

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF WASHINGTON
DAVISS COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
08/29/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Karen Brown	01-01-12 to 12-31-15
Mayor	Joseph Wellman	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Joseph Wellman	01-01-12 to 12-31-15
President Pro Tempore of the Common Council	Louis J. Fleck Michael Singleton	01-01-13 to 12-31-13 01-01-14 to 12-31-14
Superintendent of Water Utility	Charles Kane	01-01-13 to 12-31-14
Superintendent of Wastewater Utility	Scott Rainey	01-01-13 to 12-31-14
Superintendent of Electric Utility	Randy Emmons	01-01-13 to 12-31-14
Superintendent of Storm Water Utility	Scott Rainey	01-01-13 to 12-31-14
Utility Office Manager	Anita Ash	01-01-13 to 12-31-14



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Washington (City), which comprises the financial position and results of operations for the year ended December 31, 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 July 21, 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, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.


Paul D. Joyce, CPA
State Examiner

July 21, 2014



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the City of Washington (City), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated July 21, 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 item 2013-001 to be material weaknesses.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001.

City of Washington'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

July 21, 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 WASHINGTON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2013

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
General	\$ 3,640,883	\$ 5,295,601	\$ 4,897,153	\$ 4,039,331
Motor Vehicle Highway	746,490	938,413	878,427	806,476
Local Road And Street	45,191	41,377	76,158	10,410
Park Nonreverting Park Fund	811	-	-	811
Washington Transit	123,149	122,950	99,095	147,004
Local Law Enforcement Continuing Education	21,366	8,674	10,699	19,341
Deferral Program	1,932	11,000	6,125	6,807
Unsafe Building	10,703	-	-	10,703
Park & Recreation	132,961	489,052	338,496	283,517
Rainy Day	657,107	-	-	657,107
Police Canine Fund	367	2,160	1,198	1,329
Hazardous Materials	1,791	-	-	1,791
Tiff Southeast	9,967	-	1,144	8,823
Cumulative Capital Improvement	3,414	30,896	29,500	4,810
Cumulative Capital Development	237,028	93,203	168,857	161,374
Park Cumulative Building Fund	5,468	-	-	5,468
Edit Fund	561,494	391,237	409,445	543,286
Police Pension	64,553	117,693	125,515	56,731
Fire Pension	8,769	149,516	145,707	12,578
SRTS North	(21,837)	22,181	344	-
NSP Program Income Fund	157,006	174,126	330,945	187
Con American/AFLAC Withholding	25	10,200	10,200	25
Municipal Events Fund	1,831	950	502	2,279
US 50 Intersection Relocation	108,671	547,690	441,079	215,282
Housing Needs Assess PN 003023	67	15,382	15,382	67
Fire Dept Donation	1,048	1,200	1,392	856
Brownfield Grant	2,916	-	-	2,916
Mcgruff Crime Dog Fund	111	-	-	111
Dare Contributions	94	-	-	94
Spay & Neuter Program	162	-	-	162
Anytime Fitness PR WH	-	1,612	1,612	-
Uniforms/Boots PR WH	-	28,268	28,268	-
SRTS-Griffith #1173670	-	29,000	29,000	-
Fire Dept Grant-Air Packs	-	6,930	-	6,930
Drug Enforcement/Education	89	-	-	89
Donations-Eastside Park Improvements	1,610	5,547	2,558	4,599
Swimming Pool Donation	216,631	-	35,514	181,117
Animal Control-Donations	45,980	31,244	9,613	67,611
NSP1 Tokheim Grant	-	435,746	435,746	-
Community Foundation Grants	7,126	-	6,700	426
Operation Pullover	20	2,438	1,938	520
Tiff Southwest	12,736	27,209	1,075	38,870
Washington/Daviess Co Mobile Emergency	47	-	-	47
Police Dept Donations	470	509	764	215
Washington Housing Revolving Loan Fund	2,426	9	9	2,426
Entry Team Equipment	1,920	8,400	-	10,320
Police LCC Grant	2,289	5,648	5,648	2,289
G & T Equipment Replacement Fund	63,157	18,342	42,983	38,516
City Hall Go Bond	11,322	39,145	50,467	-
Payroll	-	6,235,772	6,235,772	-

