

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CITY OF MARION  
GRANT COUNTY, INDIANA

January 1, 2013 to December 31, 2013



**FILED**  
08/01/2014



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### SCHEDULE OF OFFICIALS

| <u>Office</u>  | <u>Official</u>     | <u>Term</u>          |
|--|---------------------|----------------------|
| Controller   | Cindy Wright        | 01-01-13 to 03-08-13 |
|  | (Vacant)            | 03-09-13 to 03-31-13 |
|  | Tamera N. Miller    | 04-01-13 to 12-31-14 |
| Mayor  | Wayne W. Seybold    | 01-01-12 to 12-31-15 |
| President of the Board of<br>Public Works and Safety | Thomas J. Reto      | 01-01-13 to 12-31-13 |
|  | Bryan K. Harris     | 01-01-14 to 12-31-14 |
| President of the<br>Common Council                   | Donald W. Batchelor | 01-01-13 to 12-31-13 |
|  | Henry L. Smith      | 01-01-14 to 12-31-14 |
| Utilities Director                                   | John C. Binkerd     | 01-01-13 to 12-31-14 |



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF MARION, GRANT COUNTY, INDIANA

***Report on the Financial Statement***

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

***Management's Responsibility for the Financial Statement***

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

***Auditor's Responsibility***

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

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

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

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

***Opinion on Regulatory Basis of Accounting***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated June 26, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

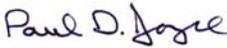
***Accompanying Information***

*Supplementary Information*

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

  
Paul D. Joyce, CPA  
State Examiner

June 26, 2014



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

TO: THE OFFICIALS OF THE CITY OF MARION, GRANT 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 Marion (City), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated June 26, 2014, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control Over Financial Reporting***

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

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 items 2013-001 and 2013-002 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***

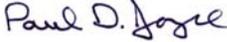
As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 items 2013-001 and 2013-002.

***City of Marion'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

June 26, 2014

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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

| Fund                                   | Cash and<br>Investments<br>01-01-13 | Receipts      | Disbursements | Cash and<br>Investments<br>12-31-13 |
|--|-------------------------------------|---------------|---------------|-------------------------------------|
| General                                | \$ 312,515                          | \$ 29,887,438 | \$ 29,800,399 | \$ 399,554                          |
| Motor Vehicle Highway                  | 23,794                              | 3,800,113     | 3,125,685     | 698,222                             |
| Local Road and Street                  | 96,368                              | 241,014       | 181,303       | 156,079                             |
| Aviation                               | -                                   | 409,507       | 388,915       | 20,592                              |
| Park Non Reverting                     | 30,574                              | 538,129       | 568,623       | 80                                  |
| Employees Flexible Spending Account    | 43,289                              | 86,610        | 78,219        | 51,680                              |
| Marion Economic Development Commission | 7,093                               | 225           | -             | 7,318                               |
| Parking Enforcement                    | 14,237                              | 1,683         | -             | 15,920                              |
| IDOT IN Dept of Transportation         | -                                   | 5,037         | -             | 5,037                               |
| Abandoned Vehicles                     | 1,500                               | 1,245         | 2,673         | 72                                  |
| Local Law Continuing Education         | 12,675                              | 17,918        | 966           | 29,627                              |
| Unsafe Building                        | 180,537                             | 128,521       | 99,599        | 209,459                             |
| Parks and Recreation                   | 39,192                              | 928,682       | 894,367       | 73,507                              |
| User Fee                               | 23,834                              | 5,720         | -             | 29,554                              |
| Rainy Day                              | 10,407                              | -             | -             | 10,407                              |
| CEDIT                                  | 183,175                             | 858,262       | 973,287       | 68,150                              |
| TIF Allocation                         | 1,201,067                           | 4,846,607     | 4,890,713     | 1,156,961                           |
| Cumulative Capital Improvement         | 159,469                             | 80,401        | -             | 239,870                             |
| Cumulative Capital Development         | 194,841                             | 483,858       | 569,453       | 109,246                             |
| 1925 Police Pension                    | -                                   | 1,057,033     | 1,019,834     | 37,199                              |
| 1937 Fire Pension                      | 9,940                               | 1,380,146     | 1,366,807     | 23,279                              |
| County Share Clerk's Fees              | 6,565                               | 16,234        | 16,291        | 6,508                               |
| City Probation Checking Account        | 3,459                               | 27,635        | 30,133        | 961                                 |
| City Clerk Checking Account            | 89,675                              | 448,180       | 452,065       | 85,790                              |
| Donation                               | -                                   | 500           | -             | 500                                 |
| Animal Control Non Reverting           | (138,281)                           | 51,511        | 88,677        | (175,447)                           |
| Reduce Drunk Driving                   | 4,579                               | 15,393        | 15,722        | 4,250                               |
| Fire Department Donations              | 8,628                               | 4,238         | 3,567         | 9,299                               |
| Police Department Donations            | 18,732                              | 6,535         | 11,685        | 13,582                              |
| Environmental Public Nuisance          | 6,436                               | 1,598         | 7,754         | 280                                 |
| Victim's Advocacy Grant                | 3,269                               | 25,572        | 36,475        | (7,634)                             |
| Group Gasoline                         | -                                   | 451,782       | 449,221       | 2,561                               |
| Public Works Scrapping                 | 3,142                               | -             | -             | 3,142                               |
| Supplement Adult Probation             | 10,331                              | 854           | 6,926         | 4,259                               |
| CSA Grant                              | 6,500                               | 49,738        | 56,238        | -                                   |
| Neighborhood Association Contributions | 284                                 | 1,170         | 1,123         | 331                                 |
| PR - Allstate Cancer PT                | -                                   | 1,086         | 1,086         | -                                   |
| IIRF                                   | 102                                 | 136,404       | 35,292        | 101,214                             |
| 2005 Park Bond Construction            | 214                                 | -             | 93            | 121                                 |
| City Bond and Interest                 | -                                   | 574,492       | 488,956       | 85,536                              |
| BAN 2006 Madjec                        | 5                                   | -             | -             | 5                                   |
| Park Bond                              | -                                   | 695,690       | 626,742       | 68,948                              |
| Industrial Development CREED           | 2,307,616                           | 258,977       | 975,820       | 1,590,773                           |
| Airport Capital Improvement            | 253,169                             | 710,183       | 747,662       | 215,690                             |
| BAN 2010                               | 1                                   | 16,736        | 16,736        | 1                                   |
| Justice Assistance Grant               | 331                                 | -             | -             | 331                                 |
| 2011 Bond                              | 38                                  | -             | -             | 38                                  |
| COPS Grant                             | 65,810                              | 21,057        | 45,003        | 41,864                              |
| Insurance Reserve                      | (5,028,484)                         | 7,011,500     | 4,000,688     | (2,017,672)                         |
| 2013 Insurance Fund Account            | -                                   | 3,000,000     | 3,000,000     | -                                   |
| Court Cost Due County                  | 9,556                               | 25,610        | 26,182        | 8,984                               |
| PR - Net                               | -                                   | 27,199        | 27,199        | -                                   |
| 10PR - Federal                         | -                                   | 1,370,769     | 1,370,769     | -                                   |
| PR - FICA                              | -                                   | 446,203       | 446,203       | -                                   |
| PR - Medicare                          | -                                   | 282,813       | 282,813       | -                                   |
| PR - State                             | -                                   | 419,143       | 419,143       | -                                   |
| PR - County                            | -                                   | 218,301       | 218,301       | -                                   |
| PR - Civil PERF                        | -                                   | 6,210         | 6,210         | -                                   |
| PR - Voluntary PERF                    | -                                   | 97,983        | 97,983        | -                                   |
| PR - Direct Deposit                    | -                                   | 8,976,881     | 8,976,881     | -                                   |
| PR - Aflac Accident PT                 | -                                   | 8,217         | 8,217         | -                                   |
| PR - Aflac Cancer PT                   | -                                   | 4,582         | 4,582         | -                                   |
| PR - Aflac PRP PT                      | -                                   | 1,294         | 1,294         | -                                   |

