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

EXAMINATION REPORT  
OF  
CITY OF WASHINGTON  
DAVISS COUNTY, INDIANA  
January 1, 2008 to December 31, 2009



**FILED**  
09/09/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Elaine Wellman	01-01-08 to 12-31-11
President of the Common Council	Steve Dyer Louis Fleck	01-01-08 to 12-31-09 01-01-10 to 12-31-10
Mayor	Lawrence Haag	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Lawrence Haag	01-01-08 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF WASHINGTON, DAVIESS COUNTY, INDIANA

We have examined the financial information presented herein of the City of Washington (City), for the period of January 1, 2008 to December 31, 2009. The City's management is responsible for the financial information presented herein. 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 information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the years ended December 31, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The 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 basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

July 20, 2010

CITY OF WASHINGTON  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
<b>Governmental Funds:</b>				
General	\$ 1,093,603	\$ 4,759,276	\$ 4,702,274	\$ 1,150,605
Motor Vehicle Highway	396,512	948,197	831,391	513,318
Local Road and Street	3,804	42,762	41,658	4,908
Park and Recreation	115,800	378,966	331,136	163,630
Law Enforcement Continuing Education	7,440	5,367	2,118	10,689
Rainy Day	314,318	296,050	106,273	504,095
Deferral Program	13,537	4,180	6,398	11,319
Unsafe Building	18,578	3,400	-	21,978
Operation Pullover	1,460	1,817	3,179	98
Entry Team Equipment	1,376	-	-	1,376
Police LCC Grant	166	949	949	166
McGruff Crime Dog	111	-	-	111
Animal Control Donation	143,779	6,515	3,501	146,793
Spay and Neuter Program	162	-	-	162
Washington/Davies County Mobile Emergency	47	-	-	47
Park Improvements	616	384	-	1,000
Washington Transit	27,191	139,068	137,208	29,051
Washington Housing Revolving Loan	63,731	1,073	271	64,533
CDBG Program Income	36,975	113	37,088	-
Police Canine	2,429	9,500	896	11,033
Brownfield Grant	2,916	-	-	2,916
Fire Department Donations	5,710	50	-	5,760
DARE Contributions	93	-	-	93
Park Train	872	-	-	872
G&T Equipment Replacement	19,983	13,736	5,909	27,810
Hazardous Materials Response	1,791	-	-	1,791
Community Foundation Grants	1	-	-	1
Drug Enforcement	36	-	-	36
Swimming Pool Donation	93	233,183	2,714	230,562
City Hall GO Bonds	3,262	103,550	106,750	62
County Economic Development Income Tax	427,510	309,390	155,985	580,915
Washington/Davies Industrial Revolving Trust	231,543	353,738	125,149	460,132
Park Donation Lighting	-	50	-	50
FEMA Grant - Fire Department	-	53,100	53,100	-
Park Nonreverting	-	4,265	2,531	1,734
IEDC State Grant BW	-	75,200	41,360	33,840
City Hall Construction	7,431	4	7,435	-
Cumulative Capital Improvement	821	37,008	37,800	29
Cumulative Capital Development	406,508	96,701	50,963	452,246
Park Cumulative Building	4,097	6,366	5,213	5,250
<b>Proprietary Funds:</b>				
Water Utility - Operating	1,798,502	3,873,832	3,896,780	1,775,554
Water Utility - Bond and Interest	568,839	1,578,512	1,575,993	571,358
Water Utility - Customer Deposit	120,088	20,875	19,371	121,592
Water Utility - Debt Reserve	1,653,482	-	-	1,653,482
Water Utility - Improvement	171,596	-	-	171,596
Wastewater Utility - Operating	617,063	2,790,244	2,700,562	706,745
Wastewater Utility - Bond and Interest	-	473,307	473,307	-
Wastewater Utility - Construction	2,108,802	192,856	796,395	1,505,263
Wastewater Utility - Improvement	26,533	-	-	26,533
Storm water Utility - Operating	40,202	165,178	120,600	84,780
Electric Utility - Operating	1,466,559	13,196,655	13,236,001	1,427,213
Electric Utility - Customer Deposit	308,858	60,308	53,172	315,994
Electric Utility - Depreciation	-	67,522	-	67,522
Self-Insurance Fund	458,830	7,916	-	466,746
Health Fund Trust	219,336	1,464,895	1,349,252	334,979
<b>Fiduciary Funds:</b>				
Police Department Donations	696	-	-	696
Park Pavilion	932	165	-	1,097
Utility Sales Tax	-	913,995	913,995	-
Boyd & Sons Excavating Retainage	107,307	-	-	107,307
Police Officers' Pension	181,922	213,135	232,932	162,125
Firefighters' Pension	144,519	181,806	194,707	131,618
Payroll	60,442	7,475,479	7,477,483	58,438
<b>Totals</b>	<b>\$ 13,408,810</b>	<b>\$ 40,560,638</b>	<b>\$ 39,839,799</b>	<b>\$ 14,129,649</b>

