u>\$ 487,978</u>	<u>\$ 1,755</u>	<u>\$ 103,981</u>	<u>\$ 479</u>

CITY OF AUSTIN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Tax Money In Lieu Of Annexation	Rental Income	Tif/Pepsi Project	Cumulative Capital Improvement Cigarette Tax	Cumulative Capital Development	Police Pension Fund
Cash and investments - beginning	\$ 16,074	\$ 3,577	\$ -	\$ 16,137	\$ 19,864	\$ 17,617
Receipts:						
Taxes	-	-	-	-	20,565	48,652
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	13,832	2,347	-
Charges for services	42,400	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other receipts	-	7,399	93,500	-	-	-
Total receipts	<u>42,400</u>	<u>7,399</u>	<u>93,500</u>	<u>13,832</u>	<u>22,912</u>	<u>48,652</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	371	-	-	-	-
Other services and charges	25,967	166	-	-	-	34,906
Capital outlay	-	-	-	-	28,330	-
Other disbursements	<u>29,231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>55,198</u>	<u>537</u>	<u>-</u>	<u>-</u>	<u>28,330</u>	<u>34,906</u>
Excess (deficiency) of receipts over disbursements	<u>(12,798)</u>	<u>6,862</u>	<u>93,500</u>	<u>13,832</u>	<u>(5,418)</u>	<u>13,746</u>
Cash and investments - ending	<u>\$ 3,276</u>	<u>\$ 10,439</u>	<u>\$ 93,500</u>	<u>\$ 29,969</u>	<u>\$ 14,446</u>	<u>\$ 31,363</u>

CITY OF AUSTIN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Payroll Fund	Sewer Cash Operating	Thoroughfare Bond (Sinking)	Utility Improvement Fund	Debt Reserve	Totals
Cash and investments - beginning	\$ 1,906	\$ 198,868	\$ 288,963	\$ 52,198	\$ 191,380	\$ 2,070,070
Receipts:						
Taxes	-	-	-	-	-	679,561
Licenses and permits	-	-	-	-	-	4,024
Intergovernmental	-	-	-	-	-	610,070
Charges for services	-	-	-	-	-	246,165
Fines and forfeits	-	-	-	-	-	15,510
Other receipts	889,649	1,086,512	325,456	39,025	15,743	2,645,707
Total receipts	<u>889,649</u>	<u>1,086,512</u>	<u>325,456</u>	<u>39,025</u>	<u>15,743</u>	<u>4,201,037</u>
Disbursements:						
Personal services	-	-	-	-	-	780,086
Supplies	-	-	-	-	-	104,585
Other services and charges	-	-	-	-	-	548,755
Capital outlay	-	-	-	-	-	331,735
Other disbursements	879,984	1,283,967	267,076	77,206	-	2,694,799
Total disbursements	<u>879,984</u>	<u>1,283,967</u>	<u>267,076</u>	<u>77,206</u>	<u>-</u>	<u>4,459,960</u>
Excess (deficiency) of receipts over disbursements	<u>9,665</u>	<u>(197,455)</u>	<u>58,380</u>	<u>(38,181)</u>	<u>15,743</u>	<u>(258,923)</u>
Cash and investments - ending	<u>\$ 11,571</u>	<u>\$ 1,413</u>	<u>\$ 347,343</u>	<u>\$ 14,017</u>	<u>\$ 207,123</u>	<u>\$ 1,811,147</u>

CITY OF AUSTIN
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2010

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>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 220,417
Infrastructure	1,262,000
Buildings	934,106
Improvements other than buildings	210,378
Machinery and equipment	<u>465,489</u>
 Total governmental activities, capital assets not being depreciated	 <u>3,092,390</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 131,854
Buildings	310,253
Improvements other than buildings	17,932,374
Machinery and equipment	<u>169,007</u>
 Total Wastewater Utility capital assets	 <u>18,543,488</u>
 Total capital assets not being depreciated	 <u><u>\$ 21,635,878</u></u>

