

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF UNION CITY
RANDOLPH COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
08/04/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Anita M. Amspaugh	01-01-12 to 12-31-15
Mayor	Bryan K. Conklin	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Bryan K. Conklin	01-01-12 to 12-31-15
President Pro Tempore of the Common Council	Timothy L. Heuss Ron Holt, Jr.	01-01-13 to 12-31-13 01-01-14 to 12-31-14
City Manager	Monte G. Poling	01-01-13 to 12-31-14
City Court Judge	Honorable Linda D. Wilcox	01-01-12 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF UNION CITY, RANDOLPH COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Union City (City), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2013.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 17, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

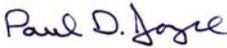
Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.


Paul D. Joyce, CPA
State Examiner

June 17, 2014



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

TO: THE OFFICIALS OF THE CITY OF UNION CITY, RANDOLPH COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the City of Union City (City), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated June 17, 2014, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

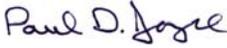
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

June 17, 2014

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

CITY OF UNION CITY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2013

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
General	\$ 1,058,804	\$ 1,823,382	\$ 1,567,612	\$ 1,314,574
MVH	102,182	266,359	300,675	67,866
Local Road and Street	23,475	12,114	12,000	23,589
Park Non Reverting	10,065	6,937	7,751	9,251
Animal Shelter/Registration	1,207	619	1,189	637
LECEF	7,618	2,580	6,000	4,198
Clerk's Record Perp.	5,288	990	-	6,278
Riverboat	106,486	21,231	37,166	90,551
Park and Recreation	43,257	46,372	69,122	20,507
Rainy Day	246,960	60,206	39,873	267,293
Police K9	50	2,580	2,630	-
CCI	4,170	9,621	7,799	5,992
CCD	43,686	20,539	-	64,225
CJ Equipment (LEBG)	176	-	176	-
Police Pension	61,448	19,361	37,975	42,834
Firemen's Pension	53,723	53,397	35,125	71,995
Cemetery	23,241	20,555	27,245	16,551
Fitness Center	1,093	2,090	2,396	787
EMT Training and Facilities	1,126	-	-	1,126
City Court Cash	14,055	3,255	2,625	14,685
Union City Court	26,334	45,357	57,418	14,273
American Fidelity	(147)	18,914	18,216	551
Levy Excess	11,859	-	11,859	-
Brownsfield Grant	-	323,253	323,253	-
Housing Rehab Grant	-	38,200	38,200	-
Harry Loy Jr. Donations	10,619	-	-	10,619
Ambulance Non Reverting	73,455	256,625	262,755	67,325
CEDIT	729,769	168,451	251,851	646,369
Utilities	19,628	201,961	212,510	9,079
Revolving Loan	153,962	76	24,000	130,038
Operation Pullover	(31)	2,838	2,807	-
NSP Grant	101,199	102,365	203,564	-
Police Donations	94	4,204	3,904	394
Cemetery Non Reverting	153,022	7,375	2,500	157,897
Payroll - Net Payroll	-	961,372	961,372	-
Payroll - Deferred Comp.	-	1,690	1,690	-
Payroll - Pre-Paid Legal	-	887	887	-
Payroll - PERF	-	15,419	15,419	-
Payroll - Federal W/H	-	114,931	114,931	-
Payroll - State W/H	3,632	44,651	44,659	3,624
Payroll - Social Security	-	83,110	83,110	-
Payroll - Cagit W/H	1,353	17,164	17,152	1,365
Payroll - P&F Ins Assn	-	6,157	5,667	490
Payroll - Health Ins.	-	36,406	36,256	150
Payroll - Dental and Vision	-	12,875	12,856	19
Payroll - American Life	-	252	252	-
Payroll - Medicare	-	35,204	35,204	-
Payroll - Miscellaneous	-	25,491	25,491	-
Payroll - Police Pension '77	(140)	15,821	15,681	-
Payroll - Fire Pension '77	-	15,922	15,922	-
Planning Grant	-	24,000	24,000	-
Sewage Operating Fund	57,041	785,248	777,508	64,781
Sewage Bond and Interest	810	-	810	-
Sewage Depreciation	714,699	-	12,390	702,309
Sewage BONY Debt Reserve	266,359	-	-	266,359
Sewage BONY Bond and Interest	135,623	256,800	256,697	135,726
Water Tower Replacement	273,577	194,233	16,996	450,814
Water BONY Bond and Interest	17,085	20,400	19,341	18,144
Water Operating	79,153	671,637	686,062	64,728
Water Depreciation	276,854	53,672	186,584	143,942
Water Meter Deposit	79,998	25,100	19,368	85,730
Water BONY Debt Reserve	14,110	4,116	-	18,226
Totals	<u>\$ 5,008,027</u>	<u>\$ 6,964,365</u>	<u>\$ 6,956,501</u>	<u>\$ 5,015,891</u>