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

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

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
Perf Withholding	-	153,010	153,010	-
Federal Withholding Tax	-	584,720	584,720	-
State Withholding Tax	13,887	196,874	194,780	15,981
Fica Withholding Tax	106	681,810	681,916	-
County Withholding Tax	6,895	97,890	96,853	7,932
Life Insurance Withholding	21	156	156	21
Health Fund Trust-City Of Wash	421,356	2,753,606	2,787,679	387,283
Garnishment Deductions	-	18,324	18,324	-
Cancer Insurance Withholding	44	68,795	68,748	91
Vision Insurance--Vsp Withholding	157	10,326	10,327	156
City Health Insurance Fund	463,719	475	80,891	383,303
Local 495 Union Dues	-	3,760	3,760	-
United Way Deduction	-	3,469	3,469	-
Dental Insurance HRI DHO Withholding	264	37,553	37,533	284
Utility Sales Tax	-	1,126,360	1,126,360	-
Christmas Club Deduction	-	9,750	9,750	-
Indiana Police Pension W/H	131	35,376	35,376	131
Indiana Fire Pension W/H	105	36,870	36,870	105
Child Support Deduction	-	52,320	52,320	-
Flex Spending Acct City of Washington Withholding	9,711	31,657	26,629	14,739
Air Evac Deduction	-	900	900	-
Voluntary Life (Lincoln) Deduc	19	15,505	15,470	54
Aul 457 Plan Deferred Comp Withholding	-	100,135	100,135	-
Municipal Electric Department	2,122,013	16,644,344	17,256,055	1,510,302
Electric Meter Deposit Fund	413,538	123,825	102,047	435,316
Electric Dept Improvement Fund	187,808	562,179	257,239	492,748
Impa Grant	1,315	4,172	4,500	987
Parks Donation Fund Lighting	50	-	-	50
Park Train Donation	872	-	-	872
Park Pavilion Fund	1,187	-	-	1,187
Petty Cash WW	500	-	-	500
Petty Cash Electric	2,000	-	-	2,000
Storm Water	45,488	172,990	184,229	34,249
Municipal Wastewater	429,239	4,618,810	4,629,725	418,324
Wastewater Bond & Interest Fund	21,620	1,359,855	826,483	554,992
Sewage Construction Fund	741,951	126	742,077	-
2009 Sewer Construction	800,301	136	800,437	-
Wastewater Improvement Fund	27,114	570,160	111,386	485,888
Sewer Debt Reserve Account	1,159,269	384,997	-	1,544,266
Sewer SRF 2010	21	1,026,555	1,026,555	21
Waterworks Construction Fund	-	6,002,109	1,480,368	4,521,741
Municipal Water Department	339,669	4,854,977	4,787,703	406,943
Waterworks Bond Fund	569,253	1,557,614	1,520,800	606,067
Water Meter Deposit Fund	232,523	91,025	72,157	251,391
Water Improvement Fund	186,202	2,209,286	999,689	1,395,799
Water Debt Reserve Account	1,653,482	530,500	1,653,482	530,500
Petty Cash Water	500	-	-	500
Totals	<u>\$ 16,741,691</u>	<u>\$ 62,072,621</u>	<u>\$ 57,455,938</u>	<u>\$ 21,358,374</u>

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

CITY OF WASHINGTON
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting

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

CITY OF WASHINGTON
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, 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.

CITY OF WASHINGTON
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

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.

CITY OF WASHINGTON
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

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

CITY OF WASHINGTON
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The 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.

CITY OF WASHINGTON
NOTES TO FINANCIAL STATEMENT
(Continued)

D. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

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.

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SUPPLEMENTARY INFORMATION - UNAUDITED

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

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

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

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

	General	Motor Vehicle Highway	Local Road And Street	Park Nonreverting Park Fund	Washington Transit	Local Law Enforcement Continuing Education	Deferral Program
Cash and investments - beginning	\$ 3,640,883	\$ 746,490	\$ 45,191	\$ 811	\$ 123,149	\$ 21,366	\$ 1,932
Receipts:							
Taxes	1,834,490	760,697	41,377	-	40,930	-	-
Licenses and permits	75,260	-	-	-	-	5,775	-
Intergovernmental	2,226,746	156,662	-	-	5,858	-	-
Charges for services	883,980	20,085	-	-	-	705	-
Fines and forfeits	13,282	-	-	-	-	120	11,000
Utility fees	-	-	-	-	-	-	-
Other receipts	261,843	969	-	-	76,162	2,074	-
Total receipts	<u>5,295,601</u>	<u>938,413</u>	<u>41,377</u>	<u>-</u>	<u>122,950</u>	<u>8,674</u>	<u>11,000</u>
Disbursements:							
Personal services	3,667,343	516,420	-	-	54,582	5,125	-
Supplies	179,968	110,008	-	-	18,055	1,534	-
Other services and charges	639,029	251,961	76,158	-	26,400	-	-
Debt service - principal and interest	181,969	-	-	-	-	-	-
Capital outlay	227,309	38	-	-	58	4,000	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1,535	-	-	-	-	40	6,125
Total disbursements	<u>4,897,153</u>	<u>878,427</u>	<u>76,158</u>	<u>-</u>	<u>99,095</u>	<u>10,699</u>	<u>6,125</u>
Excess (deficiency) of receipts over disbursements	<u>398,448</u>	<u>59,986</u>	<u>(34,781)</u>	<u>-</u>	<u>23,855</u>	<u>(2,025)</u>	<u>4,875</u>
Cash and investments - ending	<u>\$ 4,039,331</u>	<u>\$ 806,476</u>	<u>\$ 10,410</u>	<u>\$ 811</u>	<u>\$ 147,004</u>	<u>\$ 19,341</u>	<u>\$ 6,807</u>