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

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

| Fund                                       | Cash and<br>Investments<br>01-01-13 | Receipts             | Disbursements        | Cash and<br>Investments<br>12-31-13 |
|--|-------------------------------------|----------------------|----------------------|-------------------------------------|
| PR - Aflac Dental Employee                 | -                                   | 100,057              | 100,057              | -                                   |
| PR - Aflac Disability                      | -                                   | 6,873                | 6,873                | -                                   |
| PR - Aflac Life Ins                        | -                                   | 2,919                | 2,919                | -                                   |
| PR - Allstate Dental                       | -                                   | 236                  | 236                  | -                                   |
| Allstate Term Life                         | -                                   | 50                   | 50                   | -                                   |
| PR - Allstate Life                         | -                                   | 1,721                | 1,721                | -                                   |
| PR - Flex Reimbursement                    | -                                   | 60,755               | 60,755               | -                                   |
| PR - Cincinnati Life Ins                   | -                                   | 3,301                | 3,301                | -                                   |
| PR - Transamerica                          | -                                   | 2,173                | 2,173                | -                                   |
| PR - Fire Union Dues                       | -                                   | 26,303               | 26,303               | -                                   |
| PR - Police Union Dues                     | -                                   | 18,863               | 18,863               | -                                   |
| PR - Transportation Union                  | -                                   | 4,830                | 4,830                | -                                   |
| PR - Street Union Dues                     | -                                   | 6,112                | 6,112                | -                                   |
| PR - YMCA Dues                             | -                                   | 18,860               | 18,860               | -                                   |
| PR - Chaplaincy Program                    | -                                   | 6,079                | 6,079                | -                                   |
| PR - Firefighters PAC                      | -                                   | 4,500                | 4,500                | -                                   |
| PR - United Way                            | -                                   | 3,431                | 3,431                | -                                   |
| PR - Credit Union                          | -                                   | 546,610              | 546,610              | -                                   |
| PR - Child Support Fee                     | -                                   | 790                  | 790                  | -                                   |
| PR - Miscellaneous Fees                    | -                                   | 176                  | 176                  | -                                   |
| PR - Child Support                         | -                                   | 144,593              | 144,593              | -                                   |
| PR - Garnishment                           | -                                   | 12,756               | 12,756               | -                                   |
| PR - Loper/Dept of Ed                      | -                                   | 2,386                | 2,386                | -                                   |
| PR - Delinquent Co Taxes                   | -                                   | 6,652                | 6,652                | -                                   |
| PR - Social Security Administration        | -                                   | 1,938                | 1,938                | -                                   |
| State Annual Child Support Fee             | -                                   | 440                  | 440                  | -                                   |
| City of Marion - Vehicles                  | -                                   | 30,540               | 30,540               | -                                   |
| City of Marion - Cell Phones               | -                                   | 5,085                | 5,085                | -                                   |
| Grange Life Insurance                      | -                                   | 17,803               | 17,803               | -                                   |
| OneAmerica                                 | -                                   | 85,350               | 85,350               | -                                   |
| Monumental Life                            | -                                   | 2,297                | 2,297                | -                                   |
| IRS Levy MC                                | -                                   | 6,000                | 6,000                | -                                   |
| Liberty National                           | -                                   | 19,790               | 19,790               | -                                   |
| D. Aikman                                  | -                                   | 3,120                | 3,120                | -                                   |
| CAIC Accident                              | -                                   | 15,249               | 15,249               | -                                   |
| CAIC Critical Illness                      | -                                   | 16,122               | 16,122               | -                                   |
| Allstate: Critical Illness                 | -                                   | 362                  | 362                  | -                                   |
| US Dept of Treasury                        | -                                   | 1,807                | 1,807                | -                                   |
| City of Marion Health Insurance            | -                                   | 287,155              | 287,155              | -                                   |
| ACS Support-STOP 813G                      | -                                   | 1,732                | 1,732                | -                                   |
| Employee Aircards                          | -                                   | 60                   | 60                   | -                                   |
| Storm Water Operating                      | 76,234                              | 1,087,088            | 942,603              | 220,719                             |
| Storm Water Depreciation                   | 121,138                             | 37,849               | 17,970               | 141,017                             |
| Storm Water Depreciation Equipment Reserve | 72,001                              | 56,789               | 71,376               | 57,414                              |
| Storm Water Bond Reserve                   | 429,920                             | -                    | -                    | 429,920                             |
| Storm Water Construction                   | 238,209                             | 378,490              | 246,270              | 370,429                             |
| Storm Water Bond and Interest              | 261,374                             | 537,469              | 548,937              | 249,906                             |
| Wastewater Operation                       | 443,268                             | 2,590,624            | 2,537,269            | 496,623                             |
| Wastewater Depreciation                    | 310,049                             | 564,318              | 453,605              | 420,762                             |
| Wastewater Bond and Interest               | -                                   | 1,604,971            | 887,002              | 717,969                             |
| Wastewater Customer Deposit                | 226,405                             | 72,165               | 60,400               | 238,170                             |
| Wastewater Construction                    | 856,057                             | 432,494              | 805,256              | 483,295                             |
| Wastewater Trash Collections               | -                                   | 794,444              | 767,470              | 26,974                              |
| Water Operating                            | 313,698                             | 3,271,800            | 3,399,816            | 185,682                             |
| Water Depreciation                         | 310,448                             | 1,456,048            | 981,901              | 784,595                             |
| Water Consumer Deposit                     | 245,244                             | 75,356               | 63,530               | 257,070                             |
| Water Quail Hollow                         | 21,700                              | -                    | -                    | 21,700                              |
| Water Construction                         | 797,819                             | 1,152,387            | 1,881,758            | 68,448                              |
| Totals                                     | <u>\$ 4,899,748</u>                 | <u>\$ 85,758,587</u> | <u>\$ 82,101,614</u> | <u>\$ 8,556,721</u>                 |

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

CITY OF MARION  
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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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

*C. Cash and Investments*

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

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts 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

CITY OF MARION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

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

CITY OF MARION  
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 MARION  
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 Capitol 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 MARION  
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 MARION  
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 Capitol Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy*

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

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of the cost of operation exceeding the receipts generated; the reimbursement of expenditures from a reimbursable grant not being received by year-end; and plan claims exceeding plan contributions.

**Note 8. Restatements**

For the year ended December 31, 2013, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the City. The following schedule presents a summary of restated beginning balances.

| Balance as of<br>December 31,<br>2012 | New Fund   | Balance as of<br>January 1,<br>2013 |
|---------------------------------------|--|-------------------------------------|
| \$                                    | - City Probation Checking Account<br>- City Clerk Checking Account | \$ 3,459<br>89,675                  |

**Note 9. Other Postemployment Benefits**

The City provides eligible retirees and their spouses postemployment health benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the City on or after 20 years of service or incurs a job related disability. During 2013, the City began paying a fixed monthly amount per eligible retiree, spouse and family. Disbursements for these postemployment benefits were recognized on a pay-as-you-go basis. These benefits posed a liability to the City during 2013. Information regarding the benefits can be obtained by contacting the City.

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## SUPPLEMENTARY INFORMATION - UNAUDITED

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

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

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

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

|  | General           | Motor<br>Vehicle<br>Highway | Local<br>Road<br>and<br>Street | Aviation         | Park<br>Non<br>Reverting | Employees<br>Flexible<br>Spending<br>Account | Marion<br>Economic<br>Development<br>Commission |
|--|-------------------|-----------------------------|--------------------------------|------------------|--------------------------|--|---|
| Cash and investments - beginning                   | \$ 312,515        | \$ 23,794                   | \$ 96,368                      | \$ -             | \$ 30,574                | \$ 43,289                                    | \$ 7,093  |
| Receipts:  |                   |                             |                                |                  |                          |  |   |
| Taxes  | 11,629,482        | 1,307,809                   | -                              | 201,418          | -                        | -  | -   |
| Licenses and permits                               | 110,844           | 5,350                       | -                              | -                | -                        | -  | -   |
| Intergovernmental                                  | 4,786,640         | 947,869                     | 241,014                        | 10,631           | -                        | -  | -   |
| Charges for services                               | 1,741,410         | -                           | -                              | -                | 534,935                  | -  | -   |
| Fines and forfeits                                 | 74,664            | -                           | -                              | -                | -                        | -  | 225   |
| Utility fees                                       | -                 | -                           | -                              | -                | -                        | -  | -   |
| Other receipts                                     | 11,544,398        | 1,539,085                   | -                              | 197,458          | 3,194                    | 86,610                                       | -   |
| Total receipts                                     | <u>29,887,438</u> | <u>3,800,113</u>            | <u>241,014</u>                 | <u>409,507</u>   | <u>538,129</u>           | <u>86,610</u>                                | <u>225</u>                                      |
| Disbursements:                                     |                   |                             |                                |                  |                          |  |   |
| Personal services                                  | 14,517,418        | 1,362,355                   | -                              | -                | 214,599                  | -  | -   |
| Supplies   | 444,163           | 311,290                     | -                              | 1,960            | 294,741                  | -  | -   |
| Other services and charges                         | 3,586,825         | 212,570                     | 181,303                        | 175,390          | 59,283                   | -  | -   |
| Debt service - principal and interest              | 10,832,745        | 1,239,470                   | -                              | 190,893          | -                        | -  | -   |
| Capital outlay                                     | 14,196            | -                           | -                              | 20,672           | -                        | -  | -   |
| Other disbursements                                | 405,052           | -                           | -                              | -                | -                        | 78,219                                       | -   |
| Total disbursements                                | <u>29,800,399</u> | <u>3,125,685</u>            | <u>181,303</u>                 | <u>388,915</u>   | <u>568,623</u>           | <u>78,219</u>                                | <u>-</u>  |
| Excess (deficiency) of receipts over disbursements | <u>87,039</u>     | <u>674,428</u>              | <u>59,711</u>                  | <u>20,592</u>    | <u>(30,494)</u>          | <u>8,391</u>                                 | <u>225</u>                                      |
| Cash and investments - ending                      | <u>\$ 399,554</u> | <u>\$ 698,222</u>           | <u>\$ 156,079</u>              | <u>\$ 20,592</u> | <u>\$ 80</u>             | <u>\$ 51,680</u>                             | <u>\$ 7,318</u>                                 |

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

|  | Parking<br>Enforcement | IDOT<br>IN<br>Dept<br>of<br>Transportation | Abandoned<br>Vehicles | Local<br>Law<br>Continuing<br>Education | Unsafe<br>Building | Parks<br>and<br>Recreation | User<br>Fee      |
|--|------------------------|--|-----------------------|---|--------------------|----------------------------|------------------|
| Cash and investments - beginning                   | \$ 14,237              | \$ -                                       | \$ 1,500              | \$ 12,675                               | \$ 180,537         | \$ 39,192                  | \$ 23,834        |
| Receipts:  |                        |  |                       |   |                    |                            |                  |
| Taxes  | -                      | -  | -                     | -                                       | -                  | 410,583                    | -                |
| Licenses and permits                               | -                      | -  | -                     | 11,515                                  | -                  | -                          | -                |
| Intergovernmental                                  | -                      | 5,037                                      | -                     | -                                       | -                  | 24,049                     | -                |
| Charges for services                               | 1,683                  | -  | 1,245                 | 4,620                                   | -                  | 500                        | 5,720            |
| Fines and forfeits                                 | -                      | -  | -                     | -                                       | -                  | -                          | -                |
| Utility fees                                       | -                      | -  | -                     | -                                       | -                  | -                          | -                |
| Other receipts                                     | -                      | -  | -                     | 1,783                                   | 128,521            | 493,550                    | -                |
| Total receipts                                     | <u>1,683</u>           | <u>5,037</u>                               | <u>1,245</u>          | <u>17,918</u>                           | <u>128,521</u>     | <u>928,682</u>             | <u>5,720</u>     |
| Disbursements:                                     |                        |  |                       |   |                    |                            |                  |
| Personal services                                  | -                      | -  | -                     | -                                       | -                  | 330,838                    | -                |
| Supplies   | -                      | -  | -                     | -                                       | -                  | 37,108                     | -                |
| Other services and charges                         | -                      | -  | 2,673                 | 966                                     | 99,599             | 137,293                    | -                |
| Debt service - principal and interest              | -                      | -  | -                     | -                                       | -                  | 389,128                    | -                |
| Capital outlay                                     | -                      | -  | -                     | -                                       | -                  | -                          | -                |
| Other disbursements                                | -                      | -  | -                     | -                                       | -                  | -                          | -                |
| Total disbursements                                | <u>-</u>               | <u>-</u>                                   | <u>2,673</u>          | <u>966</u>                              | <u>99,599</u>      | <u>894,367</u>             | <u>-</u>         |
| Excess (deficiency) of receipts over disbursements | <u>1,683</u>           | <u>5,037</u>                               | <u>(1,428)</u>        | <u>16,952</u>                           | <u>28,922</u>      | <u>34,315</u>              | <u>5,720</u>     |
| Cash and investments - ending                      | <u>\$ 15,920</u>       | <u>\$ 5,037</u>                            | <u>\$ 72</u>          | <u>\$ 29,627</u>                        | <u>\$ 209,459</u>  | <u>\$ 73,507</u>           | <u>\$ 29,554</u> |

