

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CITY OF ELKHART  
ELKHART COUNTY, INDIANA

January 1, 2012 to December 31, 2012



**FILED**  
11/20/2013



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report .....	3-5
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 .....	6-7
Financial Statement:	
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis .....	10-12
Notes to Financial Statement .....	13-18
Supplementary Information - Unaudited:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis .....	20-45
Schedule of Payables and Receivables .....	46
Schedule of Leases and Debt .....	47
Schedule of Capital Assets .....	48
Other Report .....	49
Audit Results and Comments:	
Internal Controls Over Disbursements .....	50
Internal Controls Over Federal Grant Programs .....	50-51
Solid Waste Management and Recycling Bid .....	51-52
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance .....	54-55
Schedule of Expenditures of Federal Awards .....	58
Notes to Schedule of Expenditures of Federal Awards .....	59
Schedule of Findings and Questioned Costs .....	60-65
Auditee Prepared Schedule:	
Corrective Action Plan .....	66-67
Exit Conference .....	68
Official Response .....	69

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Stephen J. Malone	01-01-12 to 12-31-13
Mayor	Dick Moore	01-01-12 to 12-31-15
President of the Board of Public Works	Michael C. Machlan	01-01-12 to 12-31-13
President of the Common Council	Tonda L. Hines Ronald D. Troyer	01-01-12 to 12-31-12 01-01-13 to 12-31-13



## INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF ELKHART, ELKHART COUNTY, INDIANA

### ***Report on the Financial Statement***

We have audited the accompanying financial statement of the City of Elkhart (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 September 25, 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 Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

*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 Indiana 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.

The City's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.

  
Paul D. Joyce, CPA  
State Examiner

September 25, 2013



**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  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

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 ELKHART, ELKHART 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 Elkhart (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 September 25, 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 a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 items 2012-01 and 2012-02 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 2012-02.

***City of Elkhart's Response to Findings***

The City's response to the findings identified in our audit is described in the accompanying Official Response and 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.

  
Paul D. Joyce, CPA  
State Examiner

September 25, 2013

(This page intentionally left blank.)

## 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 ELKHART  
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	\$ 22,778,772	\$ 32,688,927	\$ 30,910,871	\$ 24,556,828
Motor Vehicle Highway	1,112,780	3,637,076	3,442,884	1,306,972
Local Road And Street	261,585	481,904	491,138	252,351
Aviation	804,302	594,392	727,011	671,683
Park Program	357,326	294,828	261,412	390,742
Parking Enforcement	82,686	10,946	-	93,632
Community Development	500	953,684	953,714	470
Law Enforcement Continuing Ed	220,272	73,577	66,431	227,418
Unsafe Building	93,488	187,907	138,545	142,850
Riverboat Gaming	706,362	301,818	332,005	676,175
E-911	158,849	60,742	130,759	88,832
Park And Recreation	494,575	1,021,824	1,002,065	514,334
Rainy Day	4,776,212	242,483	-	5,018,695
Levy Excess	-	247,617	-	247,617
Major Moves Construction	7,905,784	895,014	-	8,800,798
Cum Cap Development	495,893	613,224	850,364	258,753
Cum Cap Fire	218,190	260,842	163,699	315,333
Cum Cap Sewer	735,338	171,304	234,927	671,715
Cum Cap Improvement	115,392	205,774	121,302	199,864
Police Pension	1,781,992	1,997,993	2,026,757	1,753,228
Fire Pension	2,805,290	2,713,294	2,732,738	2,785,846
Dangerous Driving Enforcement	1,570	536	2,106	-
BCCE Seat Belt Grant	406	5,429	4,751	1,084
Park Bond 09 Reserve	232,728	50,549	-	283,277
TIF Southwest Capital	-	-	-	-
TIF Bayer/Tech Park Allocation	109,223	24,287	50,999	82,511
Lerner Ticket Account	23,426	1,090,391	1,086,443	27,374
City Clerk State Shares Sweep Account	64,127	780,516	792,667	51,976
Elkhart City Court-Regular Account	174,314	1,939,837	1,959,918	154,233
City Clerk-Probation User Fees	13,341	255,911	256,628	12,624
NYCRR Concessions	-	6,980	2,013	4,967
Tolson Youth Donation	-	2,494	-	2,494
IHCDA IN Housing Comm Dev Assoc.	-	201,961	238,060	(36,099)
Cemetery	273,539	459,775	380,910	352,404
Probation User Fees	514,610	256,247	326,826	444,031
Federal Grant Human Relations	60,124	29,074	16,535	72,663
State Grant IDEM Small Mentor	61,013	-	-	61,013
Central Garage	323,988	1,519,100	1,216,726	626,362
Park Grants	4,425	-	-	4,425
Theft Program	121,718	10,530	7,600	124,648
Stu Statler Crime Fund	16,854	31,803	31,678	16,979
Record Perpetuation	108,805	45,601	44,144	110,262
High Dive Park Grant	19,644	-	-	19,644
Tax Abatement	144,609	43,591	-	188,200
Drunk Driving Grant	(5,054)	5,054	-	-
CSBG (Comm Svcs Block Grant)	1,736	-	1,736	-
Environmental Center	48,381	100,000	109,050	39,331
Greater Elkhart	1,761,780	1,269,337	1,755,844	1,275,273
License Examination	22,634	6,509	5,407	23,736
Mausoleum Operating	66,824	11,637	41,119	37,342
NYCRR Museum	90,669	104,855	101,174	94,350
Sidewalk Improvement	43,473	-	43,473	-
Washington Gardens	10,270	30,074	38,078	2,266
Elco/Lerner Theatre	389,585	710,519	559,632	540,472
Redevelopment	146,894	153,098	154,895	145,097
UMPTA	12,767	-	-	12,767
Tolson Drug Elimination	35	-	-	35
Energy Efficiency Block Grant	-	-	-	-
IDEM Grant St Joe River	17,292	-	-	17,292
Wheel Tax	376,922	1,034,985	1,141,147	270,760
CD Rehab	30,584	13,122	1,293	42,413
CD Business Loan Grant	287,851	55,058	25,847	317,062
DEA Asset Sharing	2,643	70,320	29,628	43,335

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

CITY OF ELKHART  
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
Noise Ordinance	11,097	154,522	146,497	19,122
Curb And Gutter Construction	41,639	8,422	8,900	41,161
Elco Capital	111,107	1,689	-	112,796
TIF Downtown Reserve	503,500	241,563	-	745,063
TIF Pierre Moran Allocation	888,632	222,347	625,188	485,791
TIF Southwest Allocation	1,409,446	234,219	179,920	1,463,745
TIF Aeroplex Allocation	588,569	81,087	2,036	667,620
TIF Sterling Allocation	349,948	25,619	215,083	160,484
TIF Cassopolis Allocation	1,581,353	1,628,453	1,425,730	1,784,076
Aviation Insurance Settlement	1,358	614,961	556,144	60,175
Insurance Fire Department	26,599	20	-	26,619
Insurance Police Dept	22,963	17,352	11,034	29,281
Insurance Public Works	42,911	93,845	94,108	42,648
Insurance Street Dept	2,952	32,962	35,571	343
Insurance Cemetery	100	-	-	100
Insurance Park And Recreation	48,907	151,385	159,723	40,569
Insurance Bldg & Grnds	61	1,575	61	1,575
Insurance Oak Hills	490	-	-	490
Insurance Central Garage	3,126	4,752	5,484	2,394
Insurance Sewer	14,677	-	-	14,677
Donation Mayors Office	1,434	33,755	32,533	2,656
Donation Mayors Food Drive	327	1,156	636	847
Donation Character First	52	-	52	-
Donation Spread The Warmth	100	-	100	-
Donation Safety Champions	142	-	-	142
Animal Control Ordinance	99,671	69,849	4,529	164,991
Donation Bayer Corp	1,127	-	-	1,127
Donation Civil Rights	692	-	-	692
Donation Community Violence	176	-	-	176
Donation Fire Education	1,488	-	-	1,488
Donation Smoke Detectors	526	-	-	526
Donation Ambulance Escrow	10,035	-	-	10,035
Donation Survive Alive	3,719	8,705	7,457	4,967
Donation Historical Preservation	11,156	-	599	10,557
Donation Building	251	-	-	251
Donation Downtown Improvements	1,253	-	-	1,253
Donation Riverwalk	126,845	-	11,190	115,655
Donation Police Community Relations	567	-	567	-
Donation Police Dare	5,765	-	5,765	-
Donation Police Misc	39,914	36,968	32,673	44,209
Donation Intersection Improvements	650	-	-	650
Donation Beardsley Memorial	4,537	-	-	4,537
Lerner Concessions	714	-	-	714
Donation Comm Center	10	-	-	10
Donation EMS	1,783	-	-	1,783
Donation Tree Planting	354	-	-	354
Donation NYCRR Museum	2,125	3,468	1,381	4,212
Donation Cemetery	42,517	-	-	42,517
Donation Park And Recreation	53,217	15,270	9,973	58,514
Donation Elco/Lerner Theatre	33,544	2,339	542	35,341
Donation Agenda 2010	171	-	-	171
Tolson Scholarship	2,179	-	-	2,179
Donation Enviro Education	30,188	4,590	4,077	30,701
Donation DESS	597	-	-	597
Donation Botanical Gardens	119	-	-	119
Donation Public Works	4,036	-	-	4,036
Neighborhood Stabilization Program	1,095	584,621	570,675	15,041
NSP 3	-	279,361	279,361	-