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

	Unsafe Building	Park & Recreation	Rainy Day	Police Canine Fund	Hazardous Materials	Tiff Southeast	Cumulative Capital Improvement
Cash and investments - beginning	\$ 10,703	\$ 132,961	\$ 657,107	\$ 367	\$ 1,791	\$ 9,967	\$ 3,414
Receipts:							
Taxes	-	407,314	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	58,112	-	-	-	-	30,896
Charges for services	-	18,200	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	5,426	-	2,160	-	-	-
Total receipts	-	489,052	-	2,160	-	-	30,896
Disbursements:							
Personal services	-	193,597	-	-	-	-	-
Supplies	-	62,732	-	-	-	-	-
Other services and charges	-	70,111	-	-	-	-	29,500
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	10,981	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	1,075	-	1,198	-	1,144	-
Total disbursements	-	338,496	-	1,198	-	1,144	29,500
Excess (deficiency) of receipts over disbursements	-	150,556	-	962	-	(1,144)	1,396
Cash and investments - ending	\$ 10,703	\$ 283,517	\$ 657,107	\$ 1,329	\$ 1,791	\$ 8,823	\$ 4,810

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

	Cumulative Capital Development	Park Cumulative Building Fund	Edit Fund	Police Pension	Fire Pension	SRTS North	NSP Program Income Fund
Cash and investments - beginning	\$ 237,028	\$ 5,468	\$ 561,494	\$ 64,553	\$ 8,769	\$ (21,837)	\$ 157,006
Receipts:							
Taxes	81,534	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	11,669	-	391,237	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	117,693	149,516	22,181	174,126
Total receipts	<u>93,203</u>	<u>-</u>	<u>391,237</u>	<u>117,693</u>	<u>149,516</u>	<u>22,181</u>	<u>174,126</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	181,804	125,515	145,707	-	-
Debt service - principal and interest	-	-	140,000	-	-	-	-
Capital outlay	168,857	-	87,641	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	344	330,945
Total disbursements	<u>168,857</u>	<u>-</u>	<u>409,445</u>	<u>125,515</u>	<u>145,707</u>	<u>344</u>	<u>330,945</u>
Excess (deficiency) of receipts over disbursements	<u>(75,654)</u>	<u>-</u>	<u>(18,208)</u>	<u>(7,822)</u>	<u>3,809</u>	<u>21,837</u>	<u>(156,819)</u>
Cash and investments - ending	<u>\$ 161,374</u>	<u>\$ 5,468</u>	<u>\$ 543,286</u>	<u>\$ 56,731</u>	<u>\$ 12,578</u>	<u>\$ -</u>	<u>\$ 187</u>

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

	Con American/AFLAC Withholding	Municipal Events Fund	US 50 Intersection Relocation	Housing Needs Assess PN 003023	Fire Dept Donation	Brownfield Grant	Mcgruff Crime Dog Fund
Cash and investments - beginning	\$ 25	\$ 1,831	\$ 108,671	\$ 67	\$ 1,048	\$ 2,916	\$ 111
Receipts:							
Taxes	-	-	85,000	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	15,382	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	10,200	950	462,690	-	1,200	-	-
Total receipts	<u>10,200</u>	<u>950</u>	<u>547,690</u>	<u>15,382</u>	<u>1,200</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	10,200	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	502	441,079	15,382	1,392	-	-
Total disbursements	<u>10,200</u>	<u>502</u>	<u>441,079</u>	<u>15,382</u>	<u>1,392</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>448</u>	<u>106,611</u>	<u>-</u>	<u>(192)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 25</u>	<u>\$ 2,279</u>	<u>\$ 215,282</u>	<u>\$ 67</u>	<u>\$ 856</u>	<u>\$ 2,916</u>	<u>\$ 111</u>