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

|  | Rainy<br>Day | CEDIT      | TIF<br>Allocation | Cumulative<br>Capital<br>Improvement | Cumulative<br>Capital<br>Development | 1925<br>Police<br>Pension |
|--|--------------|------------|-------------------|--------------------------------------|--------------------------------------|---------------------------|
| Cash and investments - beginning                   | \$ 10,407    | \$ 183,175 | \$ 1,201,067      | \$ 159,469                           | \$ 194,841                           | \$ -                      |
| Receipts:  |              |            |                   |                                      |                                      |                           |
| Taxes  | -            | -          | 4,846,607         | -                                    | 254,238                              | -                         |
| Licenses and permits                               | -            | -          | -                 | -                                    | -                                    | -                         |
| Intergovernmental                                  | -            | 858,262    | -                 | 80,401                               | 13,418                               | 1,057,033                 |
| Charges for services                               | -            | -          | -                 | -                                    | -                                    | -                         |
| Fines and forfeits                                 | -            | -          | -                 | -                                    | -                                    | -                         |
| Utility fees                                       | -            | -          | -                 | -                                    | -                                    | -                         |
| Other receipts                                     | -            | -          | -                 | -                                    | 216,202                              | -                         |
| Total receipts                                     | -            | 858,262    | 4,846,607         | 80,401                               | 483,858                              | 1,057,033                 |
| Disbursements:                                     |              |            |                   |                                      |                                      |                           |
| Personal services                                  | -            | -          | -                 | -                                    | -                                    | -                         |
| Supplies   | -            | -          | -                 | -                                    | -                                    | -                         |
| Other services and charges                         | -            | 973,287    | 4,890,713         | -                                    | 311,354                              | 1,019,834                 |
| Debt service - principal and interest              | -            | -          | -                 | -                                    | 240,952                              | -                         |
| Capital outlay                                     | -            | -          | -                 | -                                    | 17,147                               | -                         |
| Other disbursements                                | -            | -          | -                 | -                                    | -                                    | -                         |
| Total disbursements                                | -            | 973,287    | 4,890,713         | -                                    | 569,453                              | 1,019,834                 |
| Excess (deficiency) of receipts over disbursements | -            | (115,025)  | (44,106)          | 80,401                               | (85,595)                             | 37,199                    |
| Cash and investments - ending                      | \$ 10,407    | \$ 68,150  | \$ 1,156,961      | \$ 239,870                           | \$ 109,246                           | \$ 37,199                 |

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

|  | 1937<br>Fire<br>Pension | County<br>Share<br>Clerk's<br>Fees | City<br>Probation<br>Checking<br>Account | City<br>Clerk<br>Checking<br>Account | Donation      | Animal<br>Control<br>Non<br>Reverting |
|--|-------------------------|------------------------------------|--|--------------------------------------|---------------|---------------------------------------|
| Cash and investments - beginning                   | \$ 9,940                | \$ 6,565                           | \$ 3,459                                 | \$ 89,675                            | \$ -          | \$ (138,281)                          |
| Receipts:  |                         |                                    |  |                                      |               |                                       |
| Taxes  | -                       | -                                  | -  | -                                    | -             | -                                     |
| Licenses and permits                               | -                       | -                                  | -  | -                                    | -             | -                                     |
| Intergovernmental                                  | 1,380,146               | -                                  | -  | -                                    | -             | -                                     |
| Charges for services                               | -                       | -                                  | -  | -                                    | -             | -                                     |
| Fines and forfeits                                 | -                       | 16,234                             | 27,635                                   | 448,180                              | -             | -                                     |
| Utility fees                                       | -                       | -                                  | -  | -                                    | -             | -                                     |
| Other receipts                                     | -                       | -                                  | -  | -                                    | 500           | 51,511                                |
| Total receipts                                     | <u>1,380,146</u>        | <u>16,234</u>                      | <u>27,635</u>                            | <u>448,180</u>                       | <u>500</u>    | <u>51,511</u>                         |
| Disbursements:                                     |                         |                                    |  |                                      |               |                                       |
| Personal services                                  | -                       | -                                  | -  | -                                    | -             | -                                     |
| Supplies   | -                       | -                                  | -  | -                                    | -             | 21,843                                |
| Other services and charges                         | 1,366,807               | -                                  | -  | -                                    | -             | 66,834                                |
| Debt service - principal and interest              | -                       | -                                  | -  | -                                    | -             | -                                     |
| Capital outlay                                     | -                       | -                                  | -  | -                                    | -             | -                                     |
| Other disbursements                                | -                       | 16,291                             | 30,133                                   | 452,065                              | -             | -                                     |
| Total disbursements                                | <u>1,366,807</u>        | <u>16,291</u>                      | <u>30,133</u>                            | <u>452,065</u>                       | <u>-</u>      | <u>88,677</u>                         |
| Excess (deficiency) of receipts over disbursements | <u>13,339</u>           | <u>(57)</u>                        | <u>(2,498)</u>                           | <u>(3,885)</u>                       | <u>500</u>    | <u>(37,166)</u>                       |
| Cash and investments - ending                      | <u>\$ 23,279</u>        | <u>\$ 6,508</u>                    | <u>\$ 961</u>                            | <u>\$ 85,790</u>                     | <u>\$ 500</u> | <u>\$ (175,447)</u>                   |

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

|  | Reduce<br>Drunk<br>Driving | Fire<br>Department<br>Donations | Police<br>Department<br>Donations | Environmental<br>Public<br>Nuisance | Victim's<br>Advocacy<br>Grant | Group<br>Gasoline |
|--|----------------------------|---------------------------------|-----------------------------------|-------------------------------------|-------------------------------|-------------------|
| Cash and investments - beginning                   | \$ 4,579                   | \$ 8,628                        | \$ 18,732                         | \$ 6,436                            | \$ 3,269                      | \$ -              |
| Receipts:  |                            |                                 |                                   |                                     |                               |                   |
| Taxes  | -                          | -                               | -                                 | -                                   | -                             | -                 |
| Licenses and permits                               | -                          | -                               | -                                 | -                                   | -                             | -                 |
| Intergovernmental                                  | 15,393                     | -                               | -                                 | -                                   | 25,572                        | -                 |
| Charges for services                               | -                          | 1,469                           | -                                 | 1,598                               | -                             | -                 |
| Fines and forfeits                                 | -                          | -                               | -                                 | -                                   | -                             | -                 |
| Utility fees                                       | -                          | -                               | -                                 | -                                   | -                             | -                 |
| Other receipts                                     | -                          | 2,769                           | 6,535                             | -                                   | -                             | 451,782           |
| Total receipts                                     | <u>15,393</u>              | <u>4,238</u>                    | <u>6,535</u>                      | <u>1,598</u>                        | <u>25,572</u>                 | <u>451,782</u>    |
| Disbursements:                                     |                            |                                 |                                   |                                     |                               |                   |
| Personal services                                  | 15,722                     | -                               | -                                 | -                                   | 36,475                        | -                 |
| Supplies   | -                          | -                               | 11,685                            | -                                   | -                             | 449,221           |
| Other services and charges                         | -                          | 1,347                           | -                                 | 7,754                               | -                             | -                 |
| Debt service - principal and interest              | -                          | -                               | -                                 | -                                   | -                             | -                 |
| Capital outlay                                     | -                          | 2,220                           | -                                 | -                                   | -                             | -                 |
| Other disbursements                                | -                          | -                               | -                                 | -                                   | -                             | -                 |
| Total disbursements                                | <u>15,722</u>              | <u>3,567</u>                    | <u>11,685</u>                     | <u>7,754</u>                        | <u>36,475</u>                 | <u>449,221</u>    |
| Excess (deficiency) of receipts over disbursements | <u>(329)</u>               | <u>671</u>                      | <u>(5,150)</u>                    | <u>(6,156)</u>                      | <u>(10,903)</u>               | <u>2,561</u>      |
| Cash and investments - ending                      | <u>\$ 4,250</u>            | <u>\$ 9,299</u>                 | <u>\$ 13,582</u>                  | <u>\$ 280</u>                       | <u>\$ (7,634)</u>             | <u>\$ 2,561</u>   |

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

|   | Public<br>Works<br>Scrapping | Supplement<br>Adult<br>Probation | CSA<br>Grant | Neighborhood<br>Association<br>Contributions | PR -<br>Allstate<br>Cancer<br>PT | IIRF       |
|---|------------------------------|----------------------------------|--------------|--|----------------------------------|------------|
| Cash and investments - beginning                      | \$ 3,142                     | \$ 10,331                        | \$ 6,500     | \$ 284                                       | \$ -                             | \$ 102     |
| Receipts:   |                              |                                  |              |  |                                  |            |
| Taxes   | -                            | -                                | -            | -  | -                                | -          |
| Licenses and permits                                  | -                            | -                                | -            | -  | -                                | -          |
| Intergovernmental                                     | -                            | -                                | 49,738       | -  | -                                | -          |
| Charges for services                                  | -                            | 854                              | -            | -  | -                                | -          |
| Fines and forfeits                                    | -                            | -                                | -            | -  | -                                | -          |
| Utility fees  | -                            | -                                | -            | -  | -                                | -          |
| Other receipts  | -                            | -                                | -            | 1,170  | 1,086                            | 136,404    |
| Total receipts  | -                            | 854                              | 49,738       | 1,170  | 1,086                            | 136,404    |
| Disbursements:  |                              |                                  |              |  |                                  |            |
| Personal services                                     | -                            | -                                | -            | -  | -                                | -          |
| Supplies  | -                            | 3,209                            | -            | -  | -                                | -          |
| Other services and charges                            | -                            | 3,717                            | 56,238       | 1,123  | -                                | 10         |
| Debt service - principal and interest                 | -                            | -                                | -            | -  | -                                | -          |
| Capital outlay  | -                            | -                                | -            | -  | -                                | -          |
| Other disbursements                                   | -                            | -                                | -            | -  | 1,086                            | 35,282     |
| Total disbursements                                   | -                            | 6,926                            | 56,238       | 1,123  | 1,086                            | 35,292     |
| Excess (deficiency) of receipts over<br>disbursements | -                            | (6,072)                          | (6,500)      | 47   | -                                | 101,112    |
| Cash and investments - ending                         | \$ 3,142                     | \$ 4,259                         | \$ -         | \$ 331                                       | \$ -                             | \$ 101,214 |