The accompanying notes are an integral part of the financial information.

CITY OF WASHINGTON  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2008 And 2009  
(Continued)

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
<b>Governmental Funds:</b>				
General	\$ 1,150,605	\$ 4,981,984	\$ 4,849,262	\$ 1,283,327
Motor Vehicle Highway	513,318	780,883	733,801	560,400
Local Road and Street	4,908	40,599	30,000	15,507
Park and Recreation	163,630	289,163	330,531	122,262
Law Enforcement Continuing Education	10,689	6,272	2,343	14,618
Rainy Day	504,095	77,376	-	581,471
Deferral Program	11,319	3,080	2,010	12,389
Unsafe Building	21,978	19,500	-	41,478
Operation Pullover	98	2,046	2,124	20
Entry Team Equipment	1,376	-	-	1,376
Police LCC Grant	166	-	-	166
McGruff Crime Dog	111	-	-	111
Animal Control Donation	146,793	427	95,972	51,248
Spay and Neuter Program	162	-	-	162
Washington/Daviess County Mobile Emergency	47	-	-	47
Park Improvements	1,000	633	-	1,633
Washington Transit	29,051	105,109	82,106	52,054
Washington Housing Revolving Loan	64,533	154	-	64,687
Police Canine	11,033	500	10,637	896
Brownfield Grant	2,916	-	-	2,916
Fire Department Donations	5,760	500	-	6,260
DARE Contributions	93	-	-	93
Park Train	872	-	-	872
G&T Equipment Replacement	27,810	10,146	12,306	25,650
Hazardous Materials Response	1,791	-	-	1,791
Community Foundation Grants	1	-	-	1
Drug Enforcement	36	-	-	36
Swimming Pool Donation	230,562	215,223	290,854	154,931
City Hall GO Bonds	62	92,018	92,050	30
County Economic Development Income Tax	580,915	321,560	676,962	225,513
Washington/Daviess Industrial Revolving Trust	460,132	341,256	405,521	395,867
Park Donation Lighting	50	-	-	50
Park Nonreverting	1,734	3,902	4,323	1,313
IEDC State Grant BW	33,840	-	33,840	-
INDOT SRTS Lena Dunn Grant	-	44,197	44,197	-
Cumulative Capital Improvement	29	34,895	33,786	1,138
Cumulative Capital Development	452,246	69,767	462,731	59,282
Park Cumulative Building	5,250	4,593	935	8,908
<b>Proprietary Funds:</b>				
Water Utility - Operating	1,775,554	4,138,413	4,483,790	1,430,177
Water Utility - Bond and Interest	571,358	1,574,955	1,580,474	565,839
Water Utility - Customer Deposit	121,592	87,388	53,754	155,226
Water Utility - Debt Reserve	1,653,482	-	-	1,653,482
Water Utility - Improvement	171,596	-	-	171,596
Wastewater Utility - Operating	706,745	3,404,354	3,087,682	1,023,417
Wastewater Utility - Bond and Interest	-	707,560	685,942	21,618
Wastewater Utility - 2009 Construction	-	2,698,948	1,100,958	1,597,990
Wastewater Utility - Debt Service	-	89,831	-	89,831
Wastewater Utility - Construction	1,505,263	16,345	143,326	1,378,282
Wastewater Utility - Improvement	26,533	-	-	26,533
Storm water Utility - Operating	84,780	161,954	111,384	135,350
Electric Utility - Operating	1,427,213	14,876,772	14,480,109	1,823,876
Electric Utility - Customer Deposit	315,994	138,585	121,378	333,201
Electric Utility - Depreciation	67,522	25,389	-	92,911
Self-Insurance Fund	466,746	1,112	-	467,858
Health Fund Trust	334,979	1,671,098	1,649,753	356,324
<b>Fiduciary Funds:</b>				
Police Department Donations	696	-	-	696
Park Pavilion	1,097	50	-	1,147
Utility Sales Tax	-	1,054,498	1,054,498	-
Renosys Pool Retainage	-	124,761	124,761	-
Boyd & Sons Excavating Retainage	107,307	-	-	107,307
Police Officers' Pension	162,125	270,862	196,575	236,412
Firefighters' Pension	131,618	212,394	189,716	154,296
Payroll	58,438	7,752,783	7,736,180	75,041
<b>Totals</b>	<b>\$ 14,129,649</b>	<b>\$ 46,453,835</b>	<b>\$ 44,996,571</b>	<b>\$ 15,586,913</b>

