

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF WASHINGTON
DAVISS COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
07/19/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Karen Brown	01-01-12 to 12-31-15
Mayor	Joseph Wellman	01-01-12 to 12-31-15
President of the Board of Public Works	Joseph Wellman	01-01-12 to 12-31-15
President of the Common Council	Allen Brown Louis J. Fleck	01-01-12 to 12-31-12 01-01-13 to 12-31-13
Superintendent of Water Utility	Charles Kane	01-01-12 to 12-31-13
Superintendent of Wastewater Utility	Scott Rainey	01-01-12 to 12-31-13
Superintendent of Electric Utility	Randy Emmons	01-01-12 to 12-31-13
Superintendent of Storm Water Utility	Scott Rainey	01-01-12 to 12-31-13
Utility Office Manager	Anita Ash	01-01-12 to 12-31-13



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Washington (City), which comprises the financial position and results of operations for the year ended December 31, 2012, 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, 2012.

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, 2012, 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, 2013, 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 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.

Other Information

Included in the financial statement are the receipts and disbursements activity from emergency telephone system fees (IC 36-8-16), enhanced wireless emergency telephone fees (IC 36-8-16.5), and statewide 911 services fees (IC 36-8-16.7). In accordance with Indiana Code 36-8-16-14, Indiana Code 36-8-16.5-41, and Indiana Code 36-8-16.7-38, these fees have been subject to an annual audit performed by the State Board of Accounts and, in our opinion, are fairly stated, in all material respects, in relation to the financial statement taken as a whole.



Bruce Hartman
State Examiner

June 17, 2013



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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 WASHINGTON, DAVIESS 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 Washington (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated June 17, 2013, 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.

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

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1 to be material weaknesses.

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

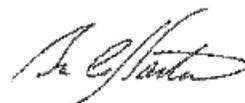
As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1.

City of Washington's Response to Findings

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

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.



Bruce Hartman
State Examiner

June 17, 2013

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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 WASHINGTON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 2,379,942	\$ 5,830,608	\$ 4,569,667	\$ 3,640,883
Motor Vehicle Highway	614,716	846,491	714,716	746,491
Local Road And Street	3,681	41,510	-	45,191
Park Nonreverting Park Fund	698	250	137	811
Washington Transit	100,504	123,174	100,529	123,149
Local Law Enforcement Continuing Education	17,133	7,763	3,530	21,366
Deferral Program	1,877	4,180	4,125	1,932
Unsafe Building	10,703	-	-	10,703
Park & Recreation	133,482	303,496	304,017	132,961
Rainy Day	657,107	-	-	657,107
Police Canine Fund	5,355	1,296	6,284	367
Hazardous Materials	1,791	-	-	1,791
TIF Southeast	6,311	4,519	863	9,967
Cumulative Capital Improvement	33,139	30,525	60,250	3,414
Cumulative Capital Development	179,754	57,274	-	237,028
Park Cumulative Building Fund	14,837	3,714	13,083	5,468
Edit Fund	469,083	370,733	278,322	561,494
Police Pension	73,353	114,299	123,099	64,553
Fire Pension	8,223	146,551	146,006	8,768
SRTS North	-	11,156	32,993	(21,837)
NSP Program Income Fund	86,809	157,006	86,809	157,006
Con American/AFLAC Withholding	9	12,460	12,444	25
Municipal Events Fund	-	3,600	1,769	1,831
US 50 Intersection Relocation	-	262,883	154,212	108,671
Housing Needs Assess PN 003023	-	585,966	585,899	67
Sign Modernization Grant	-	42,750	42,750	-
Fire Dept Donation	1,048	-	-	1,048
Brownfield Grant	2,916	-	-	2,916
McGruff Crime Dog Fund	111	-	-	111
Dare Contributions	94	-	-	94
Spay & Neuter Program	162	-	-	162
Drug Enforcement Fund	-	165	76	89
Donations-Eastside Park Improvements	2,889	304	1,583	1,610
Swimming Pool Donation	217,424	-	793	216,631
Parks Donation Fund-Lighting	50	-	-	50
Animal Control-Donations	46,898	1,395	2,312	45,981
NSP1 Tokheim Grant	-	314,722	314,722	-
Community Foundation Grants	426	6,700	-	7,126
Operation Pullover	20	2,138	2,138	20
TIF Southwest	13,499	-	763	12,736
Washington/Daviess Co Mobile Emergency	47	-	-	47
Park - Train Fund	872	-	-	872
Police Dept Donations	1,742	2,045	3,317	470
Washington Housing Revolving Loan Fund	64,980	86	62,640	2,426
Washington/Daviess County Industrial Revolving	281,654	-	281,654	-
Park Pavilion Fund	1,187	-	-	1,187
Entry Team Equipment	1,495	650	225	1,920
Police LCC Grant	166	2,123	-	2,289
G & T Equipment Replacement Fund	50,812	19,898	7,553	63,157
City Hall Go Bond	8,475	68,025	65,178	11,322