CITY OF AUSTIN
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2010

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital lease:		
Backhoe	\$ 84,847	\$ 18,411
Notes and loans payable:		
Garbage packer	68,987	24,838
Police cars	108,987	63,516
Revenue bonds:		
Tax increment revenue bonds of 2007	<u>935,000</u>	<u>58,438</u>
Total governmental activities debt	<u>\$ 1,197,821</u>	<u>\$ 165,203</u>
Business-type activities:		
Wastewater Utility:		
Notes and loans payable:		
Sewer belt press	\$ 40,710	\$ 11,175
Revenue bonds:		
Sewage works revenue bonds of 2002 series A	2,507,000	148,006
Sewage works revenue bonds of 2002 series B	87,000	5,870
Sewage works revenue bonds of 2007	<u>2,729,000</u>	<u>144,891</u>
Total Wastewater Utility	<u>\$ 5,363,710</u>	<u>\$ 309,942</u>

CITY OF AUSTIN
EXAMINATION RESULTS AND COMMENTS

***NON-CAPITAL EXPENDITURES PAID FROM THE REDEVELOPMENT COMMISSION'S
CAPITAL PROJECT FUND (Applies to Redevelopment Commission and City Council)***

The following non-capital expenditures were paid from the Redevelopment Commission's TIF District # 1 Fund, a capital projects fund:

1. Bill Sears was paid \$10,000 during the year 2010 and was paid \$16,000 from January through August of the year 2011. Section 1 of the contract with Bill Sears states: "The Consultant will consult with the Mayor and the City concerning matters related to the Economic and Community Development of the City." The contract was signed by Douglas Campbell, Mayor, on July 1, 2010.
2. Winston/Terrell Group was paid \$3,750 during the year 2010, and was paid \$6,000 from January through August of 2011. Section II of the contract states: "The Group will advise and represent the client on federal relations activities in support of various City initiatives." The contract was signed by Douglas Campbell, Mayor, on July 7, 2010.

The contracts were presented to the Redevelopment Commission for their review on July 12, 2010. The contracts were approved by the City Council on July 13, 2010. City Council directed the contracts be paid from the TIF District #1 Fund.

Powers of Commission

Indiana Code 36-7-14-12.2(a) states in part:

"The redevelopment commission may do the following:

- (1) Acquire by purchase, exchange, gift, grant, condemnation, or lease, or any combination of methods, any personal property or interest in real property needed for the redevelopment of areas needing redevelopment that are located within the corporate boundaries of the unit . . .
- (7) Repair and maintain structures acquired for redevelopment purposes . . ."

Statutes and Administrative Code Provisions Regarding Use of Tax Increment Financing

Indiana Code 36-7-14-39(b)(2) states in part:

- "(2) Except as otherwise provided in this section, property tax proceeds in excess of those described in subdivision (1) shall be allocated to the redevelopment district and, when collected, paid into an allocation fund for that allocation area that may be used by the redevelopment district only to do one (1) or more of the following:
- (A) Pay the principal of and interest on any obligations payable solely from allocated tax proceeds which are incurred by the redevelopment district for the purpose of financing or refinancing the redevelopment of that allocation area.
 - (B) Establish, augment, or restore the debt service reserve for bonds payable solely or in part from allocated tax proceeds in that allocation area.

CITY OF AUSTIN
EXAMINATION RESULTS AND COMMENTS
(Continued)

(C) Pay the principal of and interest on bonds payable from allocated tax proceeds in that allocation area and from the special tax levied under section 27 of this chapter.

(D) Pay the principal of and interest on bonds issued by the unit to pay for local public improvements that are physically located in or physically connected to that allocation area.

(E) Pay premiums on the redemption before maturity of bonds payable solely or in part from allocated tax proceeds in that allocation area.

(F) Make payments on leases payable from allocated tax proceeds in that allocation area under section 25.2 of this chapter.