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

|  | 2005<br>Park<br>Bond<br>Construction | City<br>Bond<br>and<br>Interest | BAN<br>2006<br>Madjec | Park<br>Bond     | Industrial<br>Development<br>CREED | Airport<br>Capital<br>Improvement |
|--|--------------------------------------|---------------------------------|-----------------------|------------------|------------------------------------|-----------------------------------|
| Cash and investments - beginning                   | \$ 214                               | \$ -                            | \$ 5                  | \$ -             | \$ 2,307,616                       | \$ 253,169                        |
| Receipts:  |                                      |                                 |                       |                  |                                    |                                   |
| Taxes  | -                                    | 245,142                         | -                     | 280,940          | -                                  | -                                 |
| Licenses and permits                               | -                                    | -                               | -                     | -                | -                                  | -                                 |
| Intergovernmental                                  | -                                    | 9,902                           | -                     | 15,485           | 258,977                            | -                                 |
| Charges for services                               | -                                    | -                               | -                     | -                | -                                  | 710,183                           |
| Fines and forfeits                                 | -                                    | -                               | -                     | -                | -                                  | -                                 |
| Utility fees                                       | -                                    | -                               | -                     | -                | -                                  | -                                 |
| Other receipts                                     | -                                    | 319,448                         | -                     | 399,265          | -                                  | -                                 |
| Total receipts                                     | <u>-</u>                             | <u>574,492</u>                  | <u>-</u>              | <u>695,690</u>   | <u>258,977</u>                     | <u>710,183</u>                    |
| Disbursements:                                     |                                      |                                 |                       |                  |                                    |                                   |
| Personal services                                  | -                                    | -                               | -                     | -                | -                                  | -                                 |
| Supplies   | -                                    | -                               | -                     | -                | -                                  | -                                 |
| Other services and charges                         | 93                                   | 205,232                         | -                     | 411,875          | 975,820                            | 386,750                           |
| Debt service - principal and interest              | -                                    | 283,724                         | -                     | 214,867          | -                                  | -                                 |
| Capital outlay                                     | -                                    | -                               | -                     | -                | -                                  | 360,912                           |
| Other disbursements                                | -                                    | -                               | -                     | -                | -                                  | -                                 |
| Total disbursements                                | <u>93</u>                            | <u>488,956</u>                  | <u>-</u>              | <u>626,742</u>   | <u>975,820</u>                     | <u>747,662</u>                    |
| Excess (deficiency) of receipts over disbursements | <u>(93)</u>                          | <u>85,536</u>                   | <u>-</u>              | <u>68,948</u>    | <u>(716,843)</u>                   | <u>(37,479)</u>                   |
| Cash and investments - ending                      | <u>\$ 121</u>                        | <u>\$ 85,536</u>                | <u>\$ 5</u>           | <u>\$ 68,948</u> | <u>\$ 1,590,773</u>                | <u>\$ 215,690</u>                 |

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

|  | BAN<br>2010 | Justice<br>Assistance<br>Grant | 2011<br>Bond | COPS<br>Grant | Insurance<br>Reserve | 2013<br>Insurance<br>Fund<br>Account |
|--|-------------|--------------------------------|--------------|---------------|----------------------|--------------------------------------|
| Cash and investments - beginning                   | \$ 1        | \$ 331                         | \$ 38        | \$ 65,810     | \$ (5,028,484)       | \$ -                                 |
| Receipts:  |             |                                |              |               |                      |                                      |
| Taxes  | -           | -                              | -            | -             | -                    | -                                    |
| Licenses and permits                               | -           | -                              | -            | -             | -                    | -                                    |
| Intergovernmental                                  | -           | -                              | -            | 21,057        | -                    | -                                    |
| Charges for services                               | -           | -                              | -            | -             | -                    | -                                    |
| Fines and forfeits                                 | -           | -                              | -            | -             | -                    | -                                    |
| Utility fees                                       | -           | -                              | -            | -             | -                    | -                                    |
| Other receipts                                     | 16,736      | -                              | -            | -             | 7,011,500            | 3,000,000                            |
| Total receipts                                     | 16,736      | -                              | -            | 21,057        | 7,011,500            | 3,000,000                            |
| Disbursements:                                     |             |                                |              |               |                      |                                      |
| Personal services                                  | -           | -                              | -            | 45,003        | 3,019,387            | -                                    |
| Supplies   | -           | -                              | -            | -             | -                    | -                                    |
| Other services and charges                         | -           | -                              | -            | -             | 981,301              | -                                    |
| Debt service - principal and interest              | -           | -                              | -            | -             | -                    | -                                    |
| Capital outlay                                     | -           | -                              | -            | -             | -                    | -                                    |
| Other disbursements                                | 16,736      | -                              | -            | -             | -                    | 3,000,000                            |
| Total disbursements                                | 16,736      | -                              | -            | 45,003        | 4,000,688            | 3,000,000                            |
| Excess (deficiency) of receipts over disbursements | -           | -                              | -            | (23,946)      | 3,010,812            | -                                    |
| Cash and investments - ending                      | \$ 1        | \$ 331                         | \$ 38        | \$ 41,864     | \$ (2,017,672)       | \$ -                                 |

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

|   | Court<br>Cost<br>Due<br>County | PR -<br>Net   | 10PR -<br>Federal | PR -<br>FICA   | PR -<br>Medicare | PR -<br>State  |
|---|--------------------------------|---------------|-------------------|----------------|------------------|----------------|
| Cash and investments - beginning                      | \$ 9,556                       | \$ -          | \$ -              | \$ -           | \$ -             | \$ -           |
| Receipts:   |                                |               |                   |                |                  |                |
| Taxes   | -                              | -             | -                 | -              | -                | -              |
| Licenses and permits                                  | -                              | -             | -                 | -              | -                | -              |
| Intergovernmental                                     | -                              | -             | -                 | -              | -                | -              |
| Charges for services                                  | -                              | -             | -                 | -              | -                | -              |
| Fines and forfeits                                    | 25,610                         | -             | -                 | -              | -                | -              |
| Utility fees  | -                              | -             | -                 | -              | -                | -              |
| Other receipts  | -                              | 27,199        | 1,370,769         | 446,203        | 282,813          | 419,143        |
| Total receipts  | <u>25,610</u>                  | <u>27,199</u> | <u>1,370,769</u>  | <u>446,203</u> | <u>282,813</u>   | <u>419,143</u> |
| Disbursements:  |                                |               |                   |                |                  |                |
| Personal services                                     | -                              | -             | -                 | -              | -                | -              |
| Supplies  | -                              | -             | -                 | -              | -                | -              |
| Other services and charges                            | -                              | -             | -                 | -              | -                | -              |
| Debt service - principal and interest                 | -                              | -             | -                 | -              | -                | -              |
| Capital outlay  | -                              | -             | -                 | -              | -                | -              |
| Other disbursements                                   | 26,182                         | 27,199        | 1,370,769         | 446,203        | 282,813          | 419,143        |
| Total disbursements                                   | <u>26,182</u>                  | <u>27,199</u> | <u>1,370,769</u>  | <u>446,203</u> | <u>282,813</u>   | <u>419,143</u> |
| Excess (deficiency) of receipts over<br>disbursements | <u>(572)</u>                   | <u>-</u>      | <u>-</u>          | <u>-</u>       | <u>-</u>         | <u>-</u>       |
| Cash and investments - ending                         | <u>\$ 8,984</u>                | <u>\$ -</u>   | <u>\$ -</u>       | <u>\$ -</u>    | <u>\$ -</u>      | <u>\$ -</u>    |

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

|  | PR -<br>County | PR -<br>Civil<br>PERF | PR -<br>Voluntary<br>PERF | PR -<br>Direct<br>Deposit | PR -<br>Aflac<br>Accident<br>PT | PR -<br>Aflac<br>Cancer<br>PT |
|--|----------------|-----------------------|---------------------------|---------------------------|---------------------------------|-------------------------------|
| Cash and investments - beginning                   | \$ -           | \$ -                  | \$ -                      | \$ -                      | \$ -                            | \$ -                          |
| Receipts:  |                |                       |                           |                           |                                 |                               |
| Taxes  | -              | -                     | -                         | -                         | -                               | -                             |
| Licenses and permits                               | -              | -                     | -                         | -                         | -                               | -                             |
| Intergovernmental                                  | -              | -                     | -                         | -                         | -                               | -                             |
| Charges for services                               | -              | -                     | -                         | -                         | -                               | -                             |
| Fines and forfeits                                 | -              | -                     | -                         | -                         | -                               | -                             |
| Utility fees                                       | -              | -                     | -                         | -                         | -                               | -                             |
| Other receipts                                     | <u>218,301</u> | <u>6,210</u>          | <u>97,983</u>             | <u>8,976,881</u>          | <u>8,217</u>                    | <u>4,582</u>                  |
| Total receipts                                     | <u>218,301</u> | <u>6,210</u>          | <u>97,983</u>             | <u>8,976,881</u>          | <u>8,217</u>                    | <u>4,582</u>                  |
| Disbursements:                                     |                |                       |                           |                           |                                 |                               |
| Personal services                                  | -              | -                     | -                         | -                         | -                               | -                             |
| Supplies   | -              | -                     | -                         | -                         | -                               | -                             |
| Other services and charges                         | -              | -                     | -                         | -                         | -                               | -                             |
| Debt service - principal and interest              | -              | -                     | -                         | -                         | -                               | -                             |
| Capital outlay                                     | -              | -                     | -                         | -                         | -                               | -                             |
| Other disbursements                                | <u>218,301</u> | <u>6,210</u>          | <u>97,983</u>             | <u>8,976,881</u>          | <u>8,217</u>                    | <u>4,582</u>                  |
| Total disbursements                                | <u>218,301</u> | <u>6,210</u>          | <u>97,983</u>             | <u>8,976,881</u>          | <u>8,217</u>                    | <u>4,582</u>                  |
| Excess (deficiency) of receipts over disbursements | <u>-</u>       | <u>-</u>              | <u>-</u>                  | <u>-</u>                  | <u>-</u>                        | <u>-</u>                      |
| Cash and investments - ending                      | <u>\$ -</u>    | <u>\$ -</u>           | <u>\$ -</u>               | <u>\$ -</u>               | <u>\$ -</u>                     | <u>\$ -</u>                   |