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

CITY OF ELKHART  
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
G.O. Bond 06 Allocation	-	-	-	-
Park Bond 06 Allocation	-	-	-	-
Park Bond 09 Allocation	352,995	632,457	910,877	74,575
TIF Downtown Allocation	2,868,255	1,555,092	1,978,966	2,444,381
Park Bond Anticipation Notes	50,549	-	50,549	-
G.O. Bond 06 Capital	-	-	-	-
Park Bond 2009 Capital	-	-	-	-
EDIT	5,589,901	2,806,663	2,783,165	5,613,399
Riverwalk Commons	1,760	-	-	1,760
Horizon	312,546	-	-	312,546
Aviation Federal	415	885,621	295,158	590,878
Downtown Development	8,177	-	-	8,177
Highway Improvement	95,446	2,327	2,909	94,864
Park Capital	6,524	-	-	6,524
TIF Downtown Capital	62,913	-	-	62,913
P/W Homeland Security Grant	58	-	-	58
Fire Department FEMA Grant	22,351	-	1,515	20,836
Bureau Of Justice Police Grant	68,959	41,321	7,177	103,103
RR Underpass	137,889	171,839	188,277	121,451
Cassopolis Interlocal	4,015	-	-	4,015
Build Indiana - RR Safety	50,000	-	-	50,000
Build Indiana- Elco/Lerner Theatre	11,525	50,000	44,130	17,395
CR 17 Corridor	4,446	-	-	4,446
Cemetery Perpetual	44,243	3,908	-	48,151
Mausoleum Perpetual	442,864	1,678	59,220	385,322
Prairie Street Cemetery	75,657	-	-	75,657
Pension Trust	1,495,856	4,806,860	4,404,740	1,897,976
Sales Tax	1,721	16,298	16,585	1,434
County Court Fees	13,244	170,278	183,522	-
Flex Benefit	81,413	263,794	268,980	76,227
Group Insurance	623,659	6,675,382	6,765,288	533,753
HRA Group Insurance	257,567	250,089	199,027	308,629
Liability Insurance Trust	3,830,715	1,762,610	1,251,336	4,341,989
Fuel Hedge Fund	53	5,152	5,152	53
Oak Hills Golf Course	-	185,250	185,250	-
Oak Hills Concessions	6,390	17,934	24,325	(1)
Stormwater Capital	-	255,000	7,874	247,126
Stormwater	557,312	684,754	783,119	458,947
CSO LTCP	-	1,150,975	-	1,150,975
Wastewater Utility Operating	2,451,516	7,800,000	9,080,091	1,171,425
Wastewater Util-Bond And Interest	1,049,055	724,790	1,550,341	223,504
Wastewater Utility Depreciation	643	-	643	-
Sewer Replacement	991,185	4,550,568	2,831,106	2,710,647
Sewer Bond Sinking Fund	536,140	290,111	-	826,251
Sewer Insurance 655 #2	300,908	248,821	228,247	321,482
WWTP Trunk Line Ext 656 #3	854,704	238,793	165,417	928,080
WWTP Revenue Fund #4	957,248	9,836,778	10,247,144	546,882
Sewer Guarantee Deposits	141,488	26,689	-	168,177
Water Utility Operating	2,470,535	6,308,100	5,294,361	3,484,274
Water Utility Depreciation	1,031,041	1,380,000	1,294,937	1,116,104
Water Utility Tank	1,705,313	-	-	1,705,313
Water Revenue #4	3,766,320	8,282,003	6,826,933	5,221,390
Water Main Extension 630	268,653	216,680	329,698	155,635
WTR Guarantee Deposit	163,780	20,707	-	184,487
Aquatic Fisheries	247,032	100,408	113,759	233,681
<b>Totals</b>	<b>\$ 91,626,828</b>	<b>\$ 124,948,935</b>	<b>\$ 117,820,356</b>	<b>\$ 98,755,407</b>

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

CITY OF ELKHART  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, storm water, trash, 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 Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 ELKHART  
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 ELKHART  
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 ELKHART  
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 ELKHART  
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 ELKHART  
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.

**Note 7. Cash Balance Deficits**

The financial statement contains one fund with a deficit in cash. The IHEDA IN Housing Comm Dev Assoc. Fund is set up as a reimbursable grant fund. The reimbursement for expenditures made by the City was not received by December 31, 2012.

## 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 ELKHART  
 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	Aviation	Park Program	Parking Enforcement	Community Development
Cash and investments - beginning	\$ 22,778,772	\$ 1,112,780	\$ 261,585	\$ 804,302	\$ 357,326	\$ 82,686	\$ 500
Receipts:							
Taxes	19,981,320	2,121,294	-	363,144	-	-	-
Licenses and permits	348,146	-	-	-	-	-	-
Intergovernmental	10,813,451	1,363,653	481,904	22,670	-	-	946,276
Charges for services	497,388	4,140	-	208,209	291,320	-	-
Fines and forfeits	371,242	-	-	-	-	10,946	-
Utility fees	-	-	-	-	-	-	-
Other receipts	677,380	147,989	-	369	3,508	-	7,408
Total receipts	<u>32,688,927</u>	<u>3,637,076</u>	<u>481,904</u>	<u>594,392</u>	<u>294,828</u>	<u>10,946</u>	<u>953,684</u>
Disbursements:							
Personal services	27,045,585	2,727,899	-	596,345	80,941	-	316,143
Supplies	1,211,323	377,498	-	36,100	66,408	-	-
Other services and charges	2,375,856	333,210	298,084	94,566	47,863	-	637,571
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	24,377	4,277	193,054	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	253,730	-	-	-	66,200	-	-
Total disbursements	<u>30,910,871</u>	<u>3,442,884</u>	<u>491,138</u>	<u>727,011</u>	<u>261,412</u>	<u>-</u>	<u>953,714</u>
Excess (deficiency) of receipts over disbursements	<u>1,778,056</u>	<u>194,192</u>	<u>(9,234)</u>	<u>(132,619)</u>	<u>33,416</u>	<u>10,946</u>	<u>(30)</u>
Cash and investments - ending	<u>\$ 24,556,828</u>	<u>\$ 1,306,972</u>	<u>\$ 252,351</u>	<u>\$ 671,683</u>	<u>\$ 390,742</u>	<u>\$ 93,632</u>	<u>\$ 470</u>

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

	Law Enforcement Continuing Ed	Unsafe Building	Riverboat Gaming	E-911	Park And Recreation	Rainy Day	Levy Excess
Cash and investments - beginning	\$ 220,272	\$ 93,488	\$ 706,362	\$ 158,849	\$ 494,575	\$ 4,776,212	\$ -
Receipts:							
Taxes	-	-	-	60,742	764,670	-	247,617
Licenses and permits	14,370	-	-	-	-	-	-
Intergovernmental	-	-	301,818	-	47,733	-	-
Charges for services	59,207	153,807	-	-	208,363	239,326	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	34,100	-	-	1,058	3,157	-
Total receipts	<u>73,577</u>	<u>187,907</u>	<u>301,818</u>	<u>60,742</u>	<u>1,021,824</u>	<u>242,483</u>	<u>247,617</u>
Disbursements:							
Personal services	-	9,009	-	-	613,403	-	-
Supplies	-	-	-	-	40,151	-	-
Other services and charges	66,431	129,536	332,005	130,759	341,828	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	6,683	-	-
Total disbursements	<u>66,431</u>	<u>138,545</u>	<u>332,005</u>	<u>130,759</u>	<u>1,002,065</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>7,146</u>	<u>49,362</u>	<u>(30,187)</u>	<u>(70,017)</u>	<u>19,759</u>	<u>242,483</u>	<u>247,617</u>
Cash and investments - ending	<u>\$ 227,418</u>	<u>\$ 142,850</u>	<u>\$ 676,175</u>	<u>\$ 88,832</u>	<u>\$ 514,334</u>	<u>\$ 5,018,695</u>	<u>\$ 247,617</u>