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

CITY OF UNION CITY
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts may include the following sources:

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

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

CITY OF UNION CITY
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 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.

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

CITY OF UNION CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

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 UNION CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is 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 Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Indiana Public Retirement System
1 North Capitol Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

CITY OF UNION CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

B. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

C. 1937 Firefighters' Pension Plan

Plan Description

The 1937 Firefighters' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). 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 1937 Firefighters' Pension Plan are established by state statute.

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

CITY OF UNION CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Plan Description

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

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

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

Indiana Public Retirement System
1 North Capitol Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

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

CITY OF UNION CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	General	MVH	Local Road and Street	Park Non Reverting	Animal Shelter/Registration	LECEF	Clerk's Record Perp.
Cash and investments - beginning	\$ 1,058,804	\$ 102,182	\$ 23,475	\$ 10,065	\$ 1,207	\$ 7,618	\$ 5,288
Receipts:							
Taxes	1,110,107	97,986	-	-	-	-	-
Licenses and permits	23,426	-	-	-	-	1,220	-
Intergovernmental	643,460	144,138	12,114	-	-	-	-
Charges for services	-	-	-	4,495	-	-	-
Fines and forfeits	9,931	-	-	-	-	-	990
Utility fees	-	-	-	-	-	-	-
Other receipts	36,458	24,235	-	2,442	619	1,360	-
Total receipts	<u>1,823,382</u>	<u>266,359</u>	<u>12,114</u>	<u>6,937</u>	<u>619</u>	<u>2,580</u>	<u>990</u>
Disbursements:							
Personal services	843,295	152,680	-	-	-	-	-
Supplies	67,146	46,294	-	-	1,189	-	-
Other services and charges	567,231	37,175	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	60,151	55,399	12,000	-	-	6,000	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	29,789	9,127	-	7,751	-	-	-
Total disbursements	<u>1,567,612</u>	<u>300,675</u>	<u>12,000</u>	<u>7,751</u>	<u>1,189</u>	<u>6,000</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>255,770</u>	<u>(34,316)</u>	<u>114</u>	<u>(814)</u>	<u>(570)</u>	<u>(3,420)</u>	<u>990</u>
Cash and investments - ending	<u>\$ 1,314,574</u>	<u>\$ 67,866</u>	<u>\$ 23,589</u>	<u>\$ 9,251</u>	<u>\$ 637</u>	<u>\$ 4,198</u>	<u>\$ 6,278</u>

CITY OF UNION CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Riverboat	Park and Recreation	Rainy Day	Police K9	CCI	CCD	CJ Equipment (LEBG)
Cash and investments - beginning	\$ 106,486	\$ 43,257	\$ 246,960	\$ 50	\$ 4,170	\$ 43,686	\$ 176
Receipts:							
Taxes	-	22,365	-	-	-	19,152	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	21,231	11,619	-	-	9,621	1,387	-
Charges for services	-	12,388	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	60,206	2,580	-	-	-
Total receipts	<u>21,231</u>	<u>46,372</u>	<u>60,206</u>	<u>2,580</u>	<u>9,621</u>	<u>20,539</u>	<u>-</u>
Disbursements:							
Personal services	-	33,143	-	-	-	-	-
Supplies	-	3,013	-	-	-	-	176
Other services and charges	-	32,966	-	-	7,799	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	37,166	-	39,873	2,630	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>37,166</u>	<u>69,122</u>	<u>39,873</u>	<u>2,630</u>	<u>7,799</u>	<u>-</u>	<u>176</u>
Excess (deficiency) of receipts over disbursements	<u>(15,935)</u>	<u>(22,750)</u>	<u>20,333</u>	<u>(50)</u>	<u>1,822</u>	<u>20,539</u>	<u>(176)</u>
Cash and investments - ending	<u>\$ 90,551</u>	<u>\$ 20,507</u>	<u>\$ 267,293</u>	<u>\$ -</u>	<u>\$ 5,992</u>	<u>\$ 64,225</u>	<u>\$ -</u>