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

|  | PR -<br>Aflac<br>PRP<br>PT | PR -<br>Aflac<br>Dental<br>Employee | PR -<br>Aflac<br>Disability | PR -<br>Aflac<br>Life<br>Ins | PR -<br>Allstate<br>Dental | Allstate<br>Term<br>Life |
|--|----------------------------|-------------------------------------|-----------------------------|------------------------------|----------------------------|--------------------------|
| Cash and investments - beginning                   | \$ -                       | \$ -                                | \$ -                        | \$ -                         | \$ -                       | \$ -                     |
| Receipts:  |                            |                                     |                             |                              |                            |                          |
| Taxes  | -                          | -                                   | -                           | -                            | -                          | -                        |
| Licenses and permits                               | -                          | -                                   | -                           | -                            | -                          | -                        |
| Intergovernmental                                  | -                          | -                                   | -                           | -                            | -                          | -                        |
| Charges for services                               | -                          | -                                   | -                           | -                            | -                          | -                        |
| Fines and forfeits                                 | -                          | -                                   | -                           | -                            | -                          | -                        |
| Utility fees                                       | -                          | -                                   | -                           | -                            | -                          | -                        |
| Other receipts                                     | 1,294                      | 100,057                             | 6,873                       | 2,919                        | 236                        | 50                       |
| Total receipts                                     | <u>1,294</u>               | <u>100,057</u>                      | <u>6,873</u>                | <u>2,919</u>                 | <u>236</u>                 | <u>50</u>                |
| Disbursements:                                     |                            |                                     |                             |                              |                            |                          |
| Personal services                                  | -                          | -                                   | -                           | -                            | -                          | -                        |
| Supplies   | -                          | -                                   | -                           | -                            | -                          | -                        |
| Other services and charges                         | -                          | -                                   | -                           | -                            | -                          | -                        |
| Debt service - principal and interest              | -                          | -                                   | -                           | -                            | -                          | -                        |
| Capital outlay                                     | -                          | -                                   | -                           | -                            | -                          | -                        |
| Other disbursements                                | 1,294                      | 100,057                             | 6,873                       | 2,919                        | 236                        | 50                       |
| Total disbursements                                | <u>1,294</u>               | <u>100,057</u>                      | <u>6,873</u>                | <u>2,919</u>                 | <u>236</u>                 | <u>50</u>                |
| Excess (deficiency) of receipts over disbursements | <u>-</u>                   | <u>-</u>                            | <u>-</u>                    | <u>-</u>                     | <u>-</u>                   | <u>-</u>                 |
| Cash and investments - ending                      | <u>\$ -</u>                | <u>\$ -</u>                         | <u>\$ -</u>                 | <u>\$ -</u>                  | <u>\$ -</u>                | <u>\$ -</u>              |

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

|  | PR -<br>Allstate<br>Life | PR -<br>Flex<br>Reimbursement | PR -<br>Cincinnati<br>Life<br>Ins | PR -<br>Transamerica | PR -<br>Fire<br>Union<br>Dues | PR -<br>Police<br>Union<br>Dues |
|--|--------------------------|-------------------------------|-----------------------------------|----------------------|-------------------------------|---------------------------------|
| Cash and investments - beginning                   | \$ -                     | \$ -                          | \$ -                              | \$ -                 | \$ -                          | \$ -                            |
| Receipts:  |                          |                               |                                   |                      |                               |                                 |
| Taxes  | -                        | -                             | -                                 | -                    | -                             | -                               |
| Licenses and permits                               | -                        | -                             | -                                 | -                    | -                             | -                               |
| Intergovernmental                                  | -                        | -                             | -                                 | -                    | -                             | -                               |
| Charges for services                               | -                        | -                             | -                                 | -                    | -                             | -                               |
| Fines and forfeits                                 | -                        | -                             | -                                 | -                    | -                             | -                               |
| Utility fees                                       | -                        | -                             | -                                 | -                    | -                             | -                               |
| Other receipts                                     | 1,721                    | 60,755                        | 3,301                             | 2,173                | 26,303                        | 18,863                          |
| Total receipts                                     | <u>1,721</u>             | <u>60,755</u>                 | <u>3,301</u>                      | <u>2,173</u>         | <u>26,303</u>                 | <u>18,863</u>                   |
| Disbursements:                                     |                          |                               |                                   |                      |                               |                                 |
| Personal services                                  | -                        | -                             | -                                 | -                    | -                             | -                               |
| Supplies   | -                        | -                             | -                                 | -                    | -                             | -                               |
| Other services and charges                         | -                        | -                             | -                                 | -                    | -                             | -                               |
| Debt service - principal and interest              | -                        | -                             | -                                 | -                    | -                             | -                               |
| Capital outlay                                     | -                        | -                             | -                                 | -                    | -                             | -                               |
| Other disbursements                                | 1,721                    | 60,755                        | 3,301                             | 2,173                | 26,303                        | 18,863                          |
| Total disbursements                                | <u>1,721</u>             | <u>60,755</u>                 | <u>3,301</u>                      | <u>2,173</u>         | <u>26,303</u>                 | <u>18,863</u>                   |
| Excess (deficiency) of receipts over disbursements | <u>-</u>                 | <u>-</u>                      | <u>-</u>                          | <u>-</u>             | <u>-</u>                      | <u>-</u>                        |
| Cash and investments - ending                      | <u>\$ -</u>              | <u>\$ -</u>                   | <u>\$ -</u>                       | <u>\$ -</u>          | <u>\$ -</u>                   | <u>\$ -</u>                     |

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

|  | PR -<br>Transportation<br>Union | PR -<br>Street<br>Union<br>Dues | PR -<br>YMCA<br>Dues | PR -<br>Chaplaincy<br>Program | PR -<br>Firefighters<br>PAC | PR -<br>United<br>Way |
|--|---------------------------------|---------------------------------|----------------------|-------------------------------|-----------------------------|-----------------------|
| Cash and investments - beginning                   | \$ -                            | \$ -                            | \$ -                 | \$ -                          | \$ -                        | \$ -                  |
| Receipts:  |                                 |                                 |                      |                               |                             |                       |
| Taxes  | -                               | -                               | -                    | -                             | -                           | -                     |
| Licenses and permits                               | -                               | -                               | -                    | -                             | -                           | -                     |
| Intergovernmental                                  | -                               | -                               | -                    | -                             | -                           | -                     |
| Charges for services                               | -                               | -                               | -                    | -                             | -                           | -                     |
| Fines and forfeits                                 | -                               | -                               | -                    | -                             | -                           | -                     |
| Utility fees                                       | -                               | -                               | -                    | -                             | -                           | -                     |
| Other receipts                                     | 4,830                           | 6,112                           | 18,860               | 6,079                         | 4,500                       | 3,431                 |
| Total receipts                                     | <u>4,830</u>                    | <u>6,112</u>                    | <u>18,860</u>        | <u>6,079</u>                  | <u>4,500</u>                | <u>3,431</u>          |
| Disbursements:                                     |                                 |                                 |                      |                               |                             |                       |
| Personal services                                  | -                               | -                               | -                    | -                             | -                           | -                     |
| Supplies   | -                               | -                               | -                    | -                             | -                           | -                     |
| Other services and charges                         | -                               | -                               | -                    | -                             | -                           | -                     |
| Debt service - principal and interest              | -                               | -                               | -                    | -                             | -                           | -                     |
| Capital outlay                                     | -                               | -                               | -                    | -                             | -                           | -                     |
| Other disbursements                                | 4,830                           | 6,112                           | 18,860               | 6,079                         | 4,500                       | 3,431                 |
| Total disbursements                                | <u>4,830</u>                    | <u>6,112</u>                    | <u>18,860</u>        | <u>6,079</u>                  | <u>4,500</u>                | <u>3,431</u>          |
| Excess (deficiency) of receipts over disbursements | <u>-</u>                        | <u>-</u>                        | <u>-</u>             | <u>-</u>                      | <u>-</u>                    | <u>-</u>              |
| Cash and investments - ending                      | <u>\$ -</u>                     | <u>\$ -</u>                     | <u>\$ -</u>          | <u>\$ -</u>                   | <u>\$ -</u>                 | <u>\$ -</u>           |

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

|  | PR -<br>Credit<br>Union | PR -<br>Child<br>Support<br>Fee | PR -<br>Miscellaneous<br>Fees | PR -<br>Child<br>Support | PR -<br>Garnishment | PR -<br>Loper/Dept<br>of<br>Ed |
|--|-------------------------|---------------------------------|-------------------------------|--------------------------|---------------------|--------------------------------|
| Cash and investments - beginning                   | \$ -                    | \$ -                            | \$ -                          | \$ -                     | \$ -                | \$ -                           |
| Receipts:  |                         |                                 |                               |                          |                     |                                |
| Taxes  | -                       | -                               | -                             | -                        | -                   | -                              |
| Licenses and permits                               | -                       | -                               | -                             | -                        | -                   | -                              |
| Intergovernmental                                  | -                       | -                               | -                             | -                        | -                   | -                              |
| Charges for services                               | -                       | -                               | -                             | -                        | -                   | -                              |
| Fines and forfeits                                 | -                       | -                               | -                             | -                        | -                   | -                              |
| Utility fees                                       | -                       | -                               | -                             | -                        | -                   | -                              |
| Other receipts                                     | 546,610                 | 790                             | 176                           | 144,593                  | 12,756              | 2,386                          |
| Total receipts                                     | <u>546,610</u>          | <u>790</u>                      | <u>176</u>                    | <u>144,593</u>           | <u>12,756</u>       | <u>2,386</u>                   |
| Disbursements:                                     |                         |                                 |                               |                          |                     |                                |
| Personal services                                  | -                       | -                               | -                             | -                        | -                   | -                              |
| Supplies   | -                       | -                               | -                             | -                        | -                   | -                              |
| Other services and charges                         | -                       | -                               | -                             | -                        | -                   | -                              |
| Debt service - principal and interest              | -                       | -                               | -                             | -                        | -                   | -                              |
| Capital outlay                                     | -                       | -                               | -                             | -                        | -                   | -                              |
| Other disbursements                                | 546,610                 | 790                             | 176                           | 144,593                  | 12,756              | 2,386                          |
| Total disbursements                                | <u>546,610</u>          | <u>790</u>                      | <u>176</u>                    | <u>144,593</u>           | <u>12,756</u>       | <u>2,386</u>                   |
| Excess (deficiency) of receipts over disbursements | <u>-</u>                | <u>-</u>                        | <u>-</u>                      | <u>-</u>                 | <u>-</u>            | <u>-</u>                       |
| Cash and investments - ending                      | <u>\$ -</u>             | <u>\$ -</u>                     | <u>\$ -</u>                   | <u>\$ -</u>              | <u>\$ -</u>         | <u>\$ -</u>                    |