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

CITY OF WASHINGTON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2012
(Continued)

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
Transit ARRA Stimulus Grant	-	54,984	54,984	-
Payroll	-	5,999,355	5,999,355	-
Perf Withholding	38,571	150,299	188,870	-
Federal Withholding Tax	-	576,015	576,015	-
State Withholding Tax	21,934	190,741	198,787	13,888
Fica Withholding Tax	(12,409)	591,177	578,662	106
County Withholding Tax	10,986	94,905	98,996	6,895
Life Insurance Withholding	28	150	156	22
Health Fund Trust-City Of Wash	452,522	2,497,660	2,528,826	421,356
Garnishment Deductions	-	15,662	15,662	-
AFLAC Insurance Withholding	65	66,837	66,859	43
Vision Insurance - VSP Withholding	96	9,943	9,882	157
City Health Insurance Fund	462,939	780	-	463,719
Local 495 Union Dues	-	3,980	3,980	-
United Way Deduction	-	2,344	2,344	-
Dental Insurance HRI DHO Withholding	182	33,509	33,427	264
Utility Sales Tax	-	1,055,689	1,055,689	-
Christmas Club Deduction	-	13,950	13,950	-
Indiana Police Pension W/H	8,307	33,458	41,634	131
Indiana Fire Pension W/H	8,907	36,138	44,940	105
Child Support Deduction	-	68,048	68,048	-
Flex Spending Acct City of Washington Withholding	8,244	17,345	15,878	9,711
Air Evac Deduction	-	750	750	-
Voluntary Life (Lincoln) Deduct	90	14,535	14,605	20
AUL 457 Plan Deferred Comp Withholding	-	95,474	95,474	-
Municipal Electric Department	2,008,858	16,215,805	16,102,649	2,122,014
Light Meter Deposit Fund	389,031	122,775	98,268	413,538
Electric Dept Improvement Fund	167,291	20,517	-	187,808
IMPA Grant	14,584	5,000	18,270	1,314
Petty Cash Electric	2,000	-	-	2,000
Storm Water	70,968	163,569	189,049	45,488
Municipal Wastewater Dept	757,995	4,619,642	4,948,399	429,238
Wastewater Bond & Interest Fund	21,620	821,686	821,686	21,620
Sewage Construction Fund	739,454	2,497	-	741,951
2009 Sewer Construction	797,614	2,687	-	800,301
Wastewater Improvement Fund	26,533	581	-	27,114
Sewer Debt Reserve Account	774,271	384,997	-	1,159,268
CSO Construction Grant CDBG	-	1,534,579	1,534,579	-
SRF 2010 Wastewater Construction	-	47,855	47,855	-
Sewer SRF 2010	113,204	913,890	1,027,073	21
Petty Cash Wastewater	500	-	-	500
Municipal Water Department	751,525	3,707,520	4,119,376	339,669
Waterworks Bond Fund	570,938	1,575,935	1,577,620	569,253
Water Meter Deposit Fund	211,972	83,225	62,673	232,524
Water Improvement Fund	176,977	9,225	-	186,202
Water Debt Reserve Account	1,653,482	-	-	1,653,482
Petty Cash Water	500	-	-	500
Totals	\$ 15,745,253	\$ 51,236,168	\$ 50,239,728	\$ 16,741,693

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

CITY OF WASHINGTON
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, electric, gas, storm water, trash, aviation, 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 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 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.

