

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF CRAWFORDSVILLE
MONTGOMERY COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
12/09/2013

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
Notes to Financial Statement	11-16
Supplementary Information - Unaudited:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	18-25
Schedule of Leases and Debt	26
Schedule of Capital Assets	27
Audit Results and Comments:	
Appropriations	28
Distribution of Net Revenues to the Various Funds - Electric Utility	28
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance	30-31
Schedule of Expenditures of Federal Awards	34
Note to Schedule of Expenditures of Federal Awards	35
Schedule of Findings and Questioned Costs	36-39
Auditee Prepared Schedule:	
Corrective Action Plan	40-42
Exit Conference	43

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Terri J. Gadd	01-01-12 to 12-31-15
Mayor	Todd D. Barton	01-01-12 to 12-31-15
President of the Common Council	Heather Perkins-Dennison Andrew P. Biddle	01-01-12 to 12-31-12 01-01-13 to 12-31-13
Superintendent of Wastewater Utility	Thomas W. Mitchell Larry Kadinger (Interim)	01-01-12 to 03-15-12 03-16-12 to 12-31-13
Superintendent of Electric Utility	Phillip R. Goode	01-01-12 to 12-31-13
Controller of Electric Utility	Ronald L. Gable	01-01-12 to 12-31-13



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

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF CRAWFORDSVILLE, MONTGOMERY COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Crawfordsville (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 November 4, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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


Paul D. Joyce, CPA
State Examiner

November 4, 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

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 CRAWFORDSVILLE, MONTGOMERY 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 Crawfordsville (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 November 4, 2013, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1 to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 items 2012-1 and 2012-2.

City of Crawfordsville's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of 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

November 4, 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 CRAWFORDSVILLE
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	\$ 6,739,518	\$ 8,378,316	\$ 8,657,877	\$ 6,459,957
Street	871,643	1,593,175	1,499,641	965,177
Local Road And Street	123,967	54,453	-	178,420
Aviation	63,627	126,012	129,500	60,139
Park Nonreverting Operating	133,547	318,174	314,249	137,472
Civil Defense	217,010	59,283	51,889	224,404
Law Enforcement Continuing Ed	67,087	23,237	10,120	80,204
Riverboat	346,455	143,279	124,571	365,163
Parks And Recreation	622,615	744,541	754,427	612,729
CELP Electric	-	500	500	-
Rainy Day	518,837	-	-	518,837
Police/Drug Seizure Fund	1,721	-	-	1,721
Cumulative Capl Imprv Cigarette Tax	516,105	84,385	138,829	461,661
Cumulative Capital Development	1,212,746	261,741	272,393	1,202,094
Park Nonreverting Capital	5,338	-	-	5,338
Sunshine Van Fund	68,031	116,799	127,661	57,169
Police Equipment (Not Debt Service)	8,612	11,030	8,622	11,020
Fire Equipment (Not Debt Service)	17,037	4,013	2,132	18,918
Commerce Park Tif Proceeds	43,312	47	-	43,359
Cumulative Building	150	-	-	150
Cumulative Cap Imprv (Special Fire)	299,690	170,023	-	469,713
Police Pension	331,347	485,190	485,257	331,280
Fire Pension	563,300	447,344	423,692	586,952
Cops Grant	-	45,108	59,114	(14,006)
Whitlock OCRA Grant	-	66,696	66,696	-
Mill Street INDOT Grant	-	180,676	180,676	-
Sugar Creek Nature Park	668	-	-	668
Civil Defense Donations	100	-	-	100
Ambulance/Ems Nonreverting	609,632	214,235	191,430	632,437
Golf Course	9,198	365,765	367,859	7,104
Civil Defense #2	32,033	3,200	1,038	34,195
Communication Center	18,371	1,527	-	19,898
Park & Rec Muffy	33,703	25,364	15,610	43,457
Park & Rec Tittle III	3,851	13,732	23,107	(5,524)
Police/Child Victim	1,808	-	-	1,808
Rehabilitation	305,877	3,533	35,678	273,732
Wheel Tax Fund	209,675	119,708	131,206	198,177
Udag	17,453	9,093	-	26,546
Aviation Grant Fund	25,233	175,285	175,204	25,314
Golf Course Improvement Fund	5,004	9,903	3,000	11,907
Commerce Park Operating	2,305	9,934	9,575	2,664
Safer Grant Fund	(34,765)	502,155	457,516	9,874
Commerce Park Bond & Int Fund	448,447	401,050	363,430	486,067
Kroger Pace Dairy Bond & Int	135,431	144,075	84,472	195,034
Cville Historic Dist/Cap Impr	97,243	11,869	40,481	68,631
Aviation Hanger Rent	30,958	58,505	78,794	10,669
Downtown Sidwlc & Streetsc	318	-	-	318
Sidewalk Maint/Improvement	48,440	4,820	25,711	27,549
Aviation Construction	23,620	24,803	-	48,423
Cville Sq Allocation Fund	3,476,476	819,248	1,940,959	2,354,765
Payroll Fund	168,591	11,424,348	11,510,006	82,933
Excess Tax Levy	15	-	-	15
CEL&P Gen Operating	48,581	-	21,426	27,155
CEL&P Gen Money Market	1,313,638	35,641,233	35,477,335	1,477,536
CEL&P Meter Deposit	159,186	93,993	83,935	169,244
CEL&P Flex Benefits	4,640	5,736	10,376	-
CEL&P Depreciation Money Market	902,582	2,448	-	905,030
CEL&P Telecommunications	123,448	2,470,767	2,424,484	169,731
Stormwater O/M	405,409	480,544	371,342	514,611
Wastewater Utility - Operating	1,686,777	2,397,552	2,275,668	1,808,661
Wastewater Util - Bond And Interest	65	372,300	372,305	60
Wastewater Utility - Construction	10,784	-	-	10,784
Wastewater Utility - Other #1	574,785	-	-	574,785
Totals	<u>\$ 23,671,275</u>	<u>\$ 69,120,747</u>	<u>\$ 69,799,793</u>	<u>\$ 22,992,229</u>