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

|  | PR -<br>Delinquent<br>Co<br>Taxes | PR -<br>Social<br>Security<br>Administration | State<br>Annual<br>Child<br>Support<br>Fee | City of<br>Marion -<br>Vehicles | City of<br>Marion - Cell<br>Phones | Grange<br>Life<br>Insurance |
|--|-----------------------------------|--|--|---------------------------------|------------------------------------|-----------------------------|
| Cash and investments - beginning                   | \$ -                              | \$ -   | \$ -                                       | \$ -                            | \$ -                               | \$ -                        |
| Receipts:  |                                   |  |  |                                 |                                    |                             |
| Taxes  | -                                 | -  | -  | -                               | -                                  | -                           |
| Licenses and permits                               | -                                 | -  | -  | -                               | -                                  | -                           |
| Intergovernmental                                  | -                                 | -  | -  | -                               | -                                  | -                           |
| Charges for services                               | -                                 | -  | -  | -                               | -                                  | -                           |
| Fines and forfeits                                 | -                                 | -  | -  | -                               | -                                  | -                           |
| Utility fees                                       | -                                 | -  | -  | -                               | -                                  | -                           |
| Other receipts                                     | 6,652                             | 1,938  | 440  | 30,540                          | 5,085                              | 17,803                      |
| Total receipts                                     | <u>6,652</u>                      | <u>1,938</u>                                 | <u>440</u>                                 | <u>30,540</u>                   | <u>5,085</u>                       | <u>17,803</u>               |
| Disbursements:                                     |                                   |  |  |                                 |                                    |                             |
| Personal services                                  | -                                 | -  | -  | -                               | -                                  | -                           |
| Supplies   | -                                 | -  | -  | -                               | -                                  | -                           |
| Other services and charges                         | -                                 | -  | -  | -                               | -                                  | -                           |
| Debt service - principal and interest              | -                                 | -  | -  | -                               | -                                  | -                           |
| Capital outlay                                     | -                                 | -  | -  | -                               | -                                  | -                           |
| Other disbursements                                | 6,652                             | 1,938  | 440  | 30,540                          | 5,085                              | 17,803                      |
| Total disbursements                                | <u>6,652</u>                      | <u>1,938</u>                                 | <u>440</u>                                 | <u>30,540</u>                   | <u>5,085</u>                       | <u>17,803</u>               |
| Excess (deficiency) of receipts over disbursements | <u>-</u>                          | <u>-</u>                                     | <u>-</u>                                   | <u>-</u>                        | <u>-</u>                           | <u>-</u>                    |
| Cash and investments - ending                      | <u>\$ -</u>                       | <u>\$ -</u>                                  | <u>\$ -</u>                                | <u>\$ -</u>                     | <u>\$ -</u>                        | <u>\$ -</u>                 |

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

|  | OneAmerica    | Monumental<br>Life | IRS<br>Levy<br>MC | Liberty<br>National | D.<br>Aikman | CAIC<br>Accident |
|--|---------------|--------------------|-------------------|---------------------|--------------|------------------|
| Cash and investments - beginning                   | \$ -          | \$ -               | \$ -              | \$ -                | \$ -         | \$ -             |
| Receipts:  |               |                    |                   |                     |              |                  |
| Taxes  | -             | -                  | -                 | -                   | -            | -                |
| Licenses and permits                               | -             | -                  | -                 | -                   | -            | -                |
| Intergovernmental                                  | -             | -                  | -                 | -                   | -            | -                |
| Charges for services                               | -             | -                  | -                 | -                   | -            | -                |
| Fines and forfeits                                 | -             | -                  | -                 | -                   | -            | -                |
| Utility fees                                       | -             | -                  | -                 | -                   | -            | -                |
| Other receipts                                     | 85,350        | 2,297              | 6,000             | 19,790              | 3,120        | 15,249           |
| Total receipts                                     | <u>85,350</u> | <u>2,297</u>       | <u>6,000</u>      | <u>19,790</u>       | <u>3,120</u> | <u>15,249</u>    |
| Disbursements:                                     |               |                    |                   |                     |              |                  |
| Personal services                                  | -             | -                  | -                 | -                   | -            | -                |
| Supplies   | -             | -                  | -                 | -                   | -            | -                |
| Other services and charges                         | -             | -                  | -                 | -                   | -            | -                |
| Debt service - principal and interest              | -             | -                  | -                 | -                   | -            | -                |
| Capital outlay                                     | -             | -                  | -                 | -                   | -            | -                |
| Other disbursements                                | 85,350        | 2,297              | 6,000             | 19,790              | 3,120        | 15,249           |
| Total disbursements                                | <u>85,350</u> | <u>2,297</u>       | <u>6,000</u>      | <u>19,790</u>       | <u>3,120</u> | <u>15,249</u>    |
| Excess (deficiency) of receipts over disbursements | -             | -                  | -                 | -                   | -            | -                |
| Cash and investments - ending                      | <u>\$ -</u>   | <u>\$ -</u>        | <u>\$ -</u>       | <u>\$ -</u>         | <u>\$ -</u>  | <u>\$ -</u>      |

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

|  | CAIC<br>Critical<br>Illness | Allstate:<br>Critical<br>Illness | US<br>Dept<br>of<br>Treasury | City<br>of<br>Marion<br>Health<br>Insurance | ACS<br>Support-STOP<br>813G | Employee<br>Aircards |
|--|-----------------------------|----------------------------------|------------------------------|---|-----------------------------|----------------------|
| Cash and investments - beginning                   | \$ -                        | \$ -                             | \$ -                         | \$ -  | \$ -                        | \$ -                 |
| Receipts:  |                             |                                  |                              |   |                             |                      |
| Taxes  | -                           | -                                | -                            | -   | -                           | -                    |
| Licenses and permits                               | -                           | -                                | -                            | -   | -                           | -                    |
| Intergovernmental                                  | -                           | -                                | -                            | -   | -                           | -                    |
| Charges for services                               | -                           | -                                | -                            | -   | -                           | -                    |
| Fines and forfeits                                 | -                           | -                                | -                            | -   | -                           | -                    |
| Utility fees                                       | -                           | -                                | -                            | -   | -                           | -                    |
| Other receipts                                     | 16,122                      | 362                              | 1,807                        | 287,155                                     | 1,732                       | 60                   |
| Total receipts                                     | <u>16,122</u>               | <u>362</u>                       | <u>1,807</u>                 | <u>287,155</u>                              | <u>1,732</u>                | <u>60</u>            |
| Disbursements:                                     |                             |                                  |                              |   |                             |                      |
| Personal services                                  | -                           | 362                              | -                            | -   | -                           | -                    |
| Supplies   | -                           | -                                | -                            | -   | -                           | -                    |
| Other services and charges                         | -                           | -                                | -                            | -   | -                           | -                    |
| Debt service - principal and interest              | -                           | -                                | -                            | -   | -                           | -                    |
| Capital outlay                                     | -                           | -                                | -                            | -   | -                           | -                    |
| Other disbursements                                | 16,122                      | -                                | 1,807                        | 287,155                                     | 1,732                       | 60                   |
| Total disbursements                                | <u>16,122</u>               | <u>362</u>                       | <u>1,807</u>                 | <u>287,155</u>                              | <u>1,732</u>                | <u>60</u>            |
| Excess (deficiency) of receipts over disbursements | <u>-</u>                    | <u>-</u>                         | <u>-</u>                     | <u>-</u>                                    | <u>-</u>                    | <u>-</u>             |
| Cash and investments - ending                      | <u>\$ -</u>                 | <u>\$ -</u>                      | <u>\$ -</u>                  | <u>\$ -</u>                                 | <u>\$ -</u>                 | <u>\$ -</u>          |

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

|  | Storm<br>Water<br>Operating | Storm<br>Water<br>Depreciation | Storm<br>Water<br>Depreciation<br>Equipment<br>Reserve | Storm<br>Water<br>Bond<br>Reserve | Storm<br>Water<br>Construction | Storm Water<br>Bond<br>and<br>Interest |
|--|-----------------------------|--------------------------------|--|-----------------------------------|--------------------------------|--|
| Cash and investments - beginning                   | \$ 76,234                   | \$ 121,138                     | \$ 72,001  | \$ 429,920                        | \$ 238,209                     | \$ 261,374                             |
| Receipts:  |                             |                                |  |                                   |                                |  |
| Taxes  | -                           | -                              | -  | -                                 | -                              | -                                      |
| Licenses and permits                               | -                           | -                              | -  | -                                 | -                              | -                                      |
| Intergovernmental                                  | -                           | -                              | -  | -                                 | -                              | -                                      |
| Charges for services                               | -                           | -                              | -  | -                                 | -                              | -                                      |
| Fines and forfeits                                 | -                           | -                              | -  | -                                 | -                              | -                                      |
| Utility fees                                       | 1,087,088                   | -                              | 56,789   | -                                 | 378,490                        | -                                      |
| Other receipts                                     | -                           | 37,849                         | -  | -                                 | -                              | 537,469                                |
| Total receipts                                     | <u>1,087,088</u>            | <u>37,849</u>                  | <u>56,789</u>  | <u>-</u>                          | <u>378,490</u>                 | <u>537,469</u>                         |
| Disbursements:                                     |                             |                                |  |                                   |                                |  |
| Personal services                                  | -                           | -                              | -  | -                                 | -                              | -                                      |
| Supplies   | -                           | -                              | -  | -                                 | -                              | -                                      |
| Other services and charges                         | -                           | -                              | -  | -                                 | -                              | -                                      |
| Debt service - principal and interest              | -                           | -                              | -  | -                                 | -                              | -                                      |
| Capital outlay                                     | -                           | -                              | -  | -                                 | -                              | -                                      |
| Other disbursements                                | 942,603                     | 17,970                         | 71,376   | -                                 | 246,270                        | 548,937                                |
| Total disbursements                                | <u>942,603</u>              | <u>17,970</u>                  | <u>71,376</u>  | <u>-</u>                          | <u>246,270</u>                 | <u>548,937</u>                         |
| Excess (deficiency) of receipts over disbursements | <u>144,485</u>              | <u>19,879</u>                  | <u>(14,587)</u>  | <u>-</u>                          | <u>132,220</u>                 | <u>(11,468)</u>                        |
| Cash and investments - ending                      | <u>\$ 220,719</u>           | <u>\$ 141,017</u>              | <u>\$ 57,414</u>                                       | <u>\$ 429,920</u>                 | <u>\$ 370,429</u>              | <u>\$ 249,906</u>                      |