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,

CITY OF WASHINGTON
NOTES TO FINANCIAL STATEMENT
(Continued)

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 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.

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

CITY OF WASHINGTON
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

CITY OF WASHINGTON
NOTES TO FINANCIAL STATEMENT
(Continued)

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 Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

CITY OF WASHINGTON
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

CITY OF WASHINGTON
NOTES TO FINANCIAL STATEMENT
(Continued)

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 Capital 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.

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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 WASHINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	General	Motor Vehicle Highway	Local Road And Street	Park Nonreverting Park Fund	Washington Transit	Local Law Enforcement Continuing Education	Deferral Program
Cash and investments - beginning	\$ 2,379,942	\$ 614,716	\$ 3,681	\$ 698	\$ 100,504	\$ 17,133	\$ 1,877
Receipts:							
Taxes	2,078,296	757,796	41,510	-	37,103	-	-
Licenses and permits	69,806	-	-	-	-	4,985	-
Intergovernmental	2,459,561	54,914	-	-	78,192	-	-
Charges for services	956,109	8,029	-	-	-	1,070	-
Fines and forfeits	6,854	-	-	-	-	100	4,180
Utility fees	-	-	-	-	-	-	-
Other receipts	259,982	25,752	-	250	7,879	1,608	-
Total receipts	<u>5,830,608</u>	<u>846,491</u>	<u>41,510</u>	<u>250</u>	<u>123,174</u>	<u>7,763</u>	<u>4,180</u>
Disbursements:							
Personal services	3,482,572	513,607	-	-	53,043	2,470	-
Supplies	277,322	112,465	-	-	20,260	1,060	-
Other services and charges	665,616	87,259	-	-	24,846	-	-
Debt service - principal and interest	42,218	-	-	-	-	-	-
Capital outlay	101,449	1,385	-	-	2,380	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	490	-	-	137	-	-	4,125
Total disbursements	<u>4,569,667</u>	<u>714,716</u>	<u>-</u>	<u>137</u>	<u>100,529</u>	<u>3,530</u>	<u>4,125</u>
Excess (deficiency) of receipts over disbursements	<u>1,260,941</u>	<u>131,775</u>	<u>41,510</u>	<u>113</u>	<u>22,645</u>	<u>4,233</u>	<u>55</u>
Cash and investments - ending	<u>\$ 3,640,883</u>	<u>\$ 746,491</u>	<u>\$ 45,191</u>	<u>\$ 811</u>	<u>\$ 123,149</u>	<u>\$ 21,366</u>	<u>\$ 1,932</u>

CITY OF WASHINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Unsafe Building	Park & Recreation	Rainy Day	Police Canine Fund	Hazardous Materials	TIF Southeast	Cumulative Capital Improvement
Cash and investments - beginning	\$ 10,703	\$ 133,482	\$ 657,107	\$ 5,355	\$ 1,791	\$ 6,311	\$ 33,139
Receipts:							
Taxes	-	242,494	-	-	-	4,519	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	33,323	-	-	-	-	30,525
Charges for services	-	14,145	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	13,534	-	1,296	-	-	-
Total receipts	-	303,496	-	1,296	-	4,519	30,525
Disbursements:							
Personal services	-	176,129	-	-	-	-	-
Supplies	-	37,674	-	-	-	-	-
Other services and charges	-	80,791	-	-	-	-	60,250
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	8,798	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	625	-	6,284	-	863	-
Total disbursements	-	304,017	-	6,284	-	863	60,250
Excess (deficiency) of receipts over disbursements	-	(521)	-	(4,988)	-	3,656	(29,725)
Cash and investments - ending	\$ 10,703	\$ 132,961	\$ 657,107	\$ 367	\$ 1,791	\$ 9,967	\$ 3,414