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

CITY OF CRAWFORDSVILLE
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the 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 CRAWFORDSVILLE
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.

Penalties which include fees received for late payments.

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.

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

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

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

CITY OF CRAWFORDSVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

CITY OF CRAWFORDSVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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

CITY OF CRAWFORDSVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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:

CITY OF CRAWFORDSVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

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. Delinquent Lease Payments

During 2012, Accelplus, the Telecom Division of the City's Electric Light and Power Utility, failed to make the full monthly interest payments and the initial principal payment to U.S. Bank, and, in doing that, violated the bond holder agreement and could possibly face legal action on behalf of the Certificates of Participation holders (bond holders). There have been ongoing discussions between Accelplus and U.S. Bank.

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

	General	Street	Local Road And Street	Aviation	Park Nonreverting Operating	Civil Defense	Law Enforcement Continuing Ed	Riverboat
Cash and investments - beginning	\$ 6,739,518	\$ 871,643	\$ 123,967	\$ 63,627	\$ 133,547	\$ 217,010	\$ 67,087	\$ 346,455
Receipts:								
Taxes	4,289,263	1,440,108	54,453	93,271	-	55,860	-	94,279
Licenses and permits	124,905	675	-	-	-	-	6,350	-
Intergovernmental	2,996,505	62,280	-	5,592	110,240	3,349	-	-
Charges for services	875,932	5,670	-	27,149	6,838	-	-	-
Fines and forfeits	-	6,171	-	-	-	-	16,887	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	91,711	78,271	-	-	201,096	74	-	49,000
Total receipts	8,378,316	1,593,175	54,453	126,012	318,174	59,283	23,237	143,279
Disbursements:								
Personal services	6,397,357	944,155	-	-	90,362	-	3,596	-
Supplies	305,565	251,783	-	13,350	-	2,789	500	-
Other services and charges	1,609,138	95,908	-	116,150	-	2,100	-	124,571
Capital outlay	138,151	205,302	-	-	-	-	6,024	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	207,666	2,493	-	-	223,887	47,000	-	-
Total disbursements	8,657,877	1,499,641	-	129,500	314,249	51,889	10,120	124,571
Excess (deficiency) of receipts over disbursements	(279,561)	93,534	54,453	(3,488)	3,925	7,394	13,117	18,708
Cash and investments - ending	\$ 6,459,957	\$ 965,177	\$ 178,420	\$ 60,139	\$ 137,472	\$ 224,404	\$ 80,204	\$ 365,163