CITY OF UNION CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Police Pension	Firemen's Pension	Cemetery	Fitness Center	EMT Training and Facilities	City Court Cash	Union City Court
Cash and investments - beginning	\$ 61,448	\$ 53,723	\$ 23,241	\$ 1,093	\$ 1,126	\$ 14,055	\$ 26,334
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	20,555	2,090	-	-	-
Fines and forfeits	-	-	-	-	-	3,255	45,357
Utility fees	-	-	-	-	-	-	-
Other receipts	19,361	53,397	-	-	-	-	-
Total receipts	19,361	53,397	20,555	2,090	-	3,255	45,357
Disbursements:							
Personal services	37,875	34,080	-	-	-	-	-
Supplies	-	-	4,174	-	-	-	-
Other services and charges	100	1,045	23,071	2,396	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	2,625	57,418
Total disbursements	37,975	35,125	27,245	2,396	-	2,625	57,418
Excess (deficiency) of receipts over disbursements	(18,614)	18,272	(6,690)	(306)	-	630	(12,061)
Cash and investments - ending	\$ 42,834	\$ 71,995	\$ 16,551	\$ 787	\$ 1,126	\$ 14,685	\$ 14,273

CITY OF UNION CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	American Fidelity	Levy Excess	Brownsfield Grant	Housing Rehab Grant	Harry Loy Jr. Donations	Ambulance Non Reverting	CEDIT
Cash and investments - beginning	\$ (147)	\$ 11,859	\$ -	\$ -	\$ 10,619	\$ 73,455	\$ 729,769
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	168,261
Charges for services	-	-	-	-	-	255,507	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	18,914	-	323,253	38,200	-	1,118	190
Total receipts	18,914	-	323,253	38,200	-	256,625	168,451
Disbursements:							
Personal services	-	-	-	-	-	104,104	-
Supplies	-	-	-	-	-	50,511	-
Other services and charges	-	-	-	-	-	100,651	475
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	251,376
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	18,216	11,859	323,253	38,200	-	7,489	-
Total disbursements	18,216	11,859	323,253	38,200	-	262,755	251,851
Excess (deficiency) of receipts over disbursements	698	(11,859)	-	-	-	(6,130)	(83,400)
Cash and investments - ending	\$ 551	\$ -	\$ -	\$ -	\$ 10,619	\$ 67,325	\$ 646,369

CITY OF UNION CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Utilities	Revolving Loan	Operation Pullover	NSP Grant	Police Donations	Cemetery Non Reverting	Payroll - Net Payroll
Cash and investments - beginning	\$ 19,628	\$ 153,962	\$ (31)	\$ 101,199	\$ 94	\$ 153,022	\$ -
Receipts:							
Taxes	16,763	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	11,214	-	-	-	-	-	-
Charges for services	173,984	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	76	2,838	102,365	4,204	7,375	961,372
Total receipts	<u>201,961</u>	<u>76</u>	<u>2,838</u>	<u>102,365</u>	<u>4,204</u>	<u>7,375</u>	<u>961,372</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	212,510	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	3,904	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	24,000	2,807	203,564	-	2,500	961,372
Total disbursements	<u>212,510</u>	<u>24,000</u>	<u>2,807</u>	<u>203,564</u>	<u>3,904</u>	<u>2,500</u>	<u>961,372</u>
Excess (deficiency) of receipts over disbursements	<u>(10,549)</u>	<u>(23,924)</u>	<u>31</u>	<u>(101,199)</u>	<u>300</u>	<u>4,875</u>	<u>-</u>
Cash and investments - ending	<u>\$ 9,079</u>	<u>\$ 130,038</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 394</u>	<u>\$ 157,897</u>	<u>\$ -</u>