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

	Dare Contributions	Spay & Neuter Program	Anytime Fitness PR WH	Uniforms/Boots PR WH	SRTS-Griffith #1173670	Fire Dept Grant-Air Packs	Drug Enforcement/ Education
Cash and investments - beginning	\$ 94	\$ 162	\$ -	\$ -	\$ -	\$ -	\$ 89
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	29,000	6,930	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	1,612	28,268	-	-	-
Total receipts	-	-	1,612	28,268	29,000	6,930	-
Disbursements:							
Personal services	-	-	1,612	28,268	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	29,000	-	-
Total disbursements	-	-	1,612	28,268	29,000	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	6,930	-
Cash and investments - ending	\$ 94	\$ 162	\$ -	\$ -	\$ -	\$ 6,930	\$ 89

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

	Donations- Eastside Park Improvements	Swimming Pool Donation	Animal Control-Donations	NSP1 Tokheim Grant	Community Foundation Grants	Operation Pullover	Tiff Southwest
Cash and investments - beginning	\$ 1,610	\$ 216,631	\$ 45,980	\$ -	\$ 7,126	\$ 20	\$ 12,736
Receipts:							
Taxes	-	-	-	-	-	-	27,209
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	435,746	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	5,547	-	31,244	-	-	2,438	-
Total receipts	5,547	-	31,244	435,746	-	2,438	27,209
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	2,558	35,514	9,613	435,746	6,700	1,938	1,075
Total disbursements	2,558	35,514	9,613	435,746	6,700	1,938	1,075
Excess (deficiency) of receipts over disbursements	2,989	(35,514)	21,631	-	(6,700)	500	26,134
Cash and investments - ending	\$ 4,599	\$ 181,117	\$ 67,611	\$ -	\$ 426	\$ 520	\$ 38,870

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

	Washington/ Davieess Co Mobile Emergency	Police Dept Donations	Washington Housing Revolving Loan Fund	Entry Team Equipment	Police LCC Grant	G & T Equipment Replacement Fund	City Hall Go Bond
Cash and investments - beginning	\$ 47	\$ 470	\$ 2,426	\$ 1,920	\$ 2,289	\$ 63,157	\$ 11,322
Receipts:							
Taxes	-	-	-	-	-	-	34,244
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	4,901
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	509	9	8,400	5,648	18,342	-
Total receipts	-	509	9	8,400	5,648	18,342	39,145
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	2,912	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	50,467
Capital outlay	-	-	-	-	-	39,159	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	764	9	-	5,648	912	-
Total disbursements	-	764	9	-	5,648	42,983	50,467
Excess (deficiency) of receipts over disbursements	-	(255)	-	8,400	-	(24,641)	(11,322)
Cash and investments - ending	\$ 47	\$ 215	\$ 2,426	\$ 10,320	\$ 2,289	\$ 38,516	\$ -

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

	Payroll	Perf Withholding	Federal Withholding Tax	State Withholding Tax	Fica Withholding Tax	County Withholding Tax	Life Insurance Withholding
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 13,887	\$ 106	\$ 6,895	\$ 21
Receipts:							
Taxes	-	-	584,720	196,874	681,810	97,890	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	6,235,772	153,010	-	-	-	-	156
Total receipts	6,235,772	153,010	584,720	196,874	681,810	97,890	156
Disbursements:							
Personal services	6,235,772	153,010	-	-	-	-	156
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	584,720	194,780	681,916	96,853	-
Total disbursements	6,235,772	153,010	584,720	194,780	681,916	96,853	156
Excess (deficiency) of receipts over disbursements	-	-	-	2,094	(106)	1,037	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 15,981	\$ -	\$ 7,932	\$ 21