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

	Parks And Recreation	CELP Electric	Rainy Day	Police/Drug Seizure Fund	Cumulative Capl Imprv Cigarette Tax	Cumulative Capital Development	Park Nonreverting Capital	Sunshine Van Fund
Cash and investments - beginning	\$ 622,615	\$ -	\$ 518,837	\$ 1,721	\$ 516,105	\$ 1,212,746	\$ 5,338	\$ 68,031
Receipts:								
Taxes	627,273	-	-	-	-	243,427	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	37,607	-	-	-	84,385	18,314	-	-
Charges for services	44,062	500	-	-	-	-	-	92,453
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	35,599	-	-	-	-	-	-	24,346
Total receipts	744,541	500	-	-	84,385	261,741	-	116,799
Disbursements:								
Personal services	461,503	-	-	-	-	-	-	112,524
Supplies	106,520	-	-	-	-	-	-	-
Other services and charges	157,438	-	-	-	113,430	257,793	-	15,137
Capital outlay	28,936	-	-	-	25,399	14,600	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	30	500	-	-	-	-	-	-
Total disbursements	754,427	500	-	-	138,829	272,393	-	127,661
Excess (deficiency) of receipts over disbursements	(9,886)	-	-	-	(54,444)	(10,652)	-	(10,862)
Cash and investments - ending	\$ 612,729	\$ -	\$ 518,837	\$ 1,721	\$ 461,661	\$ 1,202,094	\$ 5,338	\$ 57,169

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

	Police Equipment (Not Debt Service)	Fire Equipment (Not Debt Service)	Commerce Park Tif Proceeds	Cumulative Building	Cumulative Cap Imprv (Special Fire)	Police Pension	Fire Pension	Cops Grant
Cash and investments - beginning	\$ 8,612	\$ 17,037	\$ 43,312	\$ 150	\$ 299,690	\$ 331,347	\$ 563,300	\$ -
Receipts:								
Taxes	-	-	-	-	160,406	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	9,617	-	-	45,108
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	11,030	4,013	47	-	-	485,190	447,344	-
Total receipts	11,030	4,013	47	-	170,023	485,190	447,344	45,108
Disbursements:								
Personal services	-	-	-	-	-	482,965	423,457	59,114
Supplies	-	-	-	-	-	135	-	-
Other services and charges	7,125	-	-	-	-	-	75	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	1,497	2,132	-	-	-	2,157	160	-
Total disbursements	8,622	2,132	-	-	-	485,257	423,692	59,114
Excess (deficiency) of receipts over disbursements	2,408	1,881	47	-	170,023	(67)	23,652	(14,006)
Cash and investments - ending	\$ 11,020	\$ 18,918	\$ 43,359	\$ 150	\$ 469,713	\$ 331,280	\$ 586,952	\$ (14,006)