CITY OF WASHINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Cumulative Capital Development	Park Cumulative Building Fund	Edit Fund	Police Pension	Fire Pension	SRTS North	NSP Program Income Fund
Cash and investments - beginning	\$ 179,754	\$ 14,837	\$ 469,083	\$ 73,353	\$ 8,223	\$ -	\$ 86,809
Receipts:							
Taxes	50,330	3,264	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	6,944	450	370,733	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	114,299	146,551	11,156	157,006
Total receipts	57,274	3,714	370,733	114,299	146,551	11,156	157,006
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	80,292	123,099	146,006	-	-
Debt service - principal and interest	-	-	140,000	-	-	-	-
Capital outlay	-	13,083	58,030	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	32,993	86,809
Total disbursements	-	13,083	278,322	123,099	146,006	32,993	86,809
Excess (deficiency) of receipts over disbursements	57,274	(9,369)	92,411	(8,800)	545	(21,837)	70,197
Cash and investments - ending	\$ 237,028	\$ 5,468	\$ 561,494	\$ 64,553	\$ 8,768	\$ (21,837)	\$ 157,006

CITY OF WASHINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Con American/AFLAC Withholding	Municipal Events Fund	US 50 Intersection Relocation	Housing Needs Assess PN 003023	Sign Modernization Grant	Fire Dept Donation	Brownfield Grant
Cash and investments - beginning	\$ 9	\$ -	\$ -	\$ -	\$ -	\$ 1,048	\$ 2,916
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	112,883	585,966	42,750	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	12,460	3,600	150,000	-	-	-	-
Total receipts	12,460	3,600	262,883	585,966	42,750	-	-
Disbursements:							
Personal services	12,444	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	1,769	154,212	585,899	42,750	-	-
Total disbursements	12,444	1,769	154,212	585,899	42,750	-	-
Excess (deficiency) of receipts over disbursements	16	1,831	108,671	67	-	-	-
Cash and investments - ending	\$ 25	\$ 1,831	\$ 108,671	\$ 67	\$ -	\$ 1,048	\$ 2,916

CITY OF WASHINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	McGruff Crime Dog Fund	Dare Contributions	Spay & Neuter Program	Drug Enforcement Fund	Donations-Eastside Park Improvements	Swimming Pool Donation	Parks Donation Fund-Lighting
Cash and investments - beginning	\$ 111	\$ 94	\$ 162	\$ -	\$ 2,889	\$ 217,424	\$ 50
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	165	304	-	-
Total receipts	-	-	-	165	304	-	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	76	1,583	793	-
Total disbursements	-	-	-	76	1,583	793	-
Excess (deficiency) of receipts over disbursements	-	-	-	89	(1,279)	(793)	-
Cash and investments - ending	\$ 111	\$ 94	\$ 162	\$ 89	\$ 1,610	\$ 216,631	\$ 50

CITY OF WASHINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Animal Control-Donations	NSP1 Tokheim Grant	Community Foundation Grants	Operation Pullover	TIF Southwest	Washington/Daviess Co Mobile Emergency	Park Train Fund
Cash and investments - beginning	\$ 46,898	\$ -	\$ 426	\$ 20	\$ 13,499	\$ 47	\$ 872
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	314,722	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,395	-	6,700	2,138	-	-	-
Total receipts	1,395	314,722	6,700	2,138	-	-	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	2,312	314,722	-	2,138	763	-	-
Total disbursements	2,312	314,722	-	2,138	763	-	-
Excess (deficiency) of receipts over disbursements	(917)	-	6,700	-	(763)	-	-
Cash and investments - ending	\$ 45,981	\$ -	\$ 7,126	\$ 20	\$ 12,736	\$ 47	\$ 872

CITY OF WASHINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Police Dept Donations	Washington Housing Revolving Loan Fund	Washington/Daviess County Industrial Revolving	Park Pavilion Fund	Entry Team Equipment	Police LCC Grant	G & T Equipment Replacement Fund
Cash and investments - beginning	\$ 1,742	\$ 64,980	\$ 281,654	\$ 1,187	\$ 1,495	\$ 166	\$ 50,812
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	2,045	86	-	-	650	2,123	19,898
Total receipts	2,045	86	-	-	650	2,123	19,898
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	1,389
Other services and charges	-	-	-	-	-	-	5,248
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	3,317	62,640	281,654	-	225	-	916
Total disbursements	3,317	62,640	281,654	-	225	-	7,553
Excess (deficiency) of receipts over disbursements	(1,272)	(62,554)	(281,654)	-	425	2,123	12,345
Cash and investments - ending	\$ 470	\$ 2,426	\$ -	\$ 1,187	\$ 1,920	\$ 2,289	\$ 63,157