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

	Health Fund Trust-City Of Wash	Garnishment Deductions	Cancer Insurance Withholding	Vision Insurance--Vsp Withholding	City Health Insurance Fund	Local 495 Union Dues	United Way Deduction
Cash and investments - beginning	\$ 421,356	\$ -	\$ 44	\$ 157	\$ 463,719	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	<u>2,753,606</u>	<u>18,324</u>	<u>68,795</u>	<u>10,326</u>	<u>475</u>	<u>3,760</u>	<u>3,469</u>
Total receipts	<u>2,753,606</u>	<u>18,324</u>	<u>68,795</u>	<u>10,326</u>	<u>475</u>	<u>3,760</u>	<u>3,469</u>
Disbursements:							
Personal services	2,787,679	18,324	68,748	10,327	-	-	3,469
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	<u>80,891</u>	<u>3,760</u>	<u>-</u>
Total disbursements	<u>2,787,679</u>	<u>18,324</u>	<u>68,748</u>	<u>10,327</u>	<u>80,891</u>	<u>3,760</u>	<u>3,469</u>
Excess (deficiency) of receipts over disbursements	<u>(34,073)</u>	<u>-</u>	<u>47</u>	<u>(1)</u>	<u>(80,416)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 387,283</u>	<u>\$ -</u>	<u>\$ 91</u>	<u>\$ 156</u>	<u>\$ 383,303</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Dental Insurance HRI DHO Withholding	Utility Sales Tax	Christmas Club Deduction	Indiana Police Pension W/H	Indiana Fire Pension W/H	Child Support Deduction	Flex Spending Acct City of Washington Withholding
Cash and investments - beginning	\$ 264	\$ -	\$ -	\$ 131	\$ 105	\$ -	\$ 9,711
Receipts:							
Taxes	-	1,126,360	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	37,553	-	9,750	35,376	36,870	52,320	31,657
Total receipts	37,553	1,126,360	9,750	35,376	36,870	52,320	31,657
Disbursements:							
Personal services	37,533	-	9,750	35,376	36,870	52,320	26,629
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	1,126,360	-	-	-	-	-
Total disbursements	37,533	1,126,360	9,750	35,376	36,870	52,320	26,629
Excess (deficiency) of receipts over disbursements	20	-	-	-	-	-	5,028
Cash and investments - ending	\$ 284	\$ -	\$ -	\$ 131	\$ 105	\$ -	\$ 14,739

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

	Air Evac Deduction	Voluntary Life (Lincoln) Deduct	Aul 457 Plan Deferred Comp Withholding	Municipal Electric Department	Electric Meter Deposit Fund	Electric Dept Improvement Fund	Impa Grant
Cash and investments - beginning	\$ -	\$ 19	\$ -	\$ 2,122,013	\$ 413,538	\$ 187,808	\$ 1,315
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	900	15,505	100,135	16,644,344	123,825	562,179	4,172
Total receipts	900	15,505	100,135	16,644,344	123,825	562,179	4,172
Disbursements:							
Personal services	-	15,470	100,135	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	1,141,858	-	-	-
Other disbursements	900	-	-	16,114,197	102,047	257,239	4,500
Total disbursements	900	15,470	100,135	17,256,055	102,047	257,239	4,500
Excess (deficiency) of receipts over disbursements	-	35	-	(611,711)	21,778	304,940	(328)
Cash and investments - ending	\$ -	\$ 54	\$ -	\$ 1,510,302	\$ 435,316	\$ 492,748	\$ 987

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

	Parks Donation Fund Lighting	Park Train Donation	Park Pavilion Fund	Petty Cash WW	Petty Cash Electric	Storm Water	Municipal Wastewater
Cash and investments - beginning	\$ 50	\$ 872	\$ 1,187	\$ 500	\$ 2,000	\$ 45,488	\$ 429,239
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	3,020
Other receipts	-	-	-	-	-	172,990	4,615,790
Total receipts	-	-	-	-	-	172,990	4,618,810
Disbursements:							
Personal services	-	-	-	-	-	84,723	891,640
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	99,506	3,738,085
Total disbursements	-	-	-	-	-	184,229	4,629,725
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	(11,239)	(10,915)
Cash and investments - ending	<u>\$ 50</u>	<u>\$ 872</u>	<u>\$ 1,187</u>	<u>\$ 500</u>	<u>\$ 2,000</u>	<u>\$ 34,249</u>	<u>\$ 418,324</u>

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

	Wastewater Bond & Interest Fund	Sewage Construction Fund	2009 Sewer Construction	Wastewater Improvement Fund	Sewer Debt Reserve Account	Sewer SRF 2010	Waterworks Construction Fund
Cash and investments - beginning	\$ 21,620	\$ 741,951	\$ 800,301	\$ 27,114	\$ 1,159,269	\$ 21	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	<u>1,359,855</u>	<u>126</u>	<u>136</u>	<u>570,160</u>	<u>384,997</u>	<u>1,026,555</u>	<u>6,002,109</u>
Total receipts	<u>1,359,855</u>	<u>126</u>	<u>136</u>	<u>570,160</u>	<u>384,997</u>	<u>1,026,555</u>	<u>6,002,109</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	<u>826,483</u>	<u>742,077</u>	<u>800,437</u>	<u>111,386</u>	<u>-</u>	<u>1,026,555</u>	<u>1,480,368</u>
Total disbursements	<u>826,483</u>	<u>742,077</u>	<u>800,437</u>	<u>111,386</u>	<u>-</u>	<u>1,026,555</u>	<u>1,480,368</u>
Excess (deficiency) of receipts over disbursements	<u>533,372</u>	<u>(741,951)</u>	<u>(800,301)</u>	<u>458,774</u>	<u>384,997</u>	<u>-</u>	<u>4,521,741</u>
Cash and investments - ending	<u>\$ 554,992</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 485,888</u>	<u>\$ 1,544,266</u>	<u>\$ 21</u>	<u>\$ 4,521,741</u>