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

	Whitlock OCRA Grant	Mill Street INDOT Grant	Sugar Creek Nature Park	Civil Defense Donations	Ambulance/Ems Nonreverting	Golf Course	Civil Defense #2	Communication Center
Cash and investments - beginning	\$ -	\$ -	\$ 668	\$ 100	\$ 609,632	\$ 9,198	\$ 32,033	\$ 18,371
Receipts:								
Taxes	-	-	-	-	-	10,942	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	15,500	345,651	-	1,527
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	66,696	180,676	-	-	198,735	9,172	3,200	-
Total receipts	<u>66,696</u>	<u>180,676</u>	<u>-</u>	<u>-</u>	<u>214,235</u>	<u>365,765</u>	<u>3,200</u>	<u>1,527</u>
Disbursements:								
Personal services	-	-	-	-	28,076	176,211	-	-
Supplies	-	-	-	-	-	112,201	377	-
Other services and charges	-	-	-	-	-	51,504	661	-
Capital outlay	-	-	-	-	163,354	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	66,696	180,676	-	-	-	27,943	-	-
Total disbursements	<u>66,696</u>	<u>180,676</u>	<u>-</u>	<u>-</u>	<u>191,430</u>	<u>367,859</u>	<u>1,038</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,805</u>	<u>(2,094)</u>	<u>2,162</u>	<u>1,527</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 668</u>	<u>\$ 100</u>	<u>\$ 632,437</u>	<u>\$ 7,104</u>	<u>\$ 34,195</u>	<u>\$ 19,898</u>

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

	Park & Rec Muffy	Park & Rec Tittle III	Police/Child Victim	Rehabilitation	Wheel Tax Fund	Udag	Aviation Grant Fund	Golf Course Improvement Fund
Cash and investments - beginning	\$ 33,703	\$ 3,851	\$ 1,808	\$ 305,877	\$ 209,675	\$ 17,453	\$ 25,233	\$ 5,004
Receipts:								
Taxes	-	-	-	-	87,353	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	32,355	-	168,714	-
Charges for services	-	-	-	3,120	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	25,364	13,732	-	413	-	9,093	6,571	9,903
Total receipts	25,364	13,732	-	3,533	119,708	9,093	175,285	9,903
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	131,206	-	-	-
Other services and charges	-	23,107	-	35,678	-	-	49,956	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	15,610	-	-	-	-	-	125,248	3,000
Total disbursements	15,610	23,107	-	35,678	131,206	-	175,204	3,000
Excess (deficiency) of receipts over disbursements	9,754	(9,375)	-	(32,145)	(11,498)	9,093	81	6,903
Cash and investments - ending	\$ 43,457	\$ (5,524)	\$ 1,808	\$ 273,732	\$ 198,177	\$ 26,546	\$ 25,314	\$ 11,907

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

	Commerce Park Operating	Safer Grant Fund	Commerce Park Bond & Int Fund	Kroger Pace Dairy Bond & Int	Cville Historic Dist/Cap Impr	Aviation Hanger Rent	Downtown Sidwk & Streetsc	Sidewalk Maint/Improvement
Cash and investments - beginning	\$ 2,305	\$ (34,765)	\$ 448,447	\$ 135,431	\$ 97,243	\$ 30,958	\$ 318	\$ 48,440
Receipts:								
Taxes	-	-	401,050	144,075	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	502,155	-	-	-	-	-	-
Charges for services	9,934	-	-	-	-	58,505	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	11,869	-	-	4,820
Total receipts	9,934	502,155	401,050	144,075	11,869	58,505	-	4,820
Disbursements:								
Personal services	-	457,516	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	9,575	-	400	-	23,606	38,705	-	25,711
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	363,030	84,472	16,875	40,089	-	-
Total disbursements	9,575	457,516	363,430	84,472	40,481	78,794	-	25,711
Excess (deficiency) of receipts over disbursements	359	44,639	37,620	59,603	(28,612)	(20,289)	-	(20,891)
Cash and investments - ending	\$ 2,664	\$ 9,874	\$ 486,067	\$ 195,034	\$ 68,631	\$ 10,669	\$ 318	\$ 27,549