CITY OF WASHINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	City Hall Go Bond	Transit ARRA Stimulus Grant	Payroll	Perf Withholding	Federal Withholding Tax	State Withholding Tax	Fica Withholding Tax
Cash and investments - beginning	\$ 8,475	\$ -	\$ -	\$ 38,571	\$ -	\$ 21,934	\$ (12,409)
Receipts:							
Taxes	59,777	-	-	-	576,015	190,741	591,177
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	8,248	54,984	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	5,999,355	150,299	-	-	-
Total receipts	<u>68,025</u>	<u>54,984</u>	<u>5,999,355</u>	<u>150,299</u>	<u>576,015</u>	<u>190,741</u>	<u>591,177</u>
Disbursements:							
Personal services	-	-	5,999,355	188,870	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	750	-	-	-	-	-	-
Debt service - principal and interest	64,428	-	-	-	-	-	-
Capital outlay	-	54,984	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	576,015	198,787	578,662
Total disbursements	<u>65,178</u>	<u>54,984</u>	<u>5,999,355</u>	<u>188,870</u>	<u>576,015</u>	<u>198,787</u>	<u>578,662</u>
Excess (deficiency) of receipts over disbursements	<u>2,847</u>	<u>-</u>	<u>-</u>	<u>(38,571)</u>	<u>-</u>	<u>(8,046)</u>	<u>12,515</u>
Cash and investments - ending	<u>\$ 11,322</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,888</u>	<u>\$ 106</u>

CITY OF WASHINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	County Withholding Tax	Life Insurance Withholding	Health Fund Trust-City Of Wash	Garnishment Deductions	AFLAC Insurance Withholding	Vision Insurance - VSP Withholding	City Health Insurance Fund
Cash and investments - beginning	\$ 10,986	\$ 28	\$ 452,522	\$ -	\$ 65	\$ 96	\$ 462,939
Receipts:							
Taxes	94,905	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	150	2,497,660	15,662	66,837	9,943	780
Total receipts	94,905	150	2,497,660	15,662	66,837	9,943	780
Disbursements:							
Personal services	-	156	2,528,826	15,662	66,859	9,882	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	98,996	-	-	-	-	-	-
Total disbursements	98,996	156	2,528,826	15,662	66,859	9,882	-
Excess (deficiency) of receipts over disbursements	(4,091)	(6)	(31,166)	-	(22)	61	780
Cash and investments - ending	\$ 6,895	\$ 22	\$ 421,356	\$ -	\$ 43	\$ 157	\$ 463,719

CITY OF WASHINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Local 495 Union Dues	United Way Deduction	Dental Insurance HRI DHO Withholding	Utility Sales Tax	Christmas Club Deduction	Indiana Police Pension W/H	Indiana Fire Pension W/H
Cash and investments - beginning	\$ -	\$ -	\$ 182	\$ -	\$ -	\$ 8,307	\$ 8,907
Receipts:							
Taxes	-	-	-	1,055,689	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	3,980	2,344	33,509	-	13,950	33,458	36,138
Total receipts	3,980	2,344	33,509	1,055,689	13,950	33,458	36,138
Disbursements:							
Personal services	-	2,344	33,427	-	13,950	41,634	44,940
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	3,980	-	-	1,055,689	-	-	-
Total disbursements	3,980	2,344	33,427	1,055,689	13,950	41,634	44,940
Excess (deficiency) of receipts over disbursements	-	-	82	-	-	(8,176)	(8,802)
Cash and investments - ending	\$ -	\$ -	\$ 264	\$ -	\$ -	\$ 131	\$ 105