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

	Municipal Water Department	Waterworks Bond Fund	Water Meter Deposit Fund	Water Improvement Fund	Water Debt Reserve Account	Petty Cash Water	Totals
Cash and investments - beginning	\$ 339,669	\$ 569,253	\$ 232,523	\$ 186,202	\$ 1,653,482	\$ 500	\$ 16,741,691
Receipts:							
Taxes	-	-	-	-	-	-	6,000,449
Licenses and permits	-	-	-	-	-	-	81,035
Intergovernmental	-	-	-	-	-	-	3,373,139
Charges for services	-	-	-	-	-	-	922,970
Fines and forfeits	-	-	-	-	-	-	24,402
Utility fees	17,138	-	-	-	-	-	20,158
Other receipts	4,837,839	1,557,614	91,025	2,209,286	530,500	-	51,650,468
Total receipts	4,854,977	1,557,614	91,025	2,209,286	530,500	-	62,072,621
Disbursements:							
Personal services	766,996	-	-	-	-	-	15,812,074
Supplies	-	-	-	-	-	-	375,209
Other services and charges	-	-	-	-	-	-	1,546,185
Debt service - principal and interest	-	-	-	-	-	-	372,436
Capital outlay	-	-	-	-	-	-	538,043
Utility operating expenses	-	-	-	-	-	-	1,141,858
Other disbursements	4,020,707	1,520,800	72,157	999,689	1,653,482	-	37,670,133
Total disbursements	4,787,703	1,520,800	72,157	999,689	1,653,482	-	57,455,938
Excess (deficiency) of receipts over disbursements	67,274	36,814	18,868	1,209,597	(1,122,982)	-	4,616,683
Cash and investments - ending	\$ 406,943	\$ 606,067	\$ 251,391	\$ 1,395,799	\$ 530,500	\$ 500	\$ 21,358,374

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

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Electric	\$ 1,193,490	\$ 1,279,978
Storm Water	753	13,783
Wastewater	60,721	326,298
Water	59,118	373,343
Governmental activities	<u>172,875</u>	<u>81,457</u>
Totals	<u>\$ 1,486,957</u>	<u>\$ 2,074,859</u>

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Storm Water: Old National Bank	street sweeper	\$ 11,471	2/18/2009	2/18/2014
Wastewater: Old National Bank	sewer vac	39,420	7/27/2011	7/27/2016
Total of annual lease payments		<u>\$ 50,891</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	City Hall renovation/elevator	\$ 1,050,000	\$ 70,000
Notes and loans payable	garbage truck	30,956	30,956
Notes and loans payable	fire truck	137,038	39,862
Notes and loans payable	police cars	67,428	35,000
Total governmental activities		<u>1,285,422</u>	<u>175,818</u>
Wastewater:			
Revenue bonds	Sewage Works Revenue Bonds of 2007	6,860,000	312,466
Revenue bonds	Sewage Works Revenue Bonds of 2009	2,390,000	99,835
Notes and loans payable	Washington Municipal Sewer Utility 2010 SRF	13,557,000	513,040
Notes and loans payable	waterline casing	97,500	32,500
Total Wastewater		<u>22,904,500</u>	<u>957,841</u>
Water:			
Revenue bonds	Waterworks Refunding Revenue Bonds of 2013 Series A	5,235,000	269,975
Revenue bonds	Waterworks Refunding Revenue Bonds of 2005	5,055,000	1,249,835
Revenue bonds	Waterworks Bond Anticipation Notes 2013	6,000,000	198,000
Notes and loans payable	waterline casing	97,500	32,500
Total Water		<u>16,387,500</u>	<u>1,750,310</u>
Totals		<u>\$ 40,577,422</u>	<u>\$ 2,883,969</u>