CITY OF UNION CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Payroll - Deferred Comp.	Payroll - Pre-Paid Legal	Payroll - PERF	Payroll - Federal W/H	Payroll - State W/H	Payroll - Social Security	Payroll - Cagit W/H
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 3,632	\$ -	\$ 1,353
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,690	887	15,419	114,931	44,651	83,110	17,164
Total receipts	1,690	887	15,419	114,931	44,651	83,110	17,164
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1,690	887	15,419	114,931	44,659	83,110	17,152
Total disbursements	1,690	887	15,419	114,931	44,659	83,110	17,152
Excess (deficiency) of receipts over disbursements	-	-	-	-	(8)	-	12
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 3,624	\$ -	\$ 1,365

CITY OF UNION CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Payroll - P&F Ins Assn	Payroll - Health Ins.	Payroll - Dental and Vision	Payroll - American Life	Payroll - Medicare	Payroll - Miscellaneous	Payroll - Police Pension '77
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (140)
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	<u>6,157</u>	<u>36,406</u>	<u>12,875</u>	<u>252</u>	<u>35,204</u>	<u>25,491</u>	<u>15,821</u>
Total receipts	<u>6,157</u>	<u>36,406</u>	<u>12,875</u>	<u>252</u>	<u>35,204</u>	<u>25,491</u>	<u>15,821</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	<u>5,667</u>	<u>36,256</u>	<u>12,856</u>	<u>252</u>	<u>35,204</u>	<u>25,491</u>	<u>15,681</u>
Total disbursements	<u>5,667</u>	<u>36,256</u>	<u>12,856</u>	<u>252</u>	<u>35,204</u>	<u>25,491</u>	<u>15,681</u>
Excess (deficiency) of receipts over disbursements	<u>490</u>	<u>150</u>	<u>19</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140</u>
Cash and investments - ending	<u>\$ 490</u>	<u>\$ 150</u>	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF UNION CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Payroll - Fire Pension '77	Planning Grant	Sewage Operating Fund	Sewage Bond and Interest	Sewage Depreciation	Sewage BONY Debt Reserve	Sewage BONY Bond and Interest
Cash and investments - beginning	\$ -	\$ -	\$ 57,041	\$ 810	\$ 714,699	\$ 266,359	\$ 135,623
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	785,248	-	-	-	-
Other receipts	15,922	24,000	-	-	-	-	256,800
Total receipts	15,922	24,000	785,248	-	-	-	256,800
Disbursements:							
Personal services	-	-	170,299	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	11,704	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	256,697
Capital outlay	-	-	49,840	-	12,390	-	-
Utility operating expenses	-	-	271,496	-	-	-	-
Other disbursements	15,922	24,000	274,169	810	-	-	-
Total disbursements	15,922	24,000	777,508	810	12,390	-	256,697
Excess (deficiency) of receipts over disbursements	-	-	7,740	(810)	(12,390)	-	103
Cash and investments - ending	\$ -	\$ -	\$ 64,781	\$ -	\$ 702,309	\$ 266,359	\$ 135,726

CITY OF UNION CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Water Tower Replacement	Water BONY Bond and Interest	Water Operating	Water Depreciation	Water Meter Deposit	Water BONY Debt Reserve	Totals
Cash and investments - beginning	\$ 273,577	\$ 17,085	\$ 79,153	\$ 276,854	\$ 79,998	\$ 14,110	\$ 5,008,027
Receipts:							
Taxes	-	-	-	-	-	-	1,266,373
Licenses and permits	-	-	-	-	-	-	24,646
Intergovernmental	-	-	-	-	-	-	1,023,045
Charges for services	-	-	-	-	-	-	469,019
Fines and forfeits	-	-	-	-	-	-	59,533
Utility fees	-	-	658,352	-	25,100	-	1,468,700
Other receipts	194,233	20,400	13,285	53,672	-	4,116	2,653,049
Total receipts	194,233	20,400	671,637	53,672	25,100	4,116	6,964,365
Disbursements:							
Personal services	-	-	161,953	-	-	-	1,537,429
Supplies	-	-	-	-	-	-	172,503
Other services and charges	-	-	11,704	-	-	-	1,008,827
Debt service - principal and interest	-	19,341	-	-	-	-	276,038
Capital outlay	16,996	-	108,184	186,584	-	-	842,493
Utility operating expenses	-	-	208,030	-	-	-	479,526
Other disbursements	-	-	196,191	-	19,368	-	2,639,685
Total disbursements	16,996	19,341	686,062	186,584	19,368	-	6,956,501
Excess (deficiency) of receipts over disbursements	177,237	1,059	(14,425)	(132,912)	5,732	4,116	7,864
Cash and investments - ending	\$ 450,814	\$ 18,144	\$ 64,728	\$ 143,942	\$ 85,730	\$ 18,226	\$ 5,015,891