CITY OF WASHINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Child Support Deduction	Flex Spending Acct City of Washington Withholding	Air Evac Deduction	Voluntary Life (Lincoln) Deduct	AUL 457 Plan Deferred Comp Withholding	Municipal Electric Department	Light Meter Deposit Fund
Cash and investments - beginning	\$ -	\$ 8,244	\$ -	\$ 90	\$ -	\$ 2,008,858	\$ 389,031
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	68,048	17,345	750	14,535	95,474	16,215,805	122,775
Total receipts	68,048	17,345	750	14,535	95,474	16,215,805	122,775
Disbursements:							
Personal services	68,048	15,878	750	14,605	95,474	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	1,107,197	-
Other disbursements	-	-	-	-	-	14,995,452	98,268
Total disbursements	68,048	15,878	750	14,605	95,474	16,102,649	98,268
Excess (deficiency) of receipts over disbursements	-	1,467	-	(70)	-	113,156	24,507
Cash and investments - ending	\$ -	\$ 9,711	\$ -	\$ 20	\$ -	\$ 2,122,014	\$ 413,538

CITY OF WASHINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Electric Dept Improvement Fund	IMPA Grant	Petty Cash Electric	Storm Water	Municipal Wastewater Dept	Wastewater Bond & Interest Fund	Sewage Construction Fund
Cash and investments - beginning	\$ 167,291	\$ 14,584	\$ 2,000	\$ 70,968	\$ 757,995	\$ 21,620	\$ 739,454
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	1,938	-	-
Other receipts	20,517	5,000	-	163,569	4,617,704	821,686	2,497
Total receipts	20,517	5,000	-	163,569	4,619,642	821,686	2,497
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	81,971	870,333	-	-
Other disbursements	-	18,270	-	107,078	4,078,066	821,686	-
Total disbursements	-	18,270	-	189,049	4,948,399	821,686	-
Excess (deficiency) of receipts over disbursements	20,517	(13,270)	-	(25,480)	(328,757)	-	2,497
Cash and investments - ending	\$ 187,808	\$ 1,314	\$ 2,000	\$ 45,488	\$ 429,238	\$ 21,620	\$ 741,951

CITY OF WASHINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	2009 Sewer Construction	Wastewater Improvement Fund	Sewer Debt Reserve Account	CSO Construction Grant CDBG	SRF 2010 Wastewater Construction	Sewer SRF 2010	Petty Cash Wastewater
Cash and investments - beginning	\$ 797,614	\$ 26,533	\$ 774,271	\$ -	\$ -	\$ 113,204	\$ 500
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	2,687	581	384,997	1,534,579	47,855	913,890	-
Total receipts	2,687	581	384,997	1,534,579	47,855	913,890	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	1,534,579	47,855	1,027,073	-
Total disbursements	-	-	-	1,534,579	47,855	1,027,073	-
Excess (deficiency) of receipts over disbursements	2,687	581	384,997	-	-	(113,183)	-
Cash and investments - ending	\$ 800,301	\$ 27,114	\$ 1,159,268	\$ -	\$ -	\$ 21	\$ 500

CITY OF WASHINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Municipal Water Department	Waterworks Bond Fund	Water Meter Deposit Fund	Water Improvement Fund	Water Debt Reserve Account	Petty Cash Water	Totals
Cash and investments - beginning	\$ 751,525	\$ 570,938	\$ 211,972	\$ 176,977	\$ 1,653,482	\$ 500	\$ 15,745,253
Receipts:							
Taxes	-	-	-	-	-	-	5,783,616
Licenses and permits	-	-	-	-	-	-	74,791
Intergovernmental	-	-	-	-	-	-	4,154,195
Charges for services	-	-	-	-	-	-	979,353
Fines and forfeits	-	-	-	-	-	-	11,134
Utility fees	23,376	-	-	-	-	-	25,314
Other receipts	3,684,144	1,575,935	83,225	9,225	-	-	40,207,765
Total receipts	3,707,520	1,575,935	83,225	9,225	-	-	51,236,168
Disbursements:							
Personal services	-	-	-	-	-	-	13,380,925
Supplies	-	-	-	-	-	-	450,170
Other services and charges	-	-	-	-	-	-	1,274,157
Debt service - principal and interest	-	-	-	-	-	-	246,646
Capital outlay	-	-	-	-	-	-	240,109
Utility operating expenses	789,584	-	-	-	-	-	2,849,085
Other disbursements	3,329,792	1,577,620	62,673	-	-	-	31,798,636
Total disbursements	4,119,376	1,577,620	62,673	-	-	-	50,239,728
Excess (deficiency) of receipts over disbursements	(411,856)	(1,685)	20,552	9,225	-	-	996,440
Cash and investments - ending	\$ 339,669	\$ 569,253	\$ 232,524	\$ 186,202	\$ 1,653,482	\$ 500	\$ 16,741,693