CITY OF WASHINGTON
SCHEDULE OF CAPITAL ASSETS
December 31, 2013

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

	Ending Balance
Governmental activities:	
Land	\$ 345,230
Infrastructure	2,416,838
Buildings	3,495,646
Improvements other than buildings	2,059,928
Machinery, equipment, and vehicles	4,374,182
Total governmental activities	12,691,824
Electric:	
Land	56,700
Buildings	862,595
Improvements other than buildings	11,241,669
Machinery, equipment, and vehicles	4,270,099
Construction in progress	152,246
Total Electric	16,583,309
Storm Water:	
Buildings	28,722
Improvements other than buildings	212,423
Machinery, equipment, and vehicles	168,846
Construction in progress	5,392
Total Storm Water	415,383
Wastewater:	
Land	545,862
Buildings	6,917,143
Improvements other than buildings	34,788,171
Machinery, equipment, and vehicles	8,211,060
Construction in progress	13,722
Total Wastewater	50,475,958
Water:	
Land	172,977
Buildings	15,562,254
Improvements other than buildings	12,242,369
Machinery, equipment, and vehicles	3,796,368
Construction in progress	1,598,695
Total Water	33,372,663
Total capital assets	\$ 113,539,137

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Washington's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on 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.

Basis for Qualified Opinion on CDBG - State-Administered CDBG Cluster

As described in item 2013-003 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding Cash Management that are applicable to its CDBG - State-Administered CDBG Cluster. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

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

Qualified Opinion on CDBG - State-Administered CDBG Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on CDBG - State-Administered CDBG Cluster* paragraph, 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 the CDBG - State-Administered CDBG Cluster for the year ended December 31, 2013.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2013.

Other 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 item 2013-002 to be material weaknesses.

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

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

July 21, 2014

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

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

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Agriculture</u>				
Community Facilities Loans and Grants Cluster Community Facilities Loans and Grants fire truck	Direct grant	10.766	15-014-229301505 01	\$ 48,000
Total - Community Facilities Loans and Grants Cluster				<u>48,000</u>
Total - Department of Agriculture				<u>48,000</u>
<u>Department of Housing and Urban Development</u>				
CDBG - State-Administered CDBG Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Housing Needs Assessment NSP1 Tokheim Grant	IHCDA	14.228 14.228	HD 011 019 NSP1-009-028	15,382 <u>435,746</u>
Total - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii				<u>451,128</u>
Total - CDBG - State-Administered CDBG Cluster				<u>451,128</u>
Total - Department of Housing and Urban Development				<u>451,128</u>
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster Highway Planning & Construction replacing or constructing new sidewalks INDOT-US 50 Relocate Griffith	INDOT	20.205 20.205 20.205	DES 0902312 DES 1173211 DES 1173670	22,035 362,690 <u>29,000</u>
Total - Highway Planning and Construction Cluster				<u>413,725</u>
Highway Safety Cluster Safety Belts Performance Grants Operation Pullover	ICJI	20.609	FY 10-11	<u>2,438</u>
Total - Highway Safety Cluster				<u>2,438</u>
Formula Grants for Rural Areas Transit	INDOT	20.509	180300130	<u>46,251</u>
Total - Department of Transportation				<u>462,414</u>
<u>Department of Energy</u>				
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG) street lights	IMPA	81.128	DE FOA 000148	<u>4,172</u>
Total - Department of Energy				<u>4,172</u>
<u>Department of Homeland Security</u>				
Assistance to Firefighters Grant scuba pack	Direct grant	97.044	EMW-2009-FO-0009	<u>6,930</u>
Total - Department of Homeland Security				<u>6,930</u>
Total federal awards expended				<u>\$ 972,644</u>

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

CITY OF WASHINGTON
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

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

CITY OF WASHINGTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; 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:	
CDBG - State-Administered CDBG Cluster	Qualified
Highway Planning and Construction Cluster	Unqualified
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:

_____ Name of Federal Program or Cluster _____
CDBG - State-Administered CDBG Cluster
Highway Planning and Construction Cluster

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

Auditee qualified as low-risk auditee?	no
--	----

Section II - Financial Statement Findings

FINDING 2013-001- INTERNAL CONTROLS OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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

During the audit of the SEFA, we noted the following errors: two federal grants were not reported, and three grants were reported for the incorrect amounts; no CFDA numbers or identifying numbers assigned by the pass-through entities were reported; and the federal grantor agencies, pass-through entities, and federal program titles were not always correct. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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

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

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

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

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision 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.

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

- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-002 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's Program
and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): NSP1-009-028

Pass-Through Entity: Indiana Housing and Community Development Authority

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Allowable Activities; Allowable Costs; Cash Management; Matching, Level of Effort, and Earmarking; Period of Availability; Program Income; Reporting; and Special Tests and Provisions. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow non-compliance 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 program.

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.

The City entered into a contract with Myszak and Palmer, Inc., for program administration services. The City signed the required documents but did not monitor that the compliance requirements of the program were met. The City relied on Myszak and Palmer, Inc., to meet all federal compliance requirements of the program and did not perform any monitoring to ensure this occurred.