CITY OF UNION CITY
SCHEDULE OF RECEIVABLES
December 31, 2013

<u>Government or Enterprise</u>	<u>Accounts Receivable</u>
Wastewater	\$ 4,916
Water	1,444
Governmental activities	<u>1,101</u>
Total	<u>\$ 7,461</u>

CITY OF UNION CITY
SCHEDULE OF LEASES AND DEBT
December 31, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Crossroads Bank	2008 Ambulance	\$ 21,088	04-01-11	11-01-15
First Capital Equipment Leasing Corp.	2012 Dodge Charger (2) & Digital Partner Camera Video Systems (2)	<u>18,654</u>	08-14-12	05-14-15
Total governmental activities		<u>39,742</u>		
Total of annual lease payments		<u>\$ 39,742</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Wastewater:			
Revenue bonds	2006 Collection System Repair	\$ 1,660,000	\$ 49,267
Revenue bonds	2011 Wastewater Improvements	<u>895,000</u>	<u>206,370</u>
Total Wastewater		<u>2,555,000</u>	<u>255,637</u>
Water:			
Revenue bonds	2009 Water Filter Replacement	<u>242,000</u>	<u>19,751</u>
Totals		<u>\$ 2,797,000</u>	<u>\$ 275,388</u>

CITY OF UNION CITY
SCHEDULE OF CAPITAL ASSETS
December 31, 2013

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:	
Land	\$ 1,163,412
Infrastructure	1,556,495
Buildings	2,252,057
Improvements other than buildings	490,477
Machinery, equipment, and vehicles	<u>2,309,206</u>
Total governmental activities	<u>7,771,647</u>
Wastewater:	
Land	60,335
Infrastructure	41,461
Buildings	879,164
Improvements other than buildings	12,376,147
Machinery, equipment, and vehicles	<u>710,888</u>
Total Wastewater	<u>14,067,995</u>
Water:	
Land	132,712
Infrastructure	1,128,953
Buildings	678,446
Improvements other than buildings	2,142,831
Machinery, equipment, and vehicles	1,887,376
Construction in progress	<u>13,500</u>
Total Water	<u>5,983,818</u>
Total capital assets	<u>\$ 27,823,460</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE CITY OF UNION CITY, RANDOLPH COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the City of Union City's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-002. Our opinion on the major federal program is not modified with respect to these matters.

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

The City's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

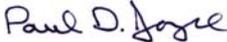
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 to be material weaknesses.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

June 17, 2014

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the City. The schedule and note are presented as intended by the City.

CITY OF UNION CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Housing and Urban Development</u>				
CDBG - State Administered CDBG Cluster		14.228		
Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii				
NSP	Indiana Housing and Community Development Authority		NSP1-009-027	\$ 102,365
Planning Grant	Indiana Office of Community and Rural Affairs		PL-12-013	24,000
Home Improvements Partnership Program	Indiana Housing and Community Development Authority		HM-009-004	<u>38,200</u>
Total - Department of Housing and Urban Development				<u>164,565</u>
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster		20.205		
Highway Planning and Construction Sign Grant	Indiana Department of Transportation		STP-9909(020)	<u>45,000</u>
Total - Highway Planning and Construction Cluster				<u>45,000</u>
Highway Safety Cluster		20.600		
State and Community Highway Safety Operation Pullover	Indiana Criminal Justice Institute		2373	<u>2,838</u>
Total - Highway Safety Cluster				<u>2,838</u>
Total - Department of Transportation				<u>47,838</u>
<u>Environmental Protection Agency</u>				
ARRA - Brownfields Assessment and Cleanup Cooperative Agreements, Recovery Act		66.818		
Brownsfield Grant	Indiana Department of Environmental Management		00E01071	<u>323,253</u>
Total - Environmental Protection Agency				<u>323,253</u>
Total federal awards expended				<u>\$ 535,656</u>

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

CITY OF UNION CITY
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 and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

CITY OF UNION CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Program:

CFDA Number	Name of Federal Program or Cluster
66.818	ARRA - Brownfields Assessment and Cleanup Cooperative Agreements, Recovery Act