The accompanying notes are an integral part of the financial information.

CITY OF WASHINGTON  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. 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% 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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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.

CITY OF WASHINGTON  
NOTES TO FINANCIAL INFORMATION  
(Continued)

State statute (IC 5-13-9) authorizes 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 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in 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% 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:

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.

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

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

General infrastructure assets are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 479,726
Infrastructure	2,337,508
Buildings	3,670,065
Improvements other than buildings	2,002,539
Machinery and equipment	<u>3,859,939</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 12,349,777</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 166,402
Construction in progress	37,788
Buildings	15,575,653
Improvements other than buildings	12,136,512
Machinery and equipment	<u>4,118,281</u>
 Total Water Utility capital assets	 <u>32,034,636</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	355,177
Construction in progress	9,839,297
Buildings	2,845,115
Improvements other than buildings	6,481,629
Machinery and equipment	<u>5,145,205</u>
 Total Wastewater Utility capital assets	 <u>24,666,423</u>
Storm water Utility:	
Capital assets, not being depreciated:	
Construction in progress	715
Buildings	28,006
Improvements other than buildings	62,358
Machinery and equipment	<u>134,144</u>
 Total Storm water Utility capital assets	 <u>225,223</u>
Electric Utility:	
Capital assets, not being depreciated:	
Land	56,700
Construction in progress	92,634
Buildings	779,651
Improvements other than buildings	10,705,093
Machinery and equipment	<u>3,437,538</u>
 Total Electric Utility capital assets	 <u>15,071,616</u>
 Total business-type activities capital assets	 <u>\$ 71,997,898</u>

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

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
6 Police Cars	\$ 74,643	\$ 38,905
Bonds payable:		
General obligation bonds:		
2004 City Hall Renovation	<u>265,000</u>	<u>69,113</u>
Total governmental activities debt	<u>\$ 339,643</u>	<u>\$ 108,018</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
1998 Water Bonds	\$ 640,000	\$ 446,478
2005 Water Refunding Bonds	8,090,000	790,660
2006 Water Refunding Bonds	<u>5,575,000</u>	<u>335,944</u>
Total Water Utility	<u>14,305,000</u>	<u>1,573,082</u>
Wastewater Utility:		
Revenue bonds:		
2007 Wastewater Bonds	8,130,000	614,839
2009 Wastewater Revenue Bonds	<u>2,725,000</u>	<u>199,015</u>
Total Wastewater Utility	<u>10,855,000</u>	<u>813,854</u>
Storm water Utility:		
Capital leases:		
Street Sweeper	<u>94,984</u>	<u>22,942</u>
Total Storm water Utility	<u>94,984</u>	<u>22,942</u>
Total business-type activities debt	<u>\$ 25,254,984</u>	<u>\$ 2,409,878</u>

CITY OF WASHINGTON  
EXAMINATION RESULTS AND COMMENTS

TIMELY COLLECTIONS (Applies to Animal Control)

Receipts were turned over to the Clerk-Treasurer up to 42 days after the receipt date.