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

|  | Wastewater<br>Operation | Wastewater<br>Depreciation | Wastewater<br>Bond<br>and<br>Interest | Wastewater<br>Customer<br>Deposit | Wastewater<br>Construction | Wastewater<br>Trash<br>Collections |
|--|-------------------------|----------------------------|---------------------------------------|-----------------------------------|----------------------------|------------------------------------|
| Cash and investments - beginning                   | \$ 443,268              | \$ 310,049                 | \$ -                                  | \$ 226,405                        | \$ 856,057                 | \$ -                               |
| Receipts:  |                         |                            |                                       |                                   |                            |                                    |
| Taxes  | -                       | -                          | -                                     | -                                 | -                          | -                                  |
| Licenses and permits                               | -                       | -                          | -                                     | -                                 | -                          | -                                  |
| Intergovernmental                                  | -                       | -                          | -                                     | -                                 | -                          | -                                  |
| Charges for services                               | -                       | -                          | -                                     | -                                 | -                          | -                                  |
| Fines and forfeits                                 | -                       | -                          | -                                     | -                                 | -                          | -                                  |
| Utility fees                                       | 2,590,624               | -                          | 1,604,971                             | -                                 | 432,494                    | 794,444                            |
| Other receipts                                     | -                       | 564,318                    | -                                     | 72,165                            | -                          | -                                  |
| Total receipts                                     | <u>2,590,624</u>        | <u>564,318</u>             | <u>1,604,971</u>                      | <u>72,165</u>                     | <u>432,494</u>             | <u>794,444</u>                     |
| Disbursements:                                     |                         |                            |                                       |                                   |                            |                                    |
| Personal services                                  | -                       | -                          | -                                     | -                                 | -                          | -                                  |
| Supplies   | -                       | -                          | -                                     | -                                 | -                          | -                                  |
| Other services and charges                         | -                       | -                          | -                                     | -                                 | -                          | -                                  |
| Debt service - principal and interest              | -                       | -                          | -                                     | -                                 | -                          | -                                  |
| Capital outlay                                     | -                       | -                          | -                                     | -                                 | -                          | -                                  |
| Other disbursements                                | 2,537,269               | 453,605                    | 887,002                               | 60,400                            | 805,256                    | 767,470                            |
| Total disbursements                                | <u>2,537,269</u>        | <u>453,605</u>             | <u>887,002</u>                        | <u>60,400</u>                     | <u>805,256</u>             | <u>767,470</u>                     |
| Excess (deficiency) of receipts over disbursements | <u>53,355</u>           | <u>110,713</u>             | <u>717,969</u>                        | <u>11,765</u>                     | <u>(372,762)</u>           | <u>26,974</u>                      |
| Cash and investments - ending                      | <u>\$ 496,623</u>       | <u>\$ 420,762</u>          | <u>\$ 717,969</u>                     | <u>\$ 238,170</u>                 | <u>\$ 483,295</u>          | <u>\$ 26,974</u>                   |

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

|  | Water<br>Operating | Water<br>Depreciation | Water<br>Consumer<br>Deposit | Water<br>Quail<br>Hollow | Water<br>Construction | Totals              |
|--|--------------------|-----------------------|------------------------------|--------------------------|-----------------------|---------------------|
| Cash and investments - beginning                   | \$ 313,698         | \$ 310,448            | \$ 245,244                   | \$ 21,700                | \$ 797,819            | \$ 4,899,748        |
| Receipts:  |                    |                       |                              |                          |                       |                     |
| Taxes  | -                  | -                     | -                            | -                        | -                     | 19,176,219          |
| Licenses and permits                               | -                  | -                     | -                            | -                        | -                     | 127,709             |
| Intergovernmental                                  | -                  | -                     | -                            | -                        | -                     | 9,800,624           |
| Charges for services                               | -                  | -                     | -                            | -                        | -                     | 3,004,217           |
| Fines and forfeits                                 | -                  | -                     | -                            | -                        | -                     | 592,548             |
| Utility fees                                       | 3,271,800          | -                     | -                            | -                        | 1,152,387             | 11,369,087          |
| Other receipts                                     | -                  | 1,456,048             | 75,356                       | -                        | -                     | 41,688,183          |
| Total receipts                                     | <u>3,271,800</u>   | <u>1,456,048</u>      | <u>75,356</u>                | <u>-</u>                 | <u>1,152,387</u>      | <u>85,758,587</u>   |
| Disbursements:                                     |                    |                       |                              |                          |                       |                     |
| Personal services                                  | -                  | -                     | -                            | -                        | -                     | 19,542,159          |
| Supplies   | -                  | -                     | -                            | -                        | -                     | 1,575,220           |
| Other services and charges                         | -                  | -                     | -                            | -                        | -                     | 16,115,991          |
| Debt service - principal and interest              | -                  | -                     | -                            | -                        | -                     | 13,391,779          |
| Capital outlay                                     | -                  | -                     | -                            | -                        | -                     | 415,147             |
| Other disbursements                                | 3,399,816          | 981,901               | 63,530                       | -                        | 1,881,758             | 31,061,318          |
| Total disbursements                                | <u>3,399,816</u>   | <u>981,901</u>        | <u>63,530</u>                | <u>-</u>                 | <u>1,881,758</u>      | <u>82,101,614</u>   |
| Excess (deficiency) of receipts over disbursements | <u>(128,016)</u>   | <u>474,147</u>        | <u>11,826</u>                | <u>-</u>                 | <u>(729,371)</u>      | <u>3,656,973</u>    |
| Cash and investments - ending                      | <u>\$ 185,682</u>  | <u>\$ 784,595</u>     | <u>\$ 257,070</u>            | <u>\$ 21,700</u>         | <u>\$ 68,448</u>      | <u>\$ 8,556,721</u> |

CITY OF MARION  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2013

| Government or Enterprise | Accounts<br>Payable | Accounts<br>Receivable |
|--------------------------|---------------------|------------------------|
| Storm Water              | \$ 278,612          | \$ 324,810             |
| Wastewater               | 148,424             | 401,608                |
| Water                    | 94,582              | 394,924                |
| Governmental activities  | <u>243,475</u>      | <u>-</u>               |
| Totals                   | <u>\$ 765,093</u>   | <u>\$ 1,121,342</u>    |

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

| Type                          | Description of Debt<br>Purpose   | Ending<br>Principal<br>Balance | Principal and<br>Interest Due<br>Within One<br>Year |
|-------------------------------|--|--------------------------------|---|
| Governmental activities:      |  |                                |   |
| Capital lease                 | Energy savings 2011  | \$ 1,250,364                   | \$ 126,384  |
| Notes and loans payable       | 2005 insurance note  | 570,000                        | 204,869   |
| Notes and loans payable       | 2008 aviation loan   | 173,757                        | 43,644  |
| Notes and loans payable       | Utility loans 2012 and 2013  | 1,700,000                      | 1,700,000   |
| Notes and loans payable       | 2013 Insurance Loan  | 3,000,000                      | 839,149   |
| General obligation bonds      | 2011 redevelopment CREED refunding bonds   | 4,585,000                      | 729,040   |
| General obligation bonds      | 2002 Pennsylvania Avenue   | 500,000                        | 137,390   |
| General obligation bonds      | 2005 COIT  | 5,330,000                      | 472,062   |
| General obligation bonds      | 2005 park district   | 3,895,000                      | 410,725   |
| Revenue bonds                 | City of Marion Taxable Economic Development Revenue<br>Bonds Series 2010 (Earthbound RV Project) | 445,000                        | 26,752  |
| Total governmental activities |  | <u>21,449,121</u>              | <u>4,690,015</u>                                    |
| Storm Water:                  |  |                                |   |
| Notes and loans payable       | Storm Sewer Separation   | 1,815,144                      | 368,603   |
| Totals                        |  | <u>\$ 23,264,265</u>           | <u>\$ 5,058,618</u>                                 |

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE CITY OF MARION, GRANT COUNTY, INDIANA

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

We have audited the City of Marion'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, 2013. 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, 2013.

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

**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 2013-003 and 2013-004. Our opinion on each major federal program is not modified with respect to these matters.

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

**Report on Internal Control Over Compliance**

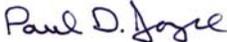
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on 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 items 2013-003 and 2013-004 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

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

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

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

| Federal Grantor Agency<br>Cluster Title/Program Title/Project Title                        | Pass-Through Entity or Direct Grant           | Federal<br>CFDA<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Total<br>Federal Awards<br>Expended |
|--|---|---------------------------|--|-------------------------------------|
| <u>Department of Housing and Urban Development</u>   |   |                           |  |                                     |
| CDBG - State-Administered CDBG Cluster   |   |                           |  |                                     |
| Community Development Block Grants/State's Program<br>and Non-Entitlement Grants in Hawaii | Indiana Office of Community and Rural Affairs | 14.228                    | CF-11-110  | \$ 49,738                           |
| Total - Department of Housing and Urban Development  |   |                           |  | 49,738                              |
| <u>Department of Justice</u>   |   |                           |  |                                     |
| Crime Victim Assistance  | Indiana Criminal Justice Institute            | 16.575                    | 2012-VA-GX-0017  | 32,594                              |
| Bullet Proof Vest Partnership Program  | Direct Grant                                  | 16.607                    | 1121-0235  | 3,083                               |
| ARRA - Public Safety Partnership and Community Policing Grants                             | Direct Grant                                  | 16.710                    | 2009RKWX0340   | 45,003                              |
| Total - Department of Justice  |   |                           |  | 80,680                              |
| <u>Department of Transportation</u>  |   |                           |  |                                     |
| Airport Improvement Program  | Direct Grant                                  | 20.106                    | 3-18-0053-21<br>3-18-0053-22<br>3-18-0053-23               | 245,988<br>54,375<br>291,301        |
| Total - Airport Improvement Program  |   |                           |  | 591,664                             |
| Highway Planning and Construction Cluster<br>Highway Planning and Construction             | Indiana Department of Transportation          | 20.205                    | 1173225  | 54,825                              |
| Federal Transit Cluster<br>ARRA - Federal Transit - Capital Investment Grants              | Indiana Department of Transportation          | 20.500                    | A249-10-321074   | 5,037                               |
| Federal Transit - Formula Grants<br>Operating Assistance                                   | Indiana Department of Transportation          | 20.507                    | 180289006O<br>0013809984                                   | 147,496<br>369,496                  |
| Fare Rebate<br>Administration/Marketing  |   |                           | 0013809975<br>0013809971                                   | 1,600<br>600                        |
| Total - Federal Transit - Formula Grants   |   |                           |  | 519,192                             |
| Total - Federal Transit Cluster  |   |                           |  | 524,229                             |
| Highway Safety Cluster<br>State and Community Highway Safety                               | Grant County                                  | 20.600                    | D3-13-7307<br>D3-13-8303<br>D3-14-8181                     | 8,348<br>2,631<br>4,413             |
| Total - Highway Safety Cluster   |   |                           |  | 15,392                              |
| Total - Department of Transportation   |   |                           |  | 1,186,110                           |
| Total federal awards expended  |   |                           |  | <u>\$ 1,316,528</u>                 |

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

CITY OF MARION  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

***Basis of Presentation***

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

CITY OF MARION  
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;<br>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:

| <u>CFDA<br/>Number</u> | <u>Name of Federal Program or Cluster</u>              |
|------------------------|--|
| 20.106                 | Federal Transit Cluster<br>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 2013-001 - 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. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the City to reduce risks to the achievement of financial reporting objectives. The City has not separated incompatible activities related to receipts and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

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

2. 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. During the audit of the financial statement, we noted that the City did not include all of its financial transactions. A \$3,892,625 advance tax draw on May 10, 2013, was not completely recorded. Only \$700,000 was receipted to the General fund. The remaining \$3,192,625 was used to make a direct repayment to the bank towards the tax anticipation warrant loan. This disbursement was never recorded in the funds affected by the loan. As a result, the receipts and disbursements were understated in the financial records by \$3,192,625. Audit adjustments were proposed, accepted by the City, and made to the financial statement presented to correct the error.