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

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

No matters are reportable.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-001 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO BROWNFIELDS ASSESSMENT AND CLEANUP COOPERATIVE AGREEMENTS

Federal Agency: Environmental Protection Agency

Federal Program: ARRA - Brownfields Assessment and Cleanup Cooperative Agreements, Recovery Act
CFDA Number: 66.818

Federal Award Number and Year (or Other Identifying Number): 00E01071

Pass-Through Entity: Indiana Development of Environmental Management

Management of the City has not established an effective internal control system, including a lack of segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Procurement, Suspension, and Debarment. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

The controls in place for Procurement, Suspension, and Debarment were not effective. The contract with Soil and Materials Engineers did not contain a required clause with the grant requirements for Procurement, Suspension, and Debarment. This error was not detected by the City.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements noted above that have a direct and material effect to the program.

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

FINDING 2013-002 - NON-COMPLIANCE WITH RESPECT TO THE BROWFIELDS ASSESSMENT AND CLEANUP COOPERATIVE AGREEMENTS

Federal Agency: Environmental Protection Agency
Federal Program: ARRA - Brownfields Assessment and Cleanup Cooperative Agreement, Recovery Act
CFDA Number: 66.818
Federal Award Number and Year (or Other Identifying Number): 00E01071
Pass-Through Entity: Indiana Department of Environmental Management

The City did not verify that Soil and Materials Engineers was not a suspended or debarred party prior to entering into a contract with them. Additionally, the contract with Soil and Materials Engineers did not include a clause indicating that they could not be suspended, debarred, or otherwise excluded from participation in federal assistance programs.

40 CFR 31.315 states:

"Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, 'Debarment and Suspension.'"

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the EPLS; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Noncompliance with the grant requirements could result in a loss of federal funding.

We recommended that the City ensure all contractors with which they do business are not suspended, debarred, or otherwise excluded from participation in federal assistance programs.

AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the City. The document is presented as intended by the City.

Bryan Conklin
Mayor

Anita Amspaugh
Clerk/Treasurer

Ron Holt, Jr.
Roger Hoover
Jim Hufford
Tim Heuss
Chad Spence
Council Members

Cobie Wells
Chief of Police

Steve Shoemaker
Fire Chief

Ryan Prinkey
City Attorney

Monte Poling
City Manager

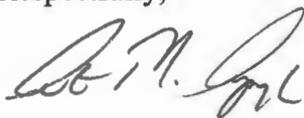
Ph: 765-964-6534
Fax 765-964-7031
www.myunioncity.com

CORRECTIVE ACTION PLAN

Date: June 17, 2014
Responsible Party: Anita M. Amspaugh
Anticipated Completion: October 1, 2014
Finding: 2013-001

The City of Union City is currently working on a proper system of internal control to prevent or detect and correct errors in compliance requirements that have a direct and material effect to brownfields assessment and clean up cooperative agreements. The City of Union City has adopted a check list to complete showing that all compliance requirements have been met before a grant can be administered. The City of Union City is aware there should be compliance requirements in place and that, without a proper system of internal control, omissions to the requirements could remain undetected.

Respectfully,



Anita M. Amspaugh
Clerk-Treasurer
City of Union City

CORRECTIVE ACTION PLAN

Date: June 17, 2014
Responsible Party: Anita M. Amspaugh
Anticipated Completion: October 1, 2014
Finding: 2013-002

Bryan Conklin
Mayor

Anita Amspaugh
Clerk/Treasurer

Ron Holt, Jr.
Roger Hoover
Jim Hufford
Tim Heuss
Chad Spence
Council Members

Cobie Wells
Chief of Police

Steve Shoemaker
Fire Chief

Ryan Prinkey
City Attorney

Monte Poling
City Manager

Ph: 765-964-6534
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The City of Union City is currently working on a proper system of internal control to prevent or detect and correct errors in compliance requirements that have a direct and material effect to brownfields assessment and clean up cooperative agreements. The City of Union City has adopted a check list to complete showing that all compliance requirements have been met before a grant can be administered. The City of Union City is aware there should be compliance requirements in place and that, without a proper system of internal control, omissions to the requirements could remain undetected.

Respectfully,



Anita M. Amspaugh
Clerk-Treasurer
City of Union City

OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the City. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.