

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF MADISON
JEFFERSON COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
06/26/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	William Kalb	01-01-12 to 12-31-15
Mayor	Damon Welch	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Damon Welch	01-01-12 to 12-31-15
President Pro Tempore of the Common Council	Rick Berry	01-01-13 to 12-31-15
Superintendent of Utilities	Randy Eggen Brian Jackson	01-01-13 to 12-31-13 01-01-14 to 12-31-15
Utility Office Manager	Brian Jackson Sara Stetson	01-01-13 to 12-31-13 01-01-14 to 12-31-15



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF MADISON, JEFFERSON COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Madison (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 April 9, 2015, 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

April 9, 2015



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302 WEST WASHINGTON STREET
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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 MADISON, JEFFERSON 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 Madison (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 April 9, 2015, 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 and significant deficiencies.

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.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2013-003 to be significant deficiencies.

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 2013-002.

City of Madison'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

April 9, 2015

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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 MADISON
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 FUND	\$ 2,162,094	\$ 4,969,129	\$ 5,163,909	\$ 1,967,314
MOTOR VEHICLE HIGHWAY	95,398	342,796	289,461	148,733
LOCAL ROAD & STREET	53,514	53,731	90,000	17,245
AVIATION	59,407	92,502	109,526	42,383
INVESTIGATION RE-IM. FUND	-	752	-	752
UNSAFE BUILDING FUND	34,252	7,733	-	41,985
PARK & RECREATION-GEN.	453,320	1,015,837	1,183,207	285,950
RAINY DAY FUND	535,191	-	-	535,191
POLICE K-9 FUND	3,634	15,878	14,713	4,799
PARK NON-REVERTING OPR.	120,737	181,749	185,204	117,282
CLEARINGHOUSE GRANT	-	491,971	491,971	-
CUMULATIVE CAPITAL DEV.	392,210	190,579	198,526	384,263
POLICE D.A.R.E.	1,000	2,326	1,669	1,657
CUMULATIVE CAPITAL IMPROV	62,196	32,125	29,964	64,357
TIF	4,595,492	1,178,263	1,598,765	4,174,990
POLICE PENSION-CKING/INV	566,641	441,889	461,364	547,166
RIVERBOAT DIST. FUND	750,084	70,892	111,608	709,368
PETTY CASH	385	-	-	385
HISTORIC PRES. GRANT	990	726	1,620	96
PUBLIC SER.VIDEO(CH #15)	17,552	30,590	29,143	18,999
EMERGENCY RESPONSE TEAM	4,326	2,788	3,470	3,644
POLICE-CON'T EDUCATION	13,331	13,557	20,124	6,764
POLICE DONATION	2,358	25,892	4,896	23,354
INSURANCE	39,663	39,314	58,282	20,695
COMM. DEV.&EVENT FUND	108	20,439	19,619	928
BROADWAY FOUNTAIN DONATN.	2,354	300	133	2,521
PARK DONATION	14,872	32,432	44,873	2,431
SUNRISE GC NRO	-	8,655	6,220	2,435
RIVERFRONT DEV. GRANT	3,000	-	-	3,000
MADISON CITY TREE BOARD	242	-	-	242
CITY EMPLOYEE DONATION	1,138	5,814	6,336	616
REALESTATE SALES PROCEEDS	14,360	-	14,360	-
COMM. OF COMPASSION	7,439	-	-	7,439
MICRO-ENTER GRT#MP94-003	29,974	-	-	29,974
AVIATION-NRO	158,772	31,800	47,262	143,310
OWNER OCCUPIED REHAB GR.	-	21,498	21,498	-
SCBA FIRE DEPT.	40,350	39,350	-	79,700
AVIA ST. GRANT #3900101	3	718,954	718,954	3
MAD.BEAUTIFICATION	116	-	116	-
BI-CENTENNIAL FUND	84,144	12,700	702	96,142
COUNTY TAX FUND	161,453	609,918	513,941	257,430
STAGE FUND NRO	4,004	300	760	3,544
SENIOR CTZN. FUND	16,424	10,548	7,982	18,990
FIRE DEPT. FED. GRANT	1,418	-	-	1,418
MICROLOAN FUND	75,553	32,592	-	108,145
HERITAGE TRAILS FUND	201	-	-	201
FARMERS MARKET GR. FUND	826	1,614	853	1,587
SCENIC BYWAY FUND	1,265	-	1,265	-
DISASTER MITIGATION(FEMA)	69,622	-	16,810	52,812
COMM.DEV.ACTION GRANT	622,707	154,292	276,166	500,833
FIRE COMPANY-INVESTMENT	672,085	47,414	-	719,499
REVOLVING LOAN-INVESTMENT	471,287	30,619	-	501,906
UTILITY INSUFFICIENT CKS.	500	-	-	500
PAYROLL FUND	101,308	7,013,787	6,992,872	122,223
TRANSFER STA. OPERATING	17	818,050	814,591	3,476
SEWAGE OPERATING	372,529	3,179,842	3,289,018	263,353
SEWAGE BOND & INTR	444,736	1,243,580	1,242,264	446,052
SEWAGE DEBT RESERVE	734,926	37,634	-	772,560
J.CO.SEWAGE OPERATING	405,413	508,257	479,195	434,475
WATER OPERATING	151,567	2,019,179	2,027,873	142,873
WATER METER DEPOSIT CKING	37,811	45,600	33,775	49,636
WATER METER INVESTMENT	35,424	-	-	35,424
99 WATER BOND & INT FUND	270,141	438,988	438,830	270,299
99 WATER BOND RESERVE FD	420,207	10,148	-	430,355
Totals	<u>\$ 15,392,071</u>	<u>\$ 26,295,323</u>	<u>\$ 27,063,690</u>	<u>\$ 14,623,704</u>