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

	Major Moves Construction	Cum Cap Development	Cum Cap Fire	Cum Cap Sewer	Cum Cap Improvement	Police Pension	Fire Pension
Cash and investments - beginning	\$ 7,905,784	\$ 495,893	\$ 218,190	\$ 735,338	\$ 115,392	\$ 1,781,992	\$ 2,805,290
Receipts:							
Taxes	-	577,193	20,018	161,555	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	36,031	1,588	9,749	135,130	1,996,578	2,713,294
Charges for services	-	-	239,236	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	895,014	-	-	-	70,644	1,415	-
Total receipts	<u>895,014</u>	<u>613,224</u>	<u>260,842</u>	<u>171,304</u>	<u>205,774</u>	<u>1,997,993</u>	<u>2,713,294</u>
Disbursements:							
Personal services	-	201,482	-	-	23,282	7,688	7,142
Supplies	-	632	-	-	70,127	2,257	3,779
Other services and charges	-	339,359	-	-	22,303	2,016,812	2,721,817
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	308,891	163,699	234,927	5,590	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>850,364</u>	<u>163,699</u>	<u>234,927</u>	<u>121,302</u>	<u>2,026,757</u>	<u>2,732,738</u>
Excess (deficiency) of receipts over disbursements	<u>895,014</u>	<u>(237,140)</u>	<u>97,143</u>	<u>(63,623)</u>	<u>84,472</u>	<u>(28,764)</u>	<u>(19,444)</u>
Cash and investments - ending	<u>\$ 8,800,798</u>	<u>\$ 258,753</u>	<u>\$ 315,333</u>	<u>\$ 671,715</u>	<u>\$ 199,864</u>	<u>\$ 1,753,228</u>	<u>\$ 2,785,846</u>

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

	Dangerous Driving Enforcement	BCCE Seat Belt Grant	Park Bond 09 Reserve	TIF Southwest Capital	TIF Bayer/Tech Park Allocation	Lerner Ticket Account	City Clerk State Shares Sweep Account
Cash and investments - beginning	\$ 1,570	\$ 406	\$ 232,728	\$ -	\$ 109,223	\$ 23,426	\$ 64,127
Receipts:							
Taxes	-	-	-	-	24,287	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	536	5,429	-	-	-	-	-
Charges for services	-	-	-	-	-	1,090,391	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	50,549	-	-	-	780,516
Total receipts	536	5,429	50,549	-	24,287	1,090,391	780,516
Disbursements:							
Personal services	-	2,041	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	50,999	1,086,443	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	2,106	2,710	-	-	-	-	792,667
Total disbursements	2,106	4,751	-	-	50,999	1,086,443	792,667
Excess (deficiency) of receipts over disbursements	(1,570)	678	50,549	-	(26,712)	3,948	(12,151)
Cash and investments - ending	\$ -	\$ 1,084	\$ 283,277	\$ -	\$ 82,511	\$ 27,374	\$ 51,976

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

	Elkhart City Court-Regular Account	City Clerk-Probation User Fees	NYCRR Concessions	Tolson Youth Donation	IHCDA IN Housing Comm Dev Assoc.	Cemetery	Probation User Fees
Cash and investments - beginning	\$ 174,314	\$ 13,341	\$ -	\$ -	\$ -	\$ 273,539	\$ 514,610
Receipts:							
Taxes	-	-	-	-	-	194,858	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	201,961	12,163	-
Charges for services	-	-	5,980	-	-	251,627	256,247
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,939,837	255,911	1,000	2,494	-	1,127	-
Total receipts	<u>1,939,837</u>	<u>255,911</u>	<u>6,980</u>	<u>2,494</u>	<u>201,961</u>	<u>459,775</u>	<u>256,247</u>
Disbursements:							
Personal services	-	-	-	-	-	334,397	228,768
Supplies	-	-	2,013	-	-	15,887	4,589
Other services and charges	-	-	-	-	238,060	30,626	89,818
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	3,651
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1,959,918	256,628	-	-	-	-	-
Total disbursements	<u>1,959,918</u>	<u>256,628</u>	<u>2,013</u>	<u>-</u>	<u>238,060</u>	<u>380,910</u>	<u>326,826</u>
Excess (deficiency) of receipts over disbursements	<u>(20,081)</u>	<u>(717)</u>	<u>4,967</u>	<u>2,494</u>	<u>(36,099)</u>	<u>78,865</u>	<u>(70,579)</u>
Cash and investments - ending	<u>\$ 154,233</u>	<u>\$ 12,624</u>	<u>\$ 4,967</u>	<u>\$ 2,494</u>	<u>\$ (36,099)</u>	<u>\$ 352,404</u>	<u>\$ 444,031</u>

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

	Federal Grant Human Relations	State Grant IDEM Small Mentor	Central Garage	Park Grants	Theft Program	Stu Statler Crime Fund	Record Perpetuation
Cash and investments - beginning	\$ 60,124	\$ 61,013	\$ 323,988	\$ 4,425	\$ 121,718	\$ 16,854	\$ 108,805
Receipts:							
Taxes	-	-	1,426,006	-	-	-	-
Licenses and permits	-	-	-	-	-	31,803	-
Intergovernmental	29,074	-	89,015	-	-	-	-
Charges for services	-	-	-	-	-	-	45,601
Fines and forfeits	-	-	-	-	10,530	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	4,079	-	-	-	-
Total receipts	<u>29,074</u>	<u>-</u>	<u>1,519,100</u>	<u>-</u>	<u>10,530</u>	<u>31,803</u>	<u>45,601</u>
Disbursements:							
Personal services	11,369	-	652,089	-	-	-	36,429
Supplies	372	-	457,770	-	-	-	4,803
Other services and charges	4,794	-	106,867	-	7,600	110	2,912
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	31,568	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>16,535</u>	<u>-</u>	<u>1,216,726</u>	<u>-</u>	<u>7,600</u>	<u>31,678</u>	<u>44,144</u>
Excess (deficiency) of receipts over disbursements	<u>12,539</u>	<u>-</u>	<u>302,374</u>	<u>-</u>	<u>2,930</u>	<u>125</u>	<u>1,457</u>
Cash and investments - ending	<u>\$ 72,663</u>	<u>\$ 61,013</u>	<u>\$ 626,362</u>	<u>\$ 4,425</u>	<u>\$ 124,648</u>	<u>\$ 16,979</u>	<u>\$ 110,262</u>

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

	High Dive Park Grant	Tax Abatement	Drunk Driving Grant	CSBG (Comm Svcs Block Grant)	Environmental Center	Greater Elkhart	License Examination
Cash and investments - beginning	\$ 19,644	\$ 144,609	\$ (5,054)	\$ 1,736	\$ 48,381	\$ 1,761,780	\$ 22,634
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	6,509
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	1,189,864	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	43,591	5,054	-	100,000	79,473	-
Total receipts	-	43,591	5,054	-	100,000	1,269,337	6,509
Disbursements:							
Personal services	-	-	-	-	99,061	-	-
Supplies	-	-	-	-	5,510	-	-
Other services and charges	-	-	-	-	4,479	1,141,138	5,407
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	154,706	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	1,736	-	460,000	-
Total disbursements	-	-	-	1,736	109,050	1,755,844	5,407
Excess (deficiency) of receipts over disbursements	-	43,591	5,054	(1,736)	(9,050)	(486,507)	1,102
Cash and investments - ending	\$ 19,644	\$ 188,200	\$ -	\$ -	\$ 39,331	\$ 1,275,273	\$ 23,736

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

	Mausoleum Operating	NYCRR Museum	Sidewalk Improvement	Washington Gardens	Elco/Lerner Theatre	Redevelopment	UMPTA
Cash and investments - beginning	\$ 66,824	\$ 90,669	\$ 43,473	\$ 10,270	\$ 389,585	\$ 146,894	\$ 12,767
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	30,074	-	153,098	-
Charges for services	11,637	42,368	-	-	264,368	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	62,487	-	-	446,151	-	-
Total receipts	<u>11,637</u>	<u>104,855</u>	<u>-</u>	<u>30,074</u>	<u>710,519</u>	<u>153,098</u>	<u>-</u>
Disbursements:							
Personal services	29,996	73,438	-	38,078	400,472	-	-
Supplies	6,966	2,998	-	-	17,469	-	-
Other services and charges	4,157	24,738	-	-	141,691	154,895	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	43,473	-	-	-	-
Total disbursements	<u>41,119</u>	<u>101,174</u>	<u>43,473</u>	<u>38,078</u>	<u>559,632</u>	<u>154,895</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(29,482)</u>	<u>3,681</u>	<u>(43,473)</u>	<u>(8,004)</u>	<u>150,887</u>	<u>(1,797)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 37,342</u>	<u>\$ 94,350</u>	<u>\$ -</u>	<u>\$ 2,266</u>	<u>\$ 540,472</u>	<u>\$ 145,097</u>	<u>\$ 12,767</u>