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

	Aviation Construction	Cville Sq Allocation Fund	Payroll Fund	Excess Tax Levy	CEL&P Gen Operating	CEL&P Gen Money Market	CEL&P Meter Deposit	CEL&P Flex Benefits
Cash and investments - beginning	\$ 23,620	\$ 3,476,476	\$ 168,591	\$ 15	\$ 48,581	\$ 1,313,638	\$ 159,186	\$ 4,640
Receipts:								
Taxes	-	813,920	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	23,150	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	35,641,233	93,647	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	1,653	5,328	11,424,348	-	-	-	346	5,736
Total receipts	<u>24,803</u>	<u>819,248</u>	<u>11,424,348</u>	<u>-</u>	<u>-</u>	<u>35,641,233</u>	<u>93,993</u>	<u>5,736</u>
Disbursements:								
Personal services	-	-	11,510,006	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	1,940,959	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	21,426	35,477,335	-	-
Other disbursements	-	-	-	-	-	-	83,935	10,376
Total disbursements	<u>-</u>	<u>1,940,959</u>	<u>11,510,006</u>	<u>-</u>	<u>21,426</u>	<u>35,477,335</u>	<u>83,935</u>	<u>10,376</u>
Excess (deficiency) of receipts over disbursements	<u>24,803</u>	<u>(1,121,711)</u>	<u>(85,658)</u>	<u>-</u>	<u>(21,426)</u>	<u>163,898</u>	<u>10,058</u>	<u>(4,640)</u>
Cash and investments - ending	<u>\$ 48,423</u>	<u>\$ 2,354,765</u>	<u>\$ 82,933</u>	<u>\$ 15</u>	<u>\$ 27,155</u>	<u>\$ 1,477,536</u>	<u>\$ 169,244</u>	<u>\$ -</u>

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

	CEL&P Depreciation Money Market	CEL&P Telecommunications	Stormwater O/M	Wastewater Utility - Operating	Wastewater Util - Bond And Interest	Wastewater Utility - Construction	Wastewater Utility - Other #1	Totals
Cash and investments - beginning	\$ 902,582	\$ 123,448	\$ 405,409	\$ 1,686,777	\$ 65	\$ 10,784	\$ 574,785	\$ 23,671,275
Receipts:								
Taxes	-	-	-	-	-	-	-	8,515,680
Licenses and permits	-	-	-	-	-	-	-	131,930
Intergovernmental	-	-	-	-	-	-	-	4,076,221
Charges for services	-	-	-	-	-	-	-	1,509,991
Fines and forfeits	-	-	-	-	-	-	-	23,058
Utility fees	-	2,470,725	476,797	2,325,576	-	-	-	41,007,978
Penalties	-	-	456	-	-	-	-	456
Other receipts	2,448	42	3,291	71,976	372,300	-	-	13,855,433
Total receipts	2,448	2,470,767	480,544	2,397,552	372,300	-	-	69,120,747
Disbursements:								
Personal services	-	-	-	-	-	-	-	21,146,842
Supplies	-	-	-	-	-	-	-	924,426
Other services and charges	-	-	-	-	-	-	-	4,698,727
Capital outlay	-	-	50,266	66,041	-	-	-	698,073
Utility operating expenses	-	2,424,484	319,495	1,821,470	-	-	-	40,064,210
Other disbursements	-	-	1,581	388,157	372,305	-	-	2,267,515
Total disbursements	-	2,424,484	371,342	2,275,668	372,305	-	-	69,799,793
Excess (deficiency) of receipts over disbursements	2,448	46,283	109,202	121,884	(5)	-	-	(679,046)
Cash and investments - ending	\$ 905,030	\$ 169,731	\$ 514,611	\$ 1,808,661	\$ 60	\$ 10,784	\$ 574,785	\$ 22,992,229

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

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Revenue bonds	Commerce Park TIF Bond	\$ 3,620,000	\$ 364,678
Notes and loans payable	UDAG Loan to Golf Course from City	9,093	9,093
Notes and loans payable	Aviation John Deere Mower	8,695	4,653
Notes and loans payable	Golf Course Cart Loan/Mower combined loan	17,554	5,816
Notes and loans payable	Aviation Terminal Mortgage	616,441	42,276
Total governmental activities		<u>4,271,783</u>	<u>426,516</u>
Electric:			
Notes and loans payable	Acceplus Lease	<u>16,660,000</u>	<u>1,666,000</u>
Wastewater:			
Notes and loans payable	Wastewater SRF Loan	<u>2,015,864</u>	<u>373,460</u>
Totals		<u>\$ 22,947,647</u>	<u>\$ 2,465,976</u>