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

CITY OF MADISON
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.

CITY OF MADISON
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 MADISON
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 MADISON
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 a cost-sharing 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 MADISON
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. 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 MADISON
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013

	GENERAL FUND	MOTOR VEHICLE HIGHWAY	LOCAL ROAD & STREET	AVIATION	INVESTIGATION RE-IM. FUND	UNSAFE BUILDING FUND	PARK & RECREATION-GEN.
Cash and investments - beginning	\$ 2,162,094	\$ 95,398	\$ 53,514	\$ 59,407	\$ -	\$ 34,252	\$ 453,320
Receipts:							
Taxes	4,270,843	-	-	65,343	-	-	522,107
Licenses and permits	34,472	-	-	-	-	-	-
Intergovernmental	312,808	342,592	53,527	4,110	-	-	4,147
Charges for services	12,900	-	-	11,845	-	-	489,583
Fines and forfeits	6,329	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	331,777	204	204	11,204	752	7,733	-
Total receipts	4,969,129	342,796	53,731	92,502	752	7,733	1,015,837
Disbursements:							
Personal services	2,711,818	289,461	-	5,652	-	-	759,673
Supplies	423,030	-	-	958	-	-	132,753
Other services and charges	1,799,385	-	90,000	90,138	-	-	218,899
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	98,151	-	-	12,778	-	-	71,882
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	131,525	-	-	-	-	-	-
Total disbursements	5,163,909	289,461	90,000	109,526	-	-	1,183,207
Excess (deficiency) of receipts over disbursements	(194,780)	53,335	(36,269)	(17,024)	752	7,733	(167,370)
Cash and investments - ending	\$ 1,967,314	\$ 148,733	\$ 17,245	\$ 42,383	\$ 752	\$ 41,985	\$ 285,950