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

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

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

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

FINDING 2013-003 - CASH MANAGEMENT

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's Program
and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): NSP1-009-028

Pass-Through Entity: Indiana Housing and Community Development Authority

The City entered into a contract with Myszak and Palmer, Inc. (Program Administrator), to provide program administration for the Neighborhood Stabilization Program (NSP1 Tokeim) grant. The Program Administrator was responsible, per the contract with the City, for disbursing grant funds to vendors performing services related to the program.

The Program Administrator compiled the invoices to be submitted for reimbursement and filed the reimbursement requests from the City's computer that had Indiana Housing and Community Development Authority's (IHCD) software installed. The Clerk-Treasurer authorized and submitted the reimbursement requests to IHCD. When the reimbursements were received, the City receipted them into a separate grant fund and then disbursed the reimbursement amounts to the Program Administrator within the required three business days. The Program Administrator was then required to disburse the grant funds within three business days to the vendors in accordance with the claims that were submitted with the reimbursement requests. The Program Administrator did not comply with the requirement of disbursing the funds within three days of receiving the reimbursements from the City.

The Program Administrator did not provide a federal cash control register to the City documenting the transactions of the grant funds that were received and subsequently disbursed. The City could not adequately monitor that the grant funds that were remitted to the Program Administrator were disbursed to vendors in accordance with the claims that were submitted for reimbursement.

The grant funds that the City remitted to the Program Administrator were not accounted for separately, but instead were comingled with other grant funds in the business bank account of the firm.

Indiana Housing and Community Development Authority Neighborhood Stabilization Program Manual, Chapter 12, Section II: Drawing Funds Process, paragraph H., states in part:

"NSP recipients may choose to either establish a separate fund within the general fund or establish a separate bank account for the NSP program. The bank account must be non-interest bearing."

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

"NSP recipients have three business days to disburse drawn funds from their local NSP account to a \$5,000 balance or less. The NSP recipient must begin counting the three days from the date it receives the NSP reimbursement check from IHADA. Additionally, if the recipient disburses the NSP funds to a subrecipient or award administrator, they, in turn, must achieve a \$5,000 balance or less within three business days of receiving the funds".

"If the recipient is unable to disburse the federal funds in a timely manner, the recipient must immediately return the funds to IHADA."

Indiana Housing and Community Development Authority Neighborhood Stabilization Program Manual, Chapter 12, Section II: Drawing Funds Process, paragraph K, states in part:

"The Federal Cash Control Register must be used to record requests for claims submitted, checks received, disbursements, and the balance of federal cash on hand on both a daily and cumulative basis."

"If you employ the services of an award administrator or subrecipient who makes payments with the NSP funds, this entity is also responsible for keeping a federal cash control register and is responsible for disbursing funds in the manner prescribed for the funding source."

Noncompliance with the grant agreement or compliance requirements could result in the loss of federal funds to the City.

We recommended that the City's management develop procedures to ensure compliance with the requirements related to Cash Management.

AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the City. The document is presented as intended by the City.

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

CORRECTIVE ACTION PLAN

FINDING NO. 2013-001, INTERNAL CONTROLS OVER THE SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS

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

EXPECTED COMPLETION DATE:

- as information is made available
- at time of annual report

PLAN:

- determine if/when grants are received, as well as ending dates
- create and maintain spreadsheet listing of grants and awards
- consult with office personnel to insure all grants are included in report

Karen Brown

Clerk-Treasurer
May 8, 2014

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

CORRECTIVE ACTION PLAN

FINDING NO. 2013-002

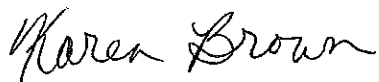
AUDITEE CONTACT PERSON: Karen Brown
TITLE OF CONTACT PERSON: Clerk-Treasurer
PHONE NUMBER OF CONTACT PERSON: 812-254-6143

EXPECTED COMPLETION DATE:

- as information is made available
- at time of annual report

PLAN:

- establish an internal control system, with segregation of duties
- monitor any and all program administrators to ensure that they remain in compliance with requirements of the program



Clerk-Treasurer
July 14, 2014

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

CORRECTIVE ACTION PLAN

FINDING NO. 2013-003

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

EXPECTED COMPLETION DATE:

- as information is made available
- at time of annual report

PLAN:

- monitor any and all program administrators to ensure they comply with requirements of disbursing funds
- require a federal cash control register from any and all program administrators showing documentation of transactions of grant funds
- develop procedures to ensure compliance with requirements related to cash management



Clerk-Treasurer
July 14, 2014

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/>.