CITY OF CRAWFORDSVILLE
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	\$ 3,547,103
Infrastructure	64,296,687
Buildings	9,378,022
Improvements other than buildings	5,354,457
Machinery, equipment, and vehicles	7,713,073
Total governmental activities	90,289,342
Electric:	
Land	373,309
Infrastructure	29,472,125
Buildings	13,683,386
Machinery, equipment, and vehicles	7,998,925
Total Electric	51,527,745
Wastewater:	
Land	106,819
Infrastructure	597,683
Buildings	13,839,797
Machinery, equipment, and vehicles	1,443,308
Total Wastewater	15,987,607
Total capital assets	\$ 157,804,694

CITY OF CRAWFORDSVILLE
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

The City did not establish a budget for the Park Nonreverting Fund. The records presented for audit indicated the following expenditures without appropriations:

Fund	Year	Excess Amount Expended
Park Nonreverting Operating	2012	\$ 314,249

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

DISTRIBUTION OF NET REVENUES TO THE VARIOUS FUNDS - ELECTRIC UTILITY

The Electric Utility has a resolution (No. 18-2004, Communication Lease Revenue Certificates of Participation Series 2004) concerning debt financing for Accelplus, a division of Crawfordsville Electric Light and Power (CEL&P). However, we noted that the Electric Utility did not comply with its existing resolution because net revenues from the operations of Accelplus were not sufficient to make all payments required by the debt financing. Accelplus operates a telecommunications company providing fiber-optic cable television service and internet communication services to customers within the service territory of CEL&P. The trust agreement required transfers from Accelplus to U.S. Bank, custodian of the Accelplus funds. Transfers made to U.S. Bank in 2012 were \$115,000 compared to the required transfer amount of \$952,983 resulting in a deficiency of \$837,983.

Due to the underfunded debt service requirements in 2011, 2012, and 2013, the Accelplus defaulted on the following amounts: the principal amount of \$300,000, due January 1, 2011, the interest amount of \$481,910, due July 1, 2011; the principal amount of \$425,000, due January 1, 2012, interest amounts of \$481,910 and \$471,073, due January 1, 2012, and July 1, 2012, respectively; the principal amount of \$500,000, due January 1, 2013, and interest amounts of \$471,073 and \$458,073, due January 1, 2013, and July 1, 2013, respectively.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. Each governmental unit is also responsible for complying with trust agreements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: 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 CRAWFORDSVILLE, MONTGOMERY COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the City of Crawfordsville'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.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the type of requirements that could

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

have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for 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 material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2012-3 to be material weaknesses.

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

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


Paul D. Joyce, CPA
State Examiner

November 4, 2013

(This page intentionally left blank.)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

CITY OF CRAWFORDSVILLE
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>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
CDBG - State Administered CDBG Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Whitlock Avenue Improvement Project	Indiana Office of Community and Rural Affairs	14.228	D1B-09-005	\$ 115,696
<u>DEPARTMENT OF JUSTICE</u>				
Public Safety Partnership and Community Policing Grants	Direct Grant	16.710	2011 UMWX0062	45,108
Crime Victim Compensation	Indiana Criminal Justice Institute	16.576	FY 2011	300
Total for federal grantor agency				45,408
<u>DEPARTMENT OF TRANSPORTATION</u>				
Highway Planning and Construction Cluster Highway Planning and Construction	Indiana Department of Transportation	20.205	FHWA-FY 2011	164,578
Total for cluster				164,578
Highway Safety Cluster Alcohol Impaired Driving Countermeasures Incentive Grants I Operation Pull Over	Indiana Criminal Justice Institute	20.601	OP-12-01-01-62	3,438
Total for cluster				3,438
Airport Improvement Program Environmental Assessment Phase 1 Environmental Assessment Phase II	Direct Grant Direct Grant	20.106	3-18-0015-11 FY2011 3-18-0015-10 FY2011	128,158 38,285
Total for program				166,443
Total for federal grantor agency				334,459
<u>DEPARTMENT OF HOMELAND SECURITY</u>				
Assistance to Firefighters Grant Fire Suppression Grant	Direct Grant	97.044	EMW-2011-FO-08948	42,174
Staffing for Adequate Fire and Emergency Response (SAFER)	Direct Grant	97.083	EMW-2009-FH-00860	502,155
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Indiana Department of Homeland Security	97.036	PDD-2012	4,770
Total for federal grantor agency				544,329
Total federal awards expended				\$ 1,044,662