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

	Tolson Drug Elimination	Energy Efficiency Block Grant	IDEM Grant St Joe River	Wheel Tax	CD Rehab	CD Business Loan Grant	DEA Asset Sharing
Cash and investments - beginning	\$ 35	\$ -	\$ 17,292	\$ 376,922	\$ 30,584	\$ 287,851	\$ 2,643
Receipts:							
Taxes	-	-	-	1,034,985	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	70,010
Charges for services	-	-	-	-	11,020	55,056	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	2,102	2	310
Total receipts	-	-	-	1,034,985	13,122	55,058	70,320
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	1,141,147	-	-	-
Other services and charges	-	-	-	-	1,293	25,847	29,628
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	-	-	1,141,147	1,293	25,847	29,628
Excess (deficiency) of receipts over disbursements	-	-	-	(106,162)	11,829	29,211	40,692
Cash and investments - ending	\$ 35	\$ -	\$ 17,292	\$ 270,760	\$ 42,413	\$ 317,062	\$ 43,335

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

	Noise Ordinance	Curb And Gutter Construction	Elco Capital	TIF Downtown Reserve	TIF Pierre Moran Allocation	TIF Southwest Allocation	TIF Aeroplex Allocation
Cash and investments - beginning	\$ 11,097	\$ 41,639	\$ 111,107	\$ 503,500	\$ 888,632	\$ 1,409,446	\$ 588,569
Receipts:							
Taxes	-	-	-	-	222,347	234,219	81,087
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	154,522	8,422	1,689	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	241,563	-	-	-
Total receipts	154,522	8,422	1,689	241,563	222,347	234,219	81,087
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	14,997	-	-	-	625,188	179,920	2,036
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	131,500	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	8,900	-	-	-	-	-
Total disbursements	146,497	8,900	-	-	625,188	179,920	2,036
Excess (deficiency) of receipts over disbursements	8,025	(478)	1,689	241,563	(402,841)	54,299	79,051
Cash and investments - ending	\$ 19,122	\$ 41,161	\$ 112,796	\$ 745,063	\$ 485,791	\$ 1,463,745	\$ 667,620

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

	TIF Sterling Allocation	TIF Cassopolis Allocation	Aviation Insurance Settlement	Insurance Fire Department	Insurance Police Dept	Insurance Public Works	Insurance Street Dept
Cash and investments - beginning	\$ 349,948	\$ 1,581,353	\$ 1,358	\$ 26,599	\$ 22,963	\$ 42,911	\$ 2,952
Receipts:							
Taxes	25,619	1,396,123	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	232,330	614,961	20	17,352	93,845	32,962
Total receipts	<u>25,619</u>	<u>1,628,453</u>	<u>614,961</u>	<u>20</u>	<u>17,352</u>	<u>93,845</u>	<u>32,962</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	79,261	-
Other services and charges	215,083	1,125,730	56,144	-	11,034	14,847	35,571
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	300,000	500,000	-	-	-	-
Total disbursements	<u>215,083</u>	<u>1,425,730</u>	<u>556,144</u>	<u>-</u>	<u>11,034</u>	<u>94,108</u>	<u>35,571</u>
Excess (deficiency) of receipts over disbursements	<u>(189,464)</u>	<u>202,723</u>	<u>58,817</u>	<u>20</u>	<u>6,318</u>	<u>(263)</u>	<u>(2,609)</u>
Cash and investments - ending	<u>\$ 160,484</u>	<u>\$ 1,784,076</u>	<u>\$ 60,175</u>	<u>\$ 26,619</u>	<u>\$ 29,281</u>	<u>\$ 42,648</u>	<u>\$ 343</u>

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

	Insurance Cemetery	Insurance Park And Recreation	Insurance Bldg & Grnds	Insurance Oak Hills	Insurance Central Garage	Insurance Sewer	Donation Mayors Office
Cash and investments - beginning	\$ 100	\$ 48,907	\$ 61	\$ 490	\$ 3,126	\$ 14,677	\$ 1,434
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	151,385	1,575	-	4,752	-	33,755
Total receipts	-	151,385	1,575	-	4,752	-	33,755
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	159,723	-	-	5,484	-	32,533
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	61	-	-	-	-
Total disbursements	-	159,723	61	-	5,484	-	32,533
Excess (deficiency) of receipts over disbursements	-	(8,338)	1,514	-	(732)	-	1,222
Cash and investments - ending	\$ 100	\$ 40,569	\$ 1,575	\$ 490	\$ 2,394	\$ 14,677	\$ 2,656

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

	Donation Mayors Food Drive	Donation Character First	Donation Spread The Warmth	Donation Safety Champions	Animal Control Ordinance	Donation Bayer Corp	Donation Civil Rights
Cash and investments - beginning	\$ 327	\$ 52	\$ 100	\$ 142	\$ 99,671	\$ 1,127	\$ 692
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	34,591	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	35,258	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,156	-	-	-	-	-	-
Total receipts	1,156	-	-	-	69,849	-	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	3,208	-	-
Other services and charges	636	-	-	-	1,321	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	52	100	-	-	-	-
Total disbursements	636	52	100	-	4,529	-	-
Excess (deficiency) of receipts over disbursements	520	(52)	(100)	-	65,320	-	-
Cash and investments - ending	\$ 847	\$ -	\$ -	\$ 142	\$ 164,991	\$ 1,127	\$ 692

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

	Donation Community Violence	Donation Fire Education	Donation Smoke Detectors	Donation Ambulance Escrow	Donation Survive Alive	Donation Historical Preservation	Donation Building
Cash and investments - beginning	\$ 176	\$ 1,488	\$ 526	\$ 10,035	\$ 3,719	\$ 11,156	\$ 251
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	8,705	-	-
Total receipts	-	-	-	-	8,705	-	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	6,453	-	-
Other services and charges	-	-	-	-	1,004	599	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	7,457	599	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	1,248	(599)	-
Cash and investments - ending	\$ 176	\$ 1,488	\$ 526	\$ 10,035	\$ 4,967	\$ 10,557	\$ 251

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

	Donation Downtown Improvements	Donation Riverwalk	Donation Police Community Relations	Donation Police Dare	Donation Police Misc	Donation Intersection Improvements	Donation Beardsley Memorial
Cash and investments - beginning	\$ 1,253	\$ 126,845	\$ 567	\$ 5,765	\$ 39,914	\$ 650	\$ 4,537
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	36,968	-	-
Total receipts	-	-	-	-	36,968	-	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	32,363	-	-
Other services and charges	-	11,190	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	567	5,765	310	-	-
Total disbursements	-	11,190	567	5,765	32,673	-	-
Excess (deficiency) of receipts over disbursements	-	(11,190)	(567)	(5,765)	4,295	-	-
Cash and investments - ending	\$ 1,253	\$ 115,655	\$ -	\$ -	\$ 44,209	\$ 650	\$ 4,537

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

	Lerner Concessions	Donation Comm Center	Donation EMS	Donation Tree Planting	Donation NYCRR Museum	Donation Cemetery	Donation Park And Recreation
Cash and investments - beginning	\$ 714	\$ 10	\$ 1,783	\$ 354	\$ 2,125	\$ 42,517	\$ 53,217
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	3,468	-	15,270
Total receipts	-	-	-	-	3,468	-	15,270
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	4,695
Other services and charges	-	-	-	-	381	-	3,284
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	1,000	-	1,994
Total disbursements	-	-	-	-	1,381	-	9,973
Excess (deficiency) of receipts over disbursements	-	-	-	-	2,087	-	5,297
Cash and investments - ending	<u>\$ 714</u>	<u>\$ 10</u>	<u>\$ 1,783</u>	<u>\$ 354</u>	<u>\$ 4,212</u>	<u>\$ 42,517</u>	<u>\$ 58,514</u>

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

	Donation Elco/Lerner Theatre	Donation Agenda 2010	Tolson Scholarship	Donation Enviro Education	Donation DESS	Donation Botanical Gardens	Donation Public Works
Cash and investments - beginning	\$ 33,544	\$ 171	\$ 2,179	\$ 30,188	\$ 597	\$ 119	\$ 4,036
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	2,339	-	-	4,590	-	-	-
Total receipts	2,339	-	-	4,590	-	-	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	542	-	-	4,077	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	542	-	-	4,077	-	-	-
Excess (deficiency) of receipts over disbursements	1,797	-	-	513	-	-	-
Cash and investments - ending	\$ 35,341	\$ 171	\$ 2,179	\$ 30,701	\$ 597	\$ 119	\$ 4,036