(G) Reimburse the unit for expenditures made by it for local public improvements (which include buildings, parking facilities, and other items described in section 25.1(a) of this chapter) that are physically located in or physically connected to that allocation area.

(H) Reimburse the unit for rentals paid by it for a building or parking facility that is physically located in or physically connected to that allocation area under any lease entered into under IC 36-1-10.

(I) For property taxes first due and payable before January 1, 2009, pay all or a part of a property tax replacement credit to taxpayers in an allocation area as determined by the redevelopment commission . . .

(J) Pay expenses incurred by the redevelopment commission for local public improvements that are in the allocation area or serving the allocation area. Public improvements include buildings, parking facilities, and other items described in section 25.1(a) of this chapter.

(K) Reimburse public and private entities for expenses incurred in training employees of industrial facilities that are located:

(i) in the allocation area; and

(ii) on a parcel of real property that has been classified as industrial property under the rules of the department of local government finance . . .

(L) Pay the costs of carrying out an eligible efficiency project (as defined in IC 36-9-41-1.5) within the unit that established the redevelopment commission. . . .

The allocation fund may not be used for operating expenses of the commission."

Indiana Code 36-7-14-25.1(a) states in part:

"In addition to other methods of raising money for property acquisition or redevelopment in a redevelopment project area, and in anticipation of the special tax to be levied under section 27 of this chapter, the taxes allocated under section 39 of this chapter, or other revenues of the district, or any combination of these sources, the redevelopment commission may, by resolution . . . issue the bonds of the special taxing district in the name of the unit. The

CITY OF AUSTIN
EXAMINATION RESULTS AND COMMENTS
(Continued)

amount of the bonds may not exceed the total, as estimated by the commission, of all expenses reasonably incurred in connection with the acquisition and redevelopment of the property, including:

- (1) the total cost of all land, rights-of-way, and other property to be acquired and redeveloped;
- (2) all reasonable and necessary architectural, engineering, legal, financing, accounting, advertising, bond discount, and supervisory expenses related to the acquisition and redevelopment of the property or the issuance of bonds;
- (3) capitalized interest permitted by this chapter and a debt service reserve for the bonds to the extent the redevelopment commission determines that a reserve is reasonably required; and
- (4) expenses that the redevelopment commission is required or permitted to pay under IC 8-23-17."

Indiana Code 36-9-41-1 states:

"This chapter applies to the following:

- (1) A public work project that will cost the political subdivision not more than two million dollars (\$2,000,000).
- (2) An eligible efficiency project that will cost not more than three million dollars (\$3,000,000)."

Indiana Code 36-9-41-1.5 states:

"As used in this chapter, 'eligible efficiency project' means:

- (1) a project necessary or useful to carrying out an interlocal cooperation agreement entered into by two (2) or more political subdivisions or governmental entities under IC 36-1-7; or
- (2) a project necessary or useful to the consolidation of local government services."

Indiana Code 8-23-17 authorizes certain expenses related to relocation assistance.

Indiana Code 36-1-10 authorizes the acquisition of buildings and other structures by means of lease or lease- purchase.

50 Indiana Administrative Code 8-2-13(e) states in part

". . . Supervisory expenses related to redevelopment projects in the allocation area that are paid to individuals retained to supervise such projects qualify as expenditures for which reimbursement can be made."

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF AUSTIN
EXAMINATION RESULTS AND COMMENTS
(Continued)

PAYMENTS WITHOUT SUPPORTING DOCUMENTATION
(Applies to Redevelopment Commission and City Council)

Invoices on file for the payments were not itemized for professional services paid from the TIF District #1 Fund as described below:

1. Bill Sears was paid \$10,000 during the year 2010 and was paid \$16,000 from January through August of the year 2011 for consulting services (See Examination Result and Comment titled "Non-Capital Expenditures Paid from Redevelopment Commission's Capital Projects Fund). Invoices from Bill Sears showed the payments were for "retainer fees." There was no itemized documentation of hours or description of services documented on the invoice.