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

CITY OF CRAWFORDSVILLE
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Crawfordsville and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

CITY OF CRAWFORDSVILLE
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	Airport Improvement Program
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2012-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the City related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statement and then determining how those identified risks should be managed. The City has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement.

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

2. **Monitoring of Controls:** Effective internal control over financial reporting requires the Common Council to monitor and assess the quality of the City's system of internal control. The Common Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the City at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the City has no process to identify or communicate corrective actions to improve controls.
3. **Schedule of Expenditures of Federal Awards:** The City did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: five federally funded grants were not included on the City's original SEFA. 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)

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.

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

- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide 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 subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

FINDING 2012-2 - COMPLIANCE OVER THE PREPARATION OF THE FINANCIAL STATEMENT

The financial statement was compiled from information entered by the City into the Annual Financial Report. The financial statement presented for audit included the following omissions:

1. The financial statement omitted the CEL&P Gen Money Market Fund that was accounted for in the City's ledgers. This fund included receipts of \$35,641,233, disbursements of \$35,477,335, and an ending cash and investment balance of \$1,477,536.
2. The financial statement omitted the CEL&P Depreciation Money Market Fund that was accounted for in the City's ledgers. This fund included receipts of \$2,448 and an ending cash and investment balance of \$905,030.

Audit adjustments were recommended and accepted by the City. The financial statement presented in this report reflects these adjustments and resulted in a financial statement that is fairly presented.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7. "

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2012-3 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO STAFFING FOR ADEQUATE FIRE AND EMERGENCY RESPONSE (SAFER)

Federal Agency: Department of Homeland Security

Federal Program: Staffing for Adequate Fire and Emergency Response (SAFER)

CFDA Number: 97.083

Federal Award Number and Year (or Other Identifying Number): EMW-2009-FH-00860

Pass-Through Entity: Direct Grant

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

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.

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. 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 compliance requirements that have a direct and material effect to the program.

CITY OF
CRAWFORDSVILLE

P.O. Box 329
Crawfordsville, IN 47933
clerktreasurer@accelplus.net

Terri J. Gadd, IAMC
Clerk Treasurer

City Building
(765) 364-5150

City of Crawfordsville
Corrective Action Plan
November 4, 2013

Contact Person: Terri Gadd
Contact Title: City Clerk-Treasurer

FINDING 2012-1 INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

1 Preparing Financial Statements.

Response: The City Council of Crawfordsville receives monthly financial reports.

Corrective Action: The city Clerk Treasurer will ask the Mayor of the City to appoint a member of the city Council as a liaison to the Clerk Treasurers office. Annually during the process of collecting of the overall financial data, compiling the information to be reported to the Indiana State Board of Accounts, the Clerk Treasurer will schedule a meeting with the appointed council member to review and discuss the financial reporting information before submitting the report to the Indiana State Board of Accounts.

The meeting will be memorialized with the date, time, location and discussion items, including a copy of the annual financial report, for the appointed council person to report to the entire council

2. Monitoring Controls.

Response: Currently the city Board of Works reviews weekly claims; however city Council members do not observe annually the internal workings of the City Clerk Treasurers office.

Corrective Action: The city Clerk Treasurers will ask the Mayor of the city to appoint a member of the city council as a liaison to the Clerk Treasurers office. Annually the Clerk Treasurer will schedule a meeting with the council liaison to review office procedures, observe receipting of funds, disbursement of funds, and general office separation of duties. The annual meeting will also include the process of financial reporting preparation and budget process.

The meeting will be memorialized with the date, time, location and discussion items, including a copy of any financial reports discussed or review, for the appointed council person to report to the entire council

3. SEFA monitoring.

Response: Currently the Clerk Treasurers office does not keep a control list of current federal grants. The grants are organized in binders.