All collections made by any department or person connected with a city or town shall be turned in to the Clerk-Treasurer or Controller at least weekly. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns)

REVENUE DECLINE (Applies to Animal Control)

An analytical review revealed a substantial decline in revenues for 2009 in comparison with prior two years. In addition, the revenue for 2010, to date, has also dropped significantly. The following chart shows the revenue trend:

	<u>Revenue</u>
2007	\$ 15,160
2008	14,505
2009	9,620
Jan – May 2010	1,995

CASH NECESSARY TO BALANCE, BANK RECONCILIATIONS (Applies to Animal Control)

Due to the substantial decline in revenue in 2009 and 2010 to date, 100% of receipts were compared to the Clerk-Treasurer's ledger and deposits. The comparison of the receipts to the deposits revealed that multiple receipts were not deposited. Receipts written by the animal control department totaled \$13,107 and the deposits totaled \$11,887, resulting in a cash shortage of \$1,220. Animal Control Office Manager, Michael Babrick, is responsible for turning over the collections to the Clerk-Treasurer's office for deposit.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Michael Babrick, Animal Control Office Manager, was requested to remit \$1,220. (See Summary, page 14)

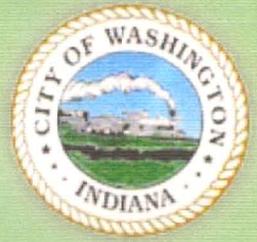
BOND INFORMATION (Applies to Animal Control)

The Animal Control Office Manager was covered by Merchants Bonding Company with a public official position schedule bond in the amount of \$8,500. This is a continuation bond and covers the period January 1, 2008 to December 31, 2010.

CITY OF WASHINGTON  
EXIT CONFERENCE

The contents of this report were discussed on July 20, 2010, with Michael Babrick, Animal Control Office Manager. The official concurred with our findings.

The contents of this report were discussed on July 20, 2010, with Lawrence Haag, Mayor; Elaine Wellman, Clerk-Treasurer; and Louis J. Fleck, President of the Common Council. The official response has been made a part of this report and may be found on pages 12 and 13.



July 30, 2010

State Board of Accounts  
302 Washington St., Room E418  
Indianapolis, Indiana 46204-2765

RE: Exit Interview with City of Washington

To Whom It May Concern:

As Mayor of the City of Washington, I would like to make the following comments regarding the cash shortage found in our Animal Control Facility.

On July 20, 2010 following the exit conference, I contacted Michael Babrick, Animal Control Manager and asked to meet with him. During this meeting I discussed the findings and asked that he submit his resignation to me effective immediately. Mr. Babrick complied and I had his resignation this same date. A copy is attached for your files.

There has been an interim Animal Control Manager appointed until the position can be permanently filled. We are in the process of reviewing procedures at this facility in order to make the necessary changes that will prevent this from happening again in the future.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Larry Haag".

Larry Haag, Mayor  
City of Washington

- 12 -

7-20-2010

Mayor Haag and Councilmen,

This letter is to inform you of my intent to resign from the position that I now Hold.

Because of my gross negligence, things happened at my facility that shouldn't of. My resignation is to happen immediately on 7-20-2010.



Michael Babrick

CITY OF WASHINGTON  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Michael Babrick, Animal Control Office Manager: Cash Necessary to Balance, Bank Reconciliations, page 10	<u>\$ 1,220</u>	<u>\$ -</u>	<u>\$ 1,220</u>

AFFIDAVIT

STATE OF INDIANA)  
Knox COUNTY)

We, Lori Burch, and M. Annette Ladson, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the City of Washington, Daviess County, Indiana, for the period from January 1, 2009 to June 15, 2010, is true and correct to the best of our knowledge and belief.

Lori Burch  
M. Annette Ladson  
Field Examiners

Subscribed and sworn to before me this 18 day of August, 2010.

Deborah S. Getchell  
Notary Public



My Commission Expires: 8-31-2017

County of Residence: Knox