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

	Neighborhood Stabilization Program	NSP 3	G.O. Bond 06 Allocation	Park Bond 06 Allocation	Park Bond 09 Allocation	TIF Downtown Allocation	Park Bond Anticipation Notes
Cash and investments - beginning	\$ 1,095	\$ -	\$ -	\$ -	\$ 352,995	\$ 2,868,255	\$ 50,549
Receipts:							
Taxes	-	-	-	-	454,669	1,555,092	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	571,390	272,716	-	-	28,381	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	13,231	6,645	-	-	149,407	-	-
Total receipts	<u>584,621</u>	<u>279,361</u>	<u>-</u>	<u>-</u>	<u>632,457</u>	<u>1,555,092</u>	<u>-</u>
Disbursements:							
Personal services	397,531	-	-	-	-	11	-
Supplies	-	-	-	-	-	-	-
Other services and charges	160,337	267,534	-	-	1,750	742,331	-
Debt service - principal and interest	-	-	-	-	909,127	648,893	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	12,807	11,827	-	-	-	587,731	50,549
Total disbursements	<u>570,675</u>	<u>279,361</u>	<u>-</u>	<u>-</u>	<u>910,877</u>	<u>1,978,966</u>	<u>50,549</u>
Excess (deficiency) of receipts over disbursements	<u>13,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(278,420)</u>	<u>(423,874)</u>	<u>(50,549)</u>
Cash and investments - ending	<u>\$ 15,041</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,575</u>	<u>\$ 2,444,381</u>	<u>\$ -</u>

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

	G.O. Bond 06 Capital	Park Bond 2009 Capital	EDIT	Riverwalk Commons	Horizon	Aviation Federal	Downtown Development
Cash and investments - beginning	\$ -	\$ -	\$ 5,589,901	\$ 1,760	\$ 312,546	\$ 415	\$ 8,177
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	2,806,663	-	-	885,621	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	2,806,663	-	-	885,621	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	2,415,689	-	-	295,158	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	367,476	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	-	2,783,165	-	-	295,158	-
Excess (deficiency) of receipts over disbursements	-	-	23,498	-	-	590,463	-
Cash and investments - ending	\$ -	\$ -	\$ 5,613,399	\$ 1,760	\$ 312,546	\$ 590,878	\$ 8,177

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

	Highway Improvement	Park Capital	TIF Downtown Capital	P/W Homeland Security Grant	Fire Department FEMA Grant	Bureau Of Justice Police Grant	RR Underpass
Cash and investments - beginning	\$ 95,446	\$ 6,524	\$ 62,913	\$ 58	\$ 22,351	\$ 68,959	\$ 137,889
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	2,327	-	-	-	-	41,321	171,839
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>2,327</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,321</u>	<u>171,839</u>
Disbursements:							
Personal services	-	-	-	-	83	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	2,909	-	-	-	1,432	-	188,277
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	7,177	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>2,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,515</u>	<u>7,177</u>	<u>188,277</u>
Excess (deficiency) of receipts over disbursements	<u>(582)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,515)</u>	<u>34,144</u>	<u>(16,438)</u>
Cash and investments - ending	<u>\$ 94,864</u>	<u>\$ 6,524</u>	<u>\$ 62,913</u>	<u>\$ 58</u>	<u>\$ 20,836</u>	<u>\$ 103,103</u>	<u>\$ 121,451</u>

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

	Cassopolis Interlocal	Build Indiana - RR Safety	Build Indiana- Elco/Lerner Theatre	CR 17 Corridor	Cemetery Perpetual	Mausoleum Perpetual	Prairie Street Cemetery
Cash and investments - beginning	\$ 4,015	\$ 50,000	\$ 11,525	\$ 4,446	\$ 44,243	\$ 442,864	\$ 75,657
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	3,908	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	50,000	-	-	1,678	-
Total receipts	-	-	50,000	-	3,908	1,678	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	44,130	-	-	59,220	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	-	44,130	-	-	59,220	-
Excess (deficiency) of receipts over disbursements	-	-	5,870	-	3,908	(57,542)	-
Cash and investments - ending	\$ 4,015	\$ 50,000	\$ 17,395	\$ 4,446	\$ 48,151	\$ 385,322	\$ 75,657

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

	Pension Trust	Sales Tax	County Court Fees	Flex Benefit	Group Insurance	HRA Group Insurance
Cash and investments - beginning	\$ 1,495,856	\$ 1,721	\$ 13,244	\$ 81,413	\$ 623,659	\$ 257,567
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	170,278	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	4,806,860	16,298	-	263,794	6,675,382	250,089
Total receipts	4,806,860	16,298	170,278	263,794	6,675,382	250,089
Disbursements:						
Personal services	-	-	-	268,980	6,765,288	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	199,027
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	4,404,740	16,585	183,522	-	-	-
Total disbursements	4,404,740	16,585	183,522	268,980	6,765,288	199,027
Excess (deficiency) of receipts over disbursements	402,120	(287)	(13,244)	(5,186)	(89,906)	51,062
Cash and investments - ending	\$ 1,897,976	\$ 1,434	\$ -	\$ 76,227	\$ 533,753	\$ 308,629

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

	Liability Insurance Trust	Fuel Hedge Fund	Oak Hills Golf Course	Oak Hills Concessions	Stormwater Capital	Stormwater
Cash and investments - beginning	\$ 3,830,715	\$ 53	\$ -	\$ 6,390	\$ -	\$ 557,312
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	110,594	17,934	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	683,198
Other receipts	<u>1,762,610</u>	<u>5,152</u>	<u>74,656</u>	<u>-</u>	<u>255,000</u>	<u>1,556</u>
Total receipts	<u>1,762,610</u>	<u>5,152</u>	<u>185,250</u>	<u>17,934</u>	<u>255,000</u>	<u>684,754</u>
Disbursements:						
Personal services	-	-	123,339	-	-	-
Supplies	-	-	43,102	12,362	-	-
Other services and charges	1,251,336	5,152	18,809	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	7,874	-
Utility operating expenses	-	-	-	-	-	528,119
Other disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,963</u>	<u>-</u>	<u>255,000</u>
Total disbursements	<u>1,251,336</u>	<u>5,152</u>	<u>185,250</u>	<u>24,325</u>	<u>7,874</u>	<u>783,119</u>
Excess (deficiency) of receipts over disbursements	<u>511,274</u>	<u>-</u>	<u>-</u>	<u>(6,391)</u>	<u>247,126</u>	<u>(98,365)</u>
Cash and investments - ending	<u>\$ 4,341,989</u>	<u>\$ 53</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ 247,126</u>	<u>\$ 458,947</u>

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

	CSO LTCP	Wastewater Utility Operating	Wastewater Util-Bond And Interest	Wastewater Utility Depreciation	Sewer Replacement	Sewer Bond Sinking Fund
Cash and investments - beginning	\$ -	\$ 2,451,516	\$ 1,049,055	\$ 643	\$ 991,185	\$ 536,140
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>1,150,975</u>	<u>7,800,000</u>	<u>724,790</u>	<u>-</u>	<u>4,550,568</u>	<u>290,111</u>
Total receipts	<u>1,150,975</u>	<u>7,800,000</u>	<u>724,790</u>	<u>-</u>	<u>4,550,568</u>	<u>290,111</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	2,831,106	-
Utility operating expenses	-	5,204,754	-	-	-	-
Other disbursements	<u>-</u>	<u>3,875,337</u>	<u>1,550,341</u>	<u>643</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>-</u>	<u>9,080,091</u>	<u>1,550,341</u>	<u>643</u>	<u>2,831,106</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>1,150,975</u>	<u>(1,280,091)</u>	<u>(825,551)</u>	<u>(643)</u>	<u>1,719,462</u>	<u>290,111</u>
Cash and investments - ending	<u>\$ 1,150,975</u>	<u>\$ 1,171,425</u>	<u>\$ 223,504</u>	<u>\$ -</u>	<u>\$ 2,710,647</u>	<u>\$ 826,251</u>

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

	Sewer Insurance 655 #2	WWTP Trunk Line Ext 656 #3	WWTP Revenue Fund #4	Sewer Guarantee Deposits	Water Utility Operating	Water Utility Depreciation
Cash and investments - beginning	\$ 300,908	\$ 854,704	\$ 957,248	\$ 141,488	\$ 2,470,535	\$ 1,031,041
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	188,821	100,478	8,091,687	26,689	-	-
Other receipts	60,000	138,315	1,745,091	-	6,308,100	1,380,000
Total receipts	<u>248,821</u>	<u>238,793</u>	<u>9,836,778</u>	<u>26,689</u>	<u>6,308,100</u>	<u>1,380,000</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	101,967	-	-	20,801	1,294,937
Utility operating expenses	224,007	-	-	-	3,289,081	-
Other disbursements	4,240	63,450	10,247,144	-	1,984,479	-
Total disbursements	<u>228,247</u>	<u>165,417</u>	<u>10,247,144</u>	<u>-</u>	<u>5,294,361</u>	<u>1,294,937</u>
Excess (deficiency) of receipts over disbursements	<u>20,574</u>	<u>73,376</u>	<u>(410,366)</u>	<u>26,689</u>	<u>1,013,739</u>	<u>85,063</u>
Cash and investments - ending	<u>\$ 321,482</u>	<u>\$ 928,080</u>	<u>\$ 546,882</u>	<u>\$ 168,177</u>	<u>\$ 3,484,274</u>	<u>\$ 1,116,104</u>