Section 3 of the contract states in part:

"It is anticipated that the consultant will spend approximately sixty (60) hours per month in fulfilling his obligations under this contract. The particular amount of time may vary from day to day or week to week. However, the consultant shall devote a minimum of sixty (60) hours per month to his duties in accordance with this agreement."

The contract provides compensation at the rate of \$2,000 per month for these services.

2. Winston/Terrell Group was paid \$3,750 during the year 2010, and was paid \$6,000 from January through August of 2011 to advise and represent the City on federal relations activities in support of various City initiatives. (See Examination Result and Comment titled "Non-Capital Expenditures Paid from Redevelopment Commission's Capital Projects Fund)

Invoices from Winston/Terrell Group showed the payments were for "retainer fees." The contract provided for Winston/Terrell Group to be compensated at the rate of \$750 per month. There was no contractual requirement that Winston/Terrell Group itemize the services performed.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim . . ."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, etc., must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF AUSTIN
EXAMINATION RESULTS AND COMMENTS
(Continued)

APPROVAL OF VOUCHERS (Applies to Redevelopment Commission)

The Redevelopment Commission is responsible for overseeing funds paid from the TIF District #1 Fund. Information presented for examination showed that the Redevelopment Commission was presented vouchers supporting payments paid from the tax allocation funds; however, the Redevelopment Commission did not sign the vouchers documenting the Commission's approval. The vouchers were approved (signed) by the City Council.

Indiana Code 36-7-14-29(a) states:

"All payments from any of the funds established by this chapter shall be made by warrants drawn by the proper officers of the unit upon vouchers of the redevelopment commission signed by the president or vice president and the secretary or executive secretary."

CONFLICT OF INTEREST (Applies to City Council and Police Department)

Richie Buchanan, Councilman, is an Agent/Co-owner of ISU Insurance Investment Group. The firm has contracts for various types of insurance with the City. Donald Spicer, Director of Public Safety, owns Raining Acorns, a firm that sells police supplies to the City. Richie Buchanan and Donald Spicer did not file "Uniform Conflict of Interest Disclosure Statements" for calendar years 2010 or 2011.

Indiana Code 35-44-1-3 states in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony. . . .

(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant. . . . and (B) makes a disclosure under subsection (d)(1) through (d)(6).

(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase. . . .

(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant. . . ."

CITY OF AUSTIN
EXAMINATION RESULTS AND COMMENTS
(Continued)

OVERDRAWN CASH BALANCE (Applies to Clerk-Treasurer)

The cash balance of the Local Road and Street (LRS) Fund was overdrawn by \$1,457 on December 31, 2010.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS (Applies to the Police Department)

The City's Police Department receives payments for gun permits, accident reports, tow-in fees, vehicle identification inspections, and miscellaneous other items. The Police Department forwards receipts and reports of collections to the Clerk-Treasurer. The Clerk-Treasurer deposits the receipts and posts entries to the records.

We noted the following problems concerning the Police Department records.

1. Although the State Board of Accounts approved General Form No. 362 Report of Collections was used, it was not completed properly. The section for year-to-date collections was not used to summarize collections by type.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

2. Reports of collections and funds received were submitted by the Police Department to the Clerk-Treasurer five times during the year 2010 with each report covering several months.

Receipts and fees collected should be remitted to the clerk-treasurer or city controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

3. Only one of the five reports of collections submitted during the year 2010 was available for examination and receipts prior to April 8, 2010, were not available for examination. "

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part:

"Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

CITY OF AUSTIN
EXIT CONFERENCE

The contents of this report were discussed on October 24, 2011, with Dillo Bush, Clerk-Treasurer; Douglas Campbell, Mayor; Roger Hawkins, President of the Common Council; and Albert Thormyer, President of the Redevelopment Commission. The officials concurred with our findings.