Corrective Action: The city Clerk Treasurer will organize and coordinate with the bookkeeper a list of open grants and request for reimbursements. The list will be reconciled annually by both the City Clerk Treasurer and the bookkeeper.

FINDING 2012-2 COMPLIANCE OVER THE PREPARATION OF THE FINANCIAL STATEMENT

Response: The city Clerk Treasurer bookkeeper prepares and reconciles a manual ledger for two checking accounts for Crawfordsville Electric Light and Power, a depreciation money market account and a general money market account. The manual ledger for each account is balanced monthly with the city of Crawfordsville bookkeeper and the Crawfordsville Electric Light and Power bookkeeper.

Corrective Action: Starting with fiscal year 2013 city of Crawfordsville bookkeeper will add an additional step the monthly reconciling process. Manually enter monthly totals for receipts and disbursements of the two money market accounts into the city of Crawfordsville budget system. This will allow for the two money market accounts to be included on annual financial report.

FINDING 2012-3 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO STAFFING FOR ADEQUATE FIRE AND EMERGENCY RESPONSE (SAFER)

Federal Agency: Department of Homeland Security

Federal Program: Staffing for Adequate Fire and Emergency Response (SAFER)

CFDA Number: 97.083

Federal Award Number and Year (or Other Identifying Number): EMW-2009-FH-00860

Pass-Through Entity: Direct Grant

Response: The city of Crawfordsville is the recipient of a federal grant for the hiring, training and staffing of 8 fire fighters, grant ending December 2014. The process of requesting reimbursement from the Department of Homeland Security is outlined below, item #6 and 7 are new steps in the process. updated.

Corrective Action:

1. Fire Department Administrative Assistant prepares a bi-weekly payroll claim, using department time sheets; the Fire Department chief authorizes the prepared document.
2. The payroll claim is submitted to the City of Crawfordsville Clerk Treasurers office payroll clerk for processing with all bi-weekly department payrolls.
3. After each payroll the payroll clerk prepares a summary sheet of Public Employees Retirement expenses,
4. At the end of each month the payroll clerk reconciles monthly health insurance and life insurance invoices, accounting for withholdings from the "Safer" grant employees. After the reconciliation is completed a spreadsheet is prepared. The payroll clerk submits a copy of the spreadsheet to the clerk treasurer.
5. The Clerk Treasurer reviews reports from the city of Crawfordsville budget and payroll systems to verify and prepare a summary spreadsheet to be used as the entry documentation for reimbursement of expenses from the Department of Homeland Security.
6. After all documentation is collected , reviewed and balanced, the Clerk Treasurer ask the Fire Department Administrative assistant to verify, and initial payroll check register(s) and payroll claim voucher(s) "Safer" grant employees.

7. The Clerk Treasurer meets with the Assistant Fire Department Chief or the Fire Department Chief to review and discuss, appropriation report(s) and supporting documentation regarding the amount for reimbursement.

8. Using the supporting documentation the Clerk Treasurer request from the Department of Homeland Security website the amount for reimbursement, prints two copies of the request – one to be presented to the bookkeeper and one for the grant file.

9. Shortly after the request for reimbursement is made the Clerk Treasurer receives an email notification from the Department of Homeland Security indicating request has been received and a time frame when the payment will be electronically deposited into the designated account for the City of Crawfordsville. The Clerk Treasurer prints the notice and informs the bookkeeper.

10. The bookkeeper monitors the designated account for the requested amount, receipts the electronic deposit into the proper fund and submits to the Clerk Treasurer for filing a copy of the receipt.

Signature: Terri J. Gadd

Title: Clerk Treasurer

Date: Nov 4, 2013

CITY OF CRAWFORDSVILLE
EXIT CONFERENCE

The contents of this report were discussed on November 4, 2013, with Todd D. Barton, Mayor; Terri J. Gadd, Clerk-Treasurer; and Andrew P. Biddle, President of the Common Council.