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)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***FINDING 2013-002 - INTERNAL CONTROLS OVER REPORTING 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: (a) total federal expenditures of \$1,290,956 were either incorrectly reported or were omitted from the SEFA, (b) information such as grantor agency, program title, pass-through entity, Catalog of Federal Domestic Assistance (CFDA) number, and pass-through identifying number were either incorrectly reported or omitted for some grant awards. 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.

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

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

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

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2013-003 - CASH MANAGEMENT - INTERNAL CONTROLS/COMPLIANCE REQUIREMENTS**

Federal Agency: Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Number and Year (or Other Identifying Number): 3-18-0053-21, 3-18-0053-22

Pass-Through Entity: Direct Grant

Management of the City has not established an effective internal control system related to Cash Management compliance requirements. As a result, the City did not effectively minimize the time elapsing between the transfer of funds from the grantor and disbursement to its various contractors. For 2 of the 7 drawdowns tested, the time elapsed from the draw of federal funds to the issuance of contractor checks was 26 days.

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

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

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

49 CFR 18.21(c) states:

"Grantees and sub-grantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or sub-grantee."

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

We recommended that the City's management establish controls, including segregation of duties, to ensure the City complies with all requirements related to the grant agreement and Cash Management compliance requirements.

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

***FINDING 2013-004 - EQUIPMENT AND REAL PROPERTY MANAGEMENT -  
INTERNAL CONTROLS/COMPLIANCE REQUIREMENTS***

Federal Agency: Department of Transportation  
Federal Program: Airport Improvement Program  
CFDA Number: 20.106  
Federal Award Number and Year (or Other Identifying Number): 3-18-0053-21  
Pass-Through Entity: Direct Grant

Management of the City has not established an effective internal control system, which would include segregation of duties, related to its grant agreements and the Equipment and Real Property Management compliance requirement.

The failure to establish an effective internal control system puts the City at risk of noncompliance with the grant agreement and the Equipment and Real Property Management compliance requirements. A lack of a properly established internal control system, including segregation of duties, could allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

The failure to establish an effective internal control system resulted in the City being in noncompliance with Equipment and Real Property Management compliance requirements related to the Airport Improvement Program. Information and cost amounts related to the acquisition of some airport infrastructure related improvements was not properly captured and accounted for as an addition to the City's capital asset records. Additionally, the City did not conduct an inventory of property as required.

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

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

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

49 CFR 18.32(d) states in part:

"(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of the property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

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

- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of property. Any loss, damage, or theft shall be investigated."

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

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and the Equipment and Real Property Management compliance requirement to ensure the City complies with all requirements.

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#### AUDITEE PREPARED DOCUMENTS

The subsequent documents were provided by management of the City. The documents are presented as intended by the City.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

Original Assigned SBA Audit Report Number: **B42678**  
Report Period: **1-1-2012 TO 12-31-2012**  
Pass-Through Entity or Federal Grantor Agency: **N/A FOR SECTION II FINDINGS**  
Contact Person Responsible for Corrective Action: **TAMERIA N (TAMMY) MILLER**  
Contact Phone Number: **765-382-3779**

Status of Audit Finding:

In March of 2014 we hired a new employee in the Controller's Office. With that hiring we are now able to use the Deputy Controller in a more effective manner and segregate duties between more than two of us.

**FEDERAL FINDING 2012-2 INTERNAL CONTROLS OVER REPORTING OF EXPENDITURES OF FEDERAL AWARDS**

Original Assigned SBA Audit Report Number: **B42678**  
Report Period: **1-1-2012 TO 12-31-2012**  
Pass-Through Entity or Federal Grantor Agency: **N/A FOR SECTION II FINDINGS**  
Contact Person Responsible for Corrective Action: **TAMERIA N (TAMMY) MILLER**  
Contact Phone Number: **765-382-3779**

Status of Audit Finding:

In March of 2014, after we hired a new employee, the Deputy Controller took on the responsibilities of Grant Administrator. She will be closely watching all Grants to ensure these problems do not happen in the future.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST**

**FEDERAL FINDING 2012.3 CASH MANAGEMENT – INTERNAL CONTROLS/COMPLIANCE REQUIREMENTS**

Original Assigned SBA Audit Report Number: **B42678**  
Report Period: **1-1-2012 TO 12-31-2012**  
Pass-Through Entity or Federal Grantor Agency: **DEPT OF TRANSPORTATION**  
Contact Person Responsible for Corrective Action: **TAMERIA N (TAMMY) MILLER**  
Contact Phone Number: **765-382-3779**

Status of Audit Finding:

In March of 2014, after we hired a new employee, the Deputy Controller took on the responsibilities of Grant Administrator. She will be closely watching all Grants to ensure these problems do not happen in the future.

**FEDERAL FINDING 2012.4 EQUIPMENT AND REAL PROPERTY MANAGEMENT – INTERNAL CONTROLS/COMPLIANCE REQUIREMENTS**

Original Assigned SBA Audit Report Number: **B42678**  
Report Period: **1-1-2012 TO 12-31-2012**  
Pass-Through Entity or Federal Grantor Agency: **DEPT OF TRANSPORTATION**  
Contact Person Responsible for Corrective Action: **TAMERIA N (TAMMY) MILLER**  
Contact Phone Number: **765-382-3779**

Status of Audit Finding:  
In March of 2014, after we hired a new employee, the Deputy Controller took on the responsibilities of Grant Administrator. She will be closely watching all Grants to ensure these problems do not happen in the future.

**FEDERAL FINDING 2012.5 SPECIAL TEST AND PROVISIONS – INTERNAL CONTROLS/COMPLIANCE REQUIREMENTS**

Original Assigned SBA Audit Report Number: **B42678**  
Report Period: **1-1-2012 TO 12-31-2012**  
Pass-Through Entity or Federal Grantor Agency: **DEPT OF TRANSPORTATION**  
Contact Person Responsible for Corrective Action: **TAMERIA N (TAMMY) MILLER**  
Contact Phone Number: **765-382-3779**

Status of Audit Finding:  
In March of 2014, after we hired a new employee, the Deputy Controller took on the responsibilities of Grant Administrator. She will be closely watching all Grants to ensure these problems do not happen in the future.

Tameria N. Miller  
(Signature)

Controller  
(Title)

June 26, 2014



## CORRECTIVE ACTION PLAN

### **FINDING 2013-001**

Contact Person Responsible for Corrective Action: Tameria (Tammy) N Miller  
Contact Phone Number: 765-382-3779

#### Description of Corrective Action Plan:

In March of 2014 we hired a new employee in the Controller's Office. With that hiring we are now able to use the Deputy Controller in a more effective manner and segregate duties between more than two of us.

AP/Receipt Deputy will audit and enter all AP Vouchers and print checks  
Deputy Controller will inspect check report for accuracy and sign off on

Controller will audit collection reports that have been turned in by departments. Controller will then turn collection reports over to Receipt Deputy for entry

Controller will complete the Bank Reconciliation  
Deputy Controller will review for accuracy and sign off on.

Deputy Controller will complete Payroll  
Controller will check for accuracy

Deputy Controller will complete Payroll Bank Reconciliation  
Controller will review for accuracy and sign off on

Anticipated Completion Date: Plan in action now!

### **FINDING 2013-002**

Contact Person Responsible for Corrective Action: Tameria (Tammy) N Miller  
Contact Phone Number: 765-382-3779

#### Description of Corrective Action Plan:

Effective April 1, 2014 Deputy Controller has taken over the duties as Grant Administrator. She will be completing all of the Grant Files and the Controller will be inspecting them.

When it comes time to do the Annual Report the Grant Administrator will enter the Grant information into Gateway and the Controller will inspect the information for accuracy.

Anticipated Completion Date: Plan is being used now.

**FINDING 2013-003**

**FEDERAL AGENCY: Department Of Transportation**  
**FEDERAL PROGRAM: Airport Improvement Program**  
**CFDA NUMBER: 20.106**  
**FEDERAL AWARD NUMBER and YEAR: 3-18-0053-21, 3-18-0053-22**  
**Pass through entity: Direct Grant**

Contact Person Responsible for Corrective Action: Tameria (Tammy) N Miller  
Contact Phone Number: 765-382-3779

Description of Corrective Action Plan:

Effective April 1, 2014 Deputy Controller has taken over the duties as Grant Administrator. Effective July 1<sup>st</sup>, all Grant Claims will be turned into her for processing and payment. Once she has audited the voucher she will turn it over to the Controller for approval and promptly print the check and mail it.

Anticipated Completion Date: Plan is being used now.

**FINDING 2013-004**

**FEDERAL AGENCY: Department Of Transportation**  
**FEDERAL PROGRAM: Airport Improvement Program**  
**CFDA NUMBER: 20.106**  
**FEDERAL AWARD NUMBER and YEAR: 3-18-0053-21**  
**Pass through entity: Direct Grant**

Contact Person Responsible for Corrective Action: Tameria (Tammy) N Miller  
Contact Phone Number: 765-382-3779

Description of Corrective Action Plan:

Effective April 1, 2014 Deputy Controller has taken over the duties as Grant Administrator. She will work closely with the person that does the City Inventory to make sure that all of the property and inventory pertaining to the Grant is properly accounted for.

Anticipated Completion Date: Plan is being used now.

Tameria N. Miller  
(Signature)

Controller  
(Title)

June 26, 2014  
(Date)

#### OTHER REPORT

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