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

	Water Utility Tank	Water Revenue #4	Water Main Extension 630	WTR Guarantee Deposit	Aquatic Fisheries	Totals
Cash and investments - beginning	\$ 1,705,313	\$ 3,766,320	\$ 268,653	\$ 163,780	\$ 247,032	\$ 91,626,828
Receipts:						
Taxes	-	367,883	-	-	-	31,314,728
Licenses and permits	-	-	-	-	-	435,419
Intergovernmental	-	-	-	-	-	24,241,493
Charges for services	-	-	-	-	-	5,422,224
Fines and forfeits	-	-	-	-	-	598,254
Utility fees	-	7,896,674	-	-	-	16,987,547
Other receipts	-	17,446	216,680	20,707	100,408	45,949,270
Total receipts	-	8,282,003	216,680	20,707	100,408	124,948,935
Disbursements:						
Personal services	-	-	-	-	75,245	41,165,534
Supplies	-	-	-	-	12,037	3,661,280
Other services and charges	-	-	-	-	26,477	21,220,394
Debt service - principal and interest	-	-	-	-	-	1,558,020
Capital outlay	-	-	296,037	-	-	6,183,615
Utility operating expenses	-	-	-	-	-	9,245,961
Other disbursements	-	6,826,933	33,661	-	-	34,785,552
Total disbursements	-	6,826,933	329,698	-	113,759	117,820,356
Excess (deficiency) of receipts over disbursements	-	1,455,070	(113,018)	20,707	(13,351)	7,128,579
Cash and investments - ending	\$ 1,705,313	\$ 5,221,390	\$ 155,635	\$ 184,487	\$ 233,681	\$ 98,755,407

CITY OF ELKHART  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Storm Water	\$ 642	\$ -
Wastewater	35,233	893,616
Water	12,452	932,618
Public Works And Utilities	198	-
Governmental activities	951,984	-
Totals	<u>\$ 1,000,509</u>	<u>\$ 1,826,234</u>

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

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
<b>Governmental activities:</b>			
General obligation bonds	Park District Bonds Series 2009A	\$ 985,000	\$ 507,575
General obligation bonds	Taxable Park District Bonds Series 2009B	8,900,000	410,932
Revenue bonds	Special Taxing District Bonds of 2006	2,105,000	165,388
Revenue bonds	Special Taxing District Bonds of 2004	900,000	159,368
Revenue bonds	Tax Increment Revenue Bonds of 2003 Series A	38,000	38,713
Revenue bonds	Tax Increment Revenue Bonds of 2003 Series B	80,000	-
Revenue bonds	Special Taxing District Refunding Bonds of 2012	<u>3,055,000</u>	<u>371,943</u>
Total governmental activities		<u>16,063,000</u>	<u>1,653,919</u>
<b>Wastewater:</b>			
Revenue bonds	2009 Revenue Forgivable BAN	181,636	-
Revenue bonds	2010 Revenue Bonds Series A EPA Brownfield	500,000	-
Revenue bonds	2010 Revenue Bonds Series B EPA Brownfield	736,112	-
Revenue bonds	Sewage Works Revenue Bonds of 2009 Series A	1,940,895	150,692
Revenue bonds	Sewage Works Revenue Bonds of 2009 Series B	7,263,274	-
Revenue bonds	Sewage Works Revenue Bonds of 2009 Series D	<u>760,249</u>	<u>56,157</u>
Total Wastewater		<u>11,382,166</u>	<u>206,849</u>
<b>Totals</b>		<u>\$ 27,445,166</u>	<u>\$ 1,860,768</u>

CITY OF ELKHART  
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	\$ 8,524,412
Infrastructure	134,621,811
Buildings	15,296,546
Improvements other than buildings	40,493,891
Machinery, equipment, and vehicles	28,280,562
Total governmental activities	227,217,222
Golf Course:	
Land	1,076,450
Buildings	139,862
Improvements other than buildings	159,422
Machinery, equipment, and vehicles	403,332
Total Golf Course	1,779,066
Storm Water:	
Land	91,400
Wastewater:	
Land	82,718
Infrastructure	56,095,182
Buildings	19,440,467
Improvements other than buildings	7,072,461
Machinery, equipment, and vehicles	26,611,009
Total Wastewater	109,301,837
Water:	
Land	776,032
Infrastructure	29,522,055
Buildings	1,405,669
Improvements other than buildings	1,411,522
Machinery, equipment, and vehicles	5,147,946
Total Water	38,263,224
Total capital assets	\$ 376,652,749

CITY OF ELKHART  
OTHER REPORT

The annual report presented herein was prepared in addition to the other official report prepared for the individual City office listed below:

City Clerk

CITY OF ELKHART  
AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS OVER DISBURSEMENTS***

The City's controls over disbursements are not properly designed. The City's internal control system designates that the governing body (Board of Public Works) review the claims for disbursement prior to approving them for payment. The Board of Public Works is not provided the individual claims with supporting documentation or provided a list of the claims that shows the vendor and the amount to be paid. The claims are approved by the Board of Public Works as a lump sum to be paid out of each fund. This information would not enable the Board of Public Works to determine if the claims for disbursement were paid from the proper fund or for the proper amount.

An internal control system should be designed and operate effectively to provide reasonable assurance that material misstatements will be prevented, detected and corrected on a timely basis.

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)

***INTERNAL CONTROLS OVER FEDERAL GRANT PROGRAMS***

Management of the City of Elkhart has not established effective internal control systems as noted:

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 our audit, we noted the Schedule of Expenditures of Federal Awards (SEFA) contained the following errors:

Two grants were not included: CFDA Number 16.922, Equitable Sharing Program, from the U.S. Department of Justice in the amount of \$53,352; and CFDA Number 97.036, Disaster Grants - Public Assistance, from the U.S. Department of Homeland Security and passed through from the Indiana Department of Homeland Security in the amount of \$14,852.

Two grants were reported with incorrect amounts: CFDA Number 20.106, Airport Improvement Program, was under reported by \$589,048; and CFDA Number 66.458, Capitalization Grants for Clean Water State Revolving Funds, was over reported by \$1,041,437.

Two grants were reported with incorrect CFDA numbers and one was not included in the proper cluster.

CITY OF ELKHART  
AUDIT RESULTS AND COMMENTS  
(Continued)

The City did not have a proper system of internal control in place in regards to Subrecipient Agreements for the Community Development Block Grants/Entitlement Grants Cluster. The City did not include the CFDA number or the federal award name and number in the written agreements with the subrecipients.

Management of the City has not established an internal control system related to cash management compliance requirements. As a result, the City did not effectively minimize the time lapsing between the transfer of funds from the grantor and the disbursement to its various contractors. Four out of the eight payment requests were tested, two of the payment requests totaling \$157,970 were paid out two months after the federal monies were received and one payment request totaling \$17,326 was paid out nine days after the federal monies were received.

We were unable to test the effectiveness of internal controls related to Procurement, Suspension, and Debarment for the Airport Improvement Program. As part of their internal control system, the City's supervisors are to review procurement and contracting decisions for compliance with Federal procurement policies. The Grant Administrator was unable to provide documentation that shows when procurement and contracting decisions were reviewed and the names of the supervisors reviewing them.

The grant agreements state that the City has verified that its subcontractors have not been suspended or debarred. The Grant Administrator was unable to provide documentation that shows when the suspension and debarment verifications were performed, which subcontractors were verified, and who performed the verifications.

An internal control system should be designed and operated effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program, will be prevented, detected and corrected on a timely basis.

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)

***SOLID WASTE MANAGEMENT AND RECYCLING BID***

The City of Elkhart accepted a bid for solid waste management and recycling on October 20, 2006. The original term in the bid specifications was for a period of seven years, with an option to renew, with the approval of all contracting parties, for a period not to exceed one year.

On November 16, 2010, the Board of Public Works approved an addendum to the original bid specifications, extending the option to renew from a period not to exceed one year to a period not to exceed five years.

CITY OF ELKHART  
AUDIT RESULTS AND COMMENTS  
(Continued)

According to the Specifications for Integrated Municipal Solid Waste and Recycling Management Contract approved by the Board of Works on June 6, 2006, Section 18, Term of Contract states: "The term of this Contract shall be for a period of seven (7) years, with an Option to renew with the approval of all contracting parties for a period not to exceed one (1) year, conforming with the same terms and conditions established with this initial Contract." Section 20, Changes in Scope states: ". . . the City may want to negotiate Contract amendments . . . Failure of the Contractor to negotiate with the City to maintain or advance our mission for cost-effective, environmentally sound municipal solid waste and recycling management may result in the City shortening the term of Contract and seeking a new round of competitive responsive bids . . ." Section 17, Compensation states: ". . . the terms of this agreement with respect to annual contracted compensation of the Contractor may be reopened and renegotiated upon the request of either party. At this time there may also be considered the matter of any increase or decrease in the existing landfill costs . . . The compensation paid to the Contractor may be reviewed annually upon the request of either party. Any adjustment in such compensation shall be based on reasonable and necessary changes in Contractor's cost of performing this contract including, but not limited to, such factors as wage increase (maximum increase not to exceed national average cost of living allowance (COLA)), fuel costs, commodity price fluctuations, regulatory fees and taxes. Any such changes negotiated during a calendar year shall take effect on the first day of the next calendar year and shall continue in effect until renegotiated by the parties as herein provided."