CITY OF WASHINGTON
SCHEDULE OF LEASES AND DEBT
December 31, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Storm Water: Old National Bank	street sweeper	\$ 11,471	02-18-09	02-18-14
Wastewater: Old National Bank	sewer vac	39,420	07-27-11	07-27-16
Total of annual lease payments		<u>\$ 50,891</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	City Hall renovation/elevator	\$ 70,000	\$ 72,056
General obligation bonds	EDIT Bonds	1,190,000	140,000
Notes and loans payable	garbage truck	60,955	31,965
Notes and loans payable	2012 Police Cars	100,000	35,000
Notes and loans payable	Animal Control Van	17,063	5,553
Total governmental activities		<u>1,438,018</u>	<u>284,574</u>
Wastewater:			
Revenue bonds	Sewage Works Revenue Bonds of 2007	7,200,000	624,495
Revenue bonds	Sewage Works Revenue Bonds of 2009	2,480,000	201,988
Notes and loans payable	Washington Municipal Sewer Utility 2010 SRF	14,243,000	1,026,758
Notes and loans payable	waterline casing	130,000	32,500
Total Wastewater		<u>24,053,000</u>	<u>1,885,741</u>
Water:			
Revenue bonds	Waterworks Refunding Revenue Bonds of 2006	5,230,000	328,193
Revenue bonds	Waterworks Refunding Revenue Bonds of 2005	6,040,000	1,247,223
Notes and loans payable	waterline casing	130,000	32,500
Total Water		<u>11,400,000</u>	<u>1,607,916</u>
Totals		<u>\$ 36,891,018</u>	<u>\$ 3,778,231</u>

CITY OF WASHINGTON
SCHEDULE OF CAPITAL ASSETS
December 31, 2012

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.

	Ending Balance
Governmental activities:	
Land	\$ 345,230
Infrastructure	2,416,838
Buildings	3,495,646
Improvements other than buildings	2,059,928
Machinery, equipment, and vehicles	3,927,382
Total governmental activities	12,245,024
Electric:	
Land	56,700
Buildings	829,362
Improvements other than buildings	11,199,863
Machinery, equipment, and vehicles	4,315,204
Construction in progress	65,850
Total Electric	16,466,979
Storm Water:	
Buildings	28,722
Improvements other than buildings	188,160
Machinery, equipment, and vehicles	168,952
Construction in progress	13,732
Total Storm Water	399,566
Wastewater:	
Land	545,862
Buildings	6,905,467
Improvements other than buildings	10,537,459
Machinery, equipment, and vehicles	8,195,330
Construction in progress	24,264,433
Total Wastewater	50,448,551
Water:	
Land	166,402
Buildings	15,601,164
Improvements other than buildings	12,205,920
Machinery, equipment, and vehicles	4,256,619
Construction in progress	82,763
Total Water	32,312,868
Total capital assets	\$ 111,872,988

CITY OF WASHINGTON
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

Internal controls over the recording and accounting for the financial activities reported on the Schedule of Expenditures of Federal Awards were insufficient to detect and correct the following errors noted on the Schedule of Expenditures of Federal Awards: (1) several federal grants were not reported, one grant was reported for the incorrect amount, and one grant that was reported was a state grant; (2) no CFDA numbers or identifying numbers assigned by pass-through entity were reported; and (3) federal grantor agency, pass-through agency, and federal program titles were not always correct.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for the Major Federal Program

We have audited the City of Washington'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, 2012. 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, 2012.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with 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 type of requirements that could

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

have a direct and material effect on each 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.