Minor modifications to the contract are acceptable because the invitation for bids stated that the contract could be amended to address the situations that might arise involving future developments in waste management and changes to costs and the related compensation rates. However, there is no language in the invitation for bids that indicates that the option to renew the contract period could be revised to exceed one year.

The law provides that when using the public bidding process and an invitation for bids as required here under Indiana Code 36-9-30-5(d), some minor modifications to the bid specifications may be necessary in order to carry out the intent of the parties. However, when a substantial modification is made in the resulting contract, such as a change in the length of the term of the option to renew from one year to five years, which is a 500 percent increase, this is a substantial modification to the invitation for bids, and the requirements of the public bidding laws have been violated.

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  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

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

TO: THE OFFICIALS OF THE CITY OF ELKHART, ELKHART COUNTY, INDIANA

***Report on Compliance for Each Major Federal Program***

We have audited the City of Elkhart'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 each of its major federal programs for the year ended December 31, 2012. The City's major federal programs are 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 each of the City's major federal programs 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 each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each 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 each of its major federal programs for the year ended December 31, 2012.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2012-03 and 2012-04. Our opinion on each major federal program is not modified with respect to these matters.

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

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

***Report on Internal Control Over Compliance***

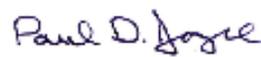
Management of the City is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the type of requirements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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2012-03, 2012-04, and 2012-05 to be material weaknesses.

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

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

  
Paul D. Joyce, CPA  
State Examiner

September 25, 2013

(This page intentionally left blank.)

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

CITY OF ELKHART  
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 - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	Direct grant			
Community Development Block Grant/Entitlement Grant		14.218	B-11-MC-18-0015	\$ 482,615
Community Development Block Grant/Entitlement Grant			B-12-MC-18-0015	463,660
Neighborhood Stabilization Program (NSP1)			B-08-MN-18-0002	571,390
Neighborhood Stabilization Program (NSP 3)			B-11-MN-18-0002	<u>272,716</u>
Total - CDBG - Entitlement Grants Cluster				<u>1,790,381</u>
CDBG - State-Administered CDBG Cluster				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Indiana Housing and Community Development			
Community Development Block Grant #DR20r-011-002		14.228	#DR20r-011-002	<u>201,961</u>
Total - CDBG - State-Administered CDBG Cluster				<u>201,961</u>
CFP Cluster				
Public Housing Capital Fund	Elkhart Housing Authority			
Washington Gardens		14.872	FY 2012	<u>33,370</u>
Total - CFP Cluster				<u>33,370</u>
Fair Housing Assistance Program - State and Local	Direct grant			
Human Relations Grant		14.401	FF205K115036	<u>16,534</u>
Total - U.S. Department of Housing and Urban Development				<u>2,042,246</u>
<u>U.S. Department of Justice</u>				
Bulletproof Vest Partnership Program	Direct grant			
DOJ-Bulletproof Vest		16.607	FY 2009 BVP	<u>10,773</u>
Equitable Sharing Program	Direct grant			
		16.922	FY 2012	<u>53,352</u>
Total - U.S. Department of Justice				<u>64,125</u>
<u>U.S. Department of Transportation</u>				
Highway Planning and Construction Cluster				
Highway Planning and Construction	Indiana Department of Transportation			
Prairie Street Underpass - Prairie Street Grade Separation		20.205	DES 0600463	171,839
Hively Avenue Rehabilitation - Highway Improvement			DES 9680680	2,327
HSIP Sign Replacement - Citywide Modernization			DES 1005798	<u>11,046</u>
Total - Highway Planning and Construction Cluster				<u>185,212</u>
Airport Improvement Program				
AIP-Project 3-18-0018-23	Direct grant			
AIP-Project 3-18-0018-25		20.106	AIP-3-18-0018-20	8,818
AIP-Project 3-18-0018-26			AIP-3-18-0018-25	17,326
AIP-Project 3-18-0018-27			AIP-3-18-0018-26	740,422
			AIP-3-18-0018-27	<u>117,641</u>
Total - Airport Improvement Program				<u>884,207</u>
Total - U.S. Department of Transportation				<u>1,069,419</u>
<u>U.S. Environmental Protection Agency</u>				
Capitalization Grants for Clean Water State Revolving Funds	Indiana Finance Authority			
CW State Revolving Fund		66.458	WW-09302002	<u>637,488</u>
Brownfields Assessment and Cleanup Cooperative Agreements	Direct grant			
Assessment Assistance - ID#BF-00E90501-0		66.818	BF-00E90501-0	<u>145,598</u>
Total - U.S. Environmental Protection Agency				<u>783,086</u>
<u>U.S. Department of Homeland Security</u>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Indiana Department of Homeland Security			
		97.036	FY 2012	<u>14,852</u>
State Homeland Security Program (SHSP)	Indiana Department of Homeland Security			
Police EDS#c44p-1-391a		97.073	EDS# C44P-1-391A	<u>30,548</u>
Total - U.S. Department of Homeland Security				<u>45,400</u>
Total federal awards expended				<u>\$ 4,004,276</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF ELKHART  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Elkhart (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.

**Note 2. Subrecipients**

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2012:

Program Title	Federal CFDA Number	2012
Community Development Block Grants/Entitlement Grants	14.218	\$ 171,446

CITY OF ELKHART  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
20.106	Community Development Block Grant/Entitlement Grant Cluster Airport Improvement Program

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 2012-01 - INTERNAL CONTROLS OVER DISBURSEMENTS**

The City's controls over disbursements are not properly designed. The City's internal control system designates that the governing body (Board of Public Works) review the claims for disbursement prior to approving them for payment. The Board of Public Works is not provided the individual claims with supporting documentation or provided a list of the claims that shows the vendor and the amount to be paid. The claims are approved by the Board of Public Works as a lump sum to be paid out of each fund. This information would not enable the Board of Public Works to determine if the claims for disbursement were paid from the proper fund or for the proper amount.

An internal control system should be designed and operate effectively to provide reasonable assurance that material misstatements will be prevented, detected and corrected on a timely basis.

CITY OF ELKHART  
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)

***FINDING 2012-02 - INTERNAL CONTROLS OVER PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)***

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 our audit, we noted the Schedule of Expenditures of Federal Awards (SEFA) contained the following errors:

Two grants were not included: CFDA Number 16.922, Equitable Sharing Program, from the U.S. Department of Justice in the amount of \$53,352; and CFDA Number 97.036, Disaster Grants - Public Assistance, from the U.S. Department of Homeland Security and passed through from the Indiana Department of Homeland Security in the amount of \$14,852.

Two grants were reported with incorrect amounts: CFDA Number 20.106, Airport Improvement Program, was under reported by \$589,048; and CFDA Number 66.458, Capitalization Grants for Clean Water State Revolving Funds, was over reported by \$1,041,437.

Two grants were reported with incorrect CFDA numbers and one was not included in the proper cluster.

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 statement.

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)

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

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:

"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 I the Department of Health and Human Services.
- (2) For Federal awards received as a sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide the 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 sub-recipients 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***

***FINDING 2012-03 - SUBRECIPIENT AGREEMENTS FOR COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS***

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program: Community Development Block Grants/Entitlement Grants

CFDA Number: 14.218

Federal Award Number and Year (or Other Identifying Number): B-11-MC-18-0015 and  
B-12-MC-18-0015

The City did not include the CFDA number or the federal award name and number in the written agreements with the subrecipients. In addition, management of the City has not established an effective internal control system related to subrecipient subawards to ensure subrecipients are provided all necessary federal award information.

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

An internal control system should be designed and operated effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program, will be prevented, or detected and corrected on a timely basis.

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

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

OMB Circular A-133 section 400(d)(1) states:

"The pass through entity shall perform the following for the Federal awards it makes: Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R & D, and name of Federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award."

Information identifying the federal awards will assist the subrecipient in complying with all federal laws and regulations in regards to the grant monies received by the subrecipient.

It is recommended that the CFDA number as well as the federal award name and number be included in all future subrecipient grant agreements.