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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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.



Bruce Hartman
State Examiner

June 17, 2013

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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 WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2012

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>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
CDBG - State-Administered CDBG Cluster				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii				
	Indiana Office of Community and Rural Affairs	14.228	DR2-09-085	\$ 1,534,579
	Indiana Housing and Community Development Authority	14.228	NSP1-009-028	314,722
		14.228	HD-011-014	<u>579,564</u>
Total - U.S. Department of Housing and Urban Development				<u>2,428,865</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Highway Planning and Construction Cluster				
Highway Planning and Construction				
	Indiana Department of Transportation	20.205	DES #0902312	11,156
		20.205	DES #1173211	112,883
		20.205	DES #1173467	<u>42,750</u>
Total - Highway Planning and Construction Cluster				<u>166,789</u>
Highway Safety Cluster				
Safety Belts Performance Grants				
	Indiana Criminal Justice Institute	20.609	FY 10-11	<u>2,138</u>
Total - Highway Safety Cluster				<u>2,138</u>
Formula Grants for Other Than Urbanized Areas				
	Indiana Department of Transportation	20.509	180290130	47,067
ARRA - Formula Grants for Other Than Urbanized Areas				
	Indiana Department of Transportation	20.509	DES #0901122-0901125	<u>54,984</u>
Total - ARRA - Formula Grants for Other Than Urbanized Areas				<u>102,051</u>
Total - U.S. Department of Transportation				<u>270,978</u>
<u>U.S. Environmental Protection Agency</u>				
Capitalization Grants for Drinking Water State Revolving Funds				
	Indiana Finance Authority	66.468	WW09428801	<u>23,928</u>
Total - U.S. Environmental Protection Agency				<u>23,928</u>
<u>U.S. Department of Energy</u>				
ARRA - Energy Efficiency and Conservation Block Grant Program				
	Indiana Municipal Power and Light	81.128	DE-FOA-0000148	<u>5,000</u>
Total - U.S. Department of Energy				<u>5,000</u>
Total federal awards expended				<u>\$ 2,830,822</u>

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

CITY OF WASHINGTON
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Washington (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 WASHINGTON
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; Unqualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	no

Identification of Major Program:

_____ Name of Federal Program or Cluster _____
CDBG – State-Administered CDBG Cluster

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2012-1 – INTERNAL CONTROLS OVER THE SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS

The City did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: (1) several federal grants were not reported, one grant was reported for the incorrect amount, and one grant that was reported was a state grant; (2) no CFDA numbers or identifying numbers assigned by the pass-through entity was reported; and (3) federal grantor agency, pass-through agency, and federal program titles were not always correct. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statements.

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

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310 (b) states:

"(b) Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

City of Washington
Karen Brown
Clerk-Treasurer
101 N. E. Third Street
Washington, IN 47501
(812) 254-6143 Office (812) 254-8227 Fax

CORRECTIVE ACTION PLAN

FINDING NO. 2012-1, INTERNAL CONTROLS OVER THE SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS

AUDITEE CONTACT PERSON: Karen Brown
TITLE OF CONTACT PERSON: Clerk-Treasurer
PHONE NUMBER OF CONTACT PERSON: 812-254-6143

EXPECTED COMPLETION DATE: As information is made available and at annual report time

Plan: When grants are discussed at Council/Board meetings, determine if/when they are received, as well as the ending dates. Also, consult with all employees in office at annual report time to insure that all grants are included in report before report is submitted. Also, create and maintain a spreadsheet listing of grants and awards, along with pertinent information, to be kept current throughout the year.

Karen Brown

Clerk-Treasurer
June 10, 2013

CITY OF WASHINGTON
EXIT CONFERENCE

The contents of this report were discussed on June 17, 2013, with Joseph Wellman, Mayor; Karen Brown, Clerk-Treasurer; and Louis J. Fleck, President of the Common Council. The officials concurred with our audit findings.