***FINDING 2012-04 - CASH MANAGEMENT COMPLIANCE  
FOR THE AIRPORT IMPROVEMENT PROGRAM***

Federal Agency: U.S. Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Number and Year (or Other Identifying Number): AIP 3-18-0018-20, AIP 3-18-0018-25,  
AIP 3-18-0018-26, AIP 3-18-0018-27  
Year 2012

Management of the City has not established an internal control system related to cash management compliance requirements. As a result, the City did not effectively minimize the time lapsing between the transfer of funds from the grantor and the disbursement to its various contractors. Four out of the eight payment requests were tested, two of the payment requests totaling \$157,970 were paid out two months after the federal monies was received and one payment request totaling \$17,326 was paid out nine days after the federal monies were received.

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

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

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

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

49 CFR Section 18.21 states in part:

"(b) *Basic standard.* Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205."

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

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and cash management compliance requirement to ensure all requirements are complied with.

***FINDING 2012-05 - INTERNAL CONTROLS OVER PROCUREMENT, SUSPENSION, AND DEBARMENT FOR THE AIRPORT IMPROVEMENT PROGRAM***

Federal Agency: U.S. Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Number and Year (or Other Identifying Number): AIP 3-18-0018-20, AIP 3-18-0018-25,  
AIP 3-18-0018-26, AIP 3-18-0018-27  
Year 2012

We were unable to test the effectiveness of internal controls related to Procurement, Suspension and Debarment for the Airport Improvement Program. As part of their internal control system, the City's supervisors are to review procurement and contracting decisions for compliance with Federal procurement policies. The Grant Administrator was unable to provide documentation that shows when procurement and contracting decisions were reviewed and the names of the supervisors reviewing them.

The grant agreements state that the City has verified that its subcontractors have not been suspended or debarred. The Grant Administrator was unable to provide documentation that shows when the suspension and debarment verifications were performed, which subcontractors were verified, and who performed the verifications.

An internal control system should be designed and operated effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program, will be prevented, detected and corrected on a timely basis.

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

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance of the grant agreement or the applicable compliance requirements could result in the loss of federal funds to the City.

We recommended that the City's management establish and document their controls related to the grant agreement and all applicable compliance requirements.

## **CORRECTIVE ACTION PLAN**

### **FINDING 2012-01 INTERNAL CONTROLS OVER DISBURSEMENTS**

Internal controls over disbursements have been in place and operating effectively for years and the Board of Works received all detail of claims for use in their review and approval. In 2012 an upgrade to the accounting software changed the printing output causing the detail of manual claims to print but only the summary of the open items to print. The Accounts Payable processing person noticed the change in output but failed to notify supervisors. Subsequent to the upgrade, the system requires that the option to print the detail in addition to the summary is selected. This procedure was implemented and the claims docket now contains full detail information of every claim for review by the Board of Works. This finding has been corrected.

### **FINDING 2012-02 INTERNAL CONTROLS OVER PREPARATION OF SCHEDULE OF EXPENDITURES FOR FEDERAL AWARDS (SEFA)**

Although the City organizational structure includes a centralized Grants Department, a substantial amount of grant activity occurred in a decentralized manner. The origin of data used in preparation of the schedule of expenditures for federal awards was decentralized and the SEFA report was dependent upon data from various departmental sources. This practice lacked a means to corroborate the data provided. The procedure will be changed to require copies of all grant agreements and documents to be provided to the Deputy Treasurer in the Controller's Office and the City Grants Department in order to track all grant activity at a centralized point and, thereby, corroborate the accuracy of data provided for each CFDA as well as grant receipts and expenditures. The Grants Department will monitor compliance and will prepare related reports for audit.

### **FINDING 2012-03 SUBRECIPIENT AGREEMENTS FOR COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS**

Federal Agency: U.S. Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/Entitlement Grants  
CFDA Number: 14.218  
Federal Award Number and Year: B-11-MC-18-0015 and B-12-MC-18-0015

The Controller's Office has met with the Community Development Department Head, who administers the Community Development Block Grants, to review the requirement to include the CFDA number, the federal award name and number in subrecipient grant agreements. The internal control system related to subrecipient agreements includes:

- The requirement to include the CFDA number, the federal award name and number in subrecipient agreements is provided to the Community Development Department.
- A procedure is implemented to provide verification that the CFDA number, the federal award name and number are included in subrecipient grant agreements prior to finalizing the subrecipient agreement. This procedure includes verification by the Community Development Department Head and by the Grants Department Head.
- The verification by the Community Development Department Head and by the Grants Department Head shall be documented and attested by their signature and date of the review and verification. Documentation shall be included in the subrecipient grant agreement file and shall be available for audit.

FINDING 2012-04 CASH MANAGEMENT COMPLIANCE FOR THE AIRPORT IMPROVEMENT PROGRAM

Federal Agency: U.S. Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Number and Year (or Other Identifying Number): AIP 3-18-0018-20, AIP 3-18-0018-25, AIP 3-18-0018-26, AIP 3-18-0018-27 Year 2012

Cash management procedures were in place to ensure compliance for the Airport Improvement Program. The firm employed by the City to oversee the airport improvement program grant administration, construction, application for disbursement of funds, notice of receipt of funds, and eligibility for payment of vendors has been functioning as intended. Upon receipt of grant funds, the firm provides notice of receipt of funds and eligibility of payment to vendors to the City Aviation Department. Preparation of the claim form and submission to the Controller's Office is the responsibility of the Aviation Department. If the claim is processed as a manual payment under authority of City Ordinance Number 4813, pursuant to IC 36-4-8-14(b)(13), the claim may be processed and the check sent to the vendor within a week. If the claim is processed for payment subsequent to approval by the Board of Aviation Commissioners, the check may not be sent to the vendor for a month because the Board meets once a month. In order to make payments to vendors in a timely manner, the City's procedure includes processing as a manual payment for the Airport Improvement Program because the grant and expenses incurred therein have previously been approved by the Board. The Board then reviews and approves the manual payments at their next scheduled meeting. Issues that have contributed to delays in this process involve preparation, review, and signing of the claims. In an effort to eliminate unwarranted delays in processing claims for payment, the firm overseeing grant administration for the Airport Improvement Program, the Aviation Department Head, and the Controller met to modify procedures for originating the claim upon receipt of grant funds, forwarding the completed claim to the department head for review and signature, and delivering the claim to the Controller's Office for processing as a manual payment subject to review and approved at the next meeting of the Board of Aviation Commissioners.

FINDING 2012-5 INTERNAL CONTROLS OVER PROCUREMENT, SUSPENSION AND DEBARMENT FOR THE AIRPORT IMPROVEMENT PROGRAM

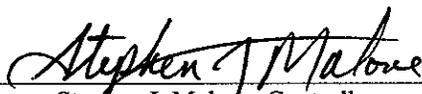
Federal Agency: U.S. Department of Transportation

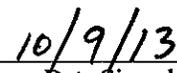
Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Number and Year (or Other Identifying Number): AIP 3-18-0018-20, AIP 3-18-0018-25, AIP 3-18-0018-26, AIP 3-18-0018-27 Year 2012

The firm employed by the City to oversee the airport improvement program grant administration, construction, application for disbursement of funds, notice of receipt of funds, and eligibility for payment of vendors were to verify that contractors and subcontractors have not been suspended or debarred. The City has not received written documentation from the firm to substantiate this procedure for contractors or subcontractors of the airport improvement program. The City will meet with the firm to reaffirm the requirement that the verification procedure is documented by the firm and provided to the City for audit purposes.

  
\_\_\_\_\_  
Stephen J. Malone, Controller  
City of Elkhart, Indiana

  
\_\_\_\_\_  
Date Signed

CITY OF ELKHART  
EXIT CONFERENCE

The contents of this report were discussed on September 25, 2013, with Stephen J. Malone, Controller; Dick Moore, Mayor; and Ronald D. Troyer, President of the Common Council. The Official Response has been made a part of this report and may be found on page 69.



City of Elkhart, Indiana  
*the city with a heart*



574.294.5471  
Fax: 574.294.8491

**City Controller's Office**  
229 S. Second St.  
Elkhart, Indiana  
46516

*The Honorable*  
Dick Moore  
*Mayor*

Stephen J. Malone  
*City Controller*

**CITY OF ELKHART  
CITY CONTROLLER'S NOTES TO AUDIT REPORT  
FOR YEAR ENDED DECEMBER 31, 2012**

When reading the audit report compiled by the Indiana State Board of Accounts for records ending December 31, 2012, it is important to note that financial records maintained by the City Clerk have been included as a component of the City of Elkhart reporting entity. However, the financial records reported by the City Clerk are distinct and separate from the financial records maintained by the City Controller. An interface between the two sets of records does not exist. Because there is no shared accounting and reconciling process and no shared financial depository, the City Controller has no access to and no knowledge of the Clerk's records and is, therefore, unable to certify accuracy of the records maintained by the City Clerk. Internal control of the Clerk's records rests solely with the City Clerk.

**CONTROLLER  
CITY OF ELKHART, INDIANA**

September 20, 2013