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

	RAINY DAY FUND	POLICE K-9 FUND	PARK NON-REVERTING OPR.	CLEARINGHOUSE GRANT	CUMULATIVE CAPITAL DEV.	POLICE D.A.R.E.	CUMULATIVE CAPITAL IMPROV
Cash and investments - beginning	\$ 535,191	\$ 3,634	\$ 120,737	\$ -	\$ 392,210	\$ 1,000	\$ 62,196
Receipts:							
Taxes	-	-	3,810	-	179,120	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	11,459	-	32,125
Charges for services	-	-	177,939	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	15,878	-	491,971	-	2,326	-
Total receipts	-	15,878	181,749	491,971	190,579	2,326	32,125
Disbursements:							
Personal services	-	-	71,635	-	-	-	-
Supplies	-	14,713	63,622	-	9,703	-	-
Other services and charges	-	-	49,947	-	188,823	1,669	8,441
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	21,523
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	491,971	-	-	-
Total disbursements	-	14,713	185,204	491,971	198,526	1,669	29,964
Excess (deficiency) of receipts over disbursements	-	1,165	(3,455)	-	(7,947)	657	2,161
Cash and investments - ending	\$ 535,191	\$ 4,799	\$ 117,282	\$ -	\$ 384,263	\$ 1,657	\$ 64,357

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

	TIF	POLICE PENSION-CKING/INV	RIVERBOAT DIST. FUND	PETTY CASH	HISTORIC PRES. GRANT	PUBLIC SER.VIDEO(CH #15)	EMERGENCY RESPONSE TEAM
Cash and investments - beginning	\$ 4,595,492	\$ 566,641	\$ 750,084	\$ 385	\$ 990	\$ 17,552	\$ 4,326
Receipts:							
Taxes	1,147,248	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	70,892	-	726	-	-
Charges for services	5,750	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	25,265	441,889	-	-	-	30,590	2,788
Total receipts	1,178,263	441,889	70,892	-	726	30,590	2,788
Disbursements:							
Personal services	-	461,264	-	-	-	-	-
Supplies	-	-	25,533	-	-	-	-
Other services and charges	124,168	100	56,371	-	1,620	29,143	3,470
Debt service - principal and interest	-	-	29,704	-	-	-	-
Capital outlay	1,474,597	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	1,598,765	461,364	111,608	-	1,620	29,143	3,470
Excess (deficiency) of receipts over disbursements	(420,502)	(19,475)	(40,716)	-	(894)	1,447	(682)
Cash and investments - ending	\$ 4,174,990	\$ 547,166	\$ 709,368	\$ 385	\$ 96	\$ 18,999	\$ 3,644

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

	POLICE-CON'T EDUCATION	POLICE DONATION	INSURANCE	COMM. DEV.&EVENT FUND	BROADWAY FOUNTAIN DONATN.	PARK DONATION	SUNRISE GC NRO
Cash and investments - beginning	\$ 13,331	\$ 2,358	\$ 39,663	\$ 108	\$ 2,354	\$ 14,872	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	8,170	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	32,432	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	5,387	25,892	39,314	20,439	300	-	8,655
Total receipts	13,557	25,892	39,314	20,439	300	32,432	8,655
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	7,736	170	-	-	133	-	6,220
Other services and charges	10,237	4,726	58,282	19,619	-	44,873	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	2,151	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	20,124	4,896	58,282	19,619	133	44,873	6,220
Excess (deficiency) of receipts over disbursements	(6,567)	20,996	(18,968)	820	167	(12,441)	2,435
Cash and investments - ending	\$ 6,764	\$ 23,354	\$ 20,695	\$ 928	\$ 2,521	\$ 2,431	\$ 2,435

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

	RIVERFRONT DEV. GRANT	MADISON CITY TREE BOARD	CITY EMPLOYEE DONATION	REALESTATE SALES PROCEEDS	COMM. OF COMPASSION	MICRO-ENTER GRT#MP94-003	AVIATION-NRO
Cash and investments - beginning	\$ 3,000	\$ 242	\$ 1,138	\$ 14,360	\$ 7,439	\$ 29,974	\$ 158,772
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	31,800
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	5,814	-	-	-	-
Total receipts	-	-	5,814	-	-	-	31,800
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	47,262
Other services and charges	-	-	6,336	14,360	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	-	6,336	14,360	-	-	47,262
Excess (deficiency) of receipts over disbursements	-	-	(522)	(14,360)	-	-	(15,462)
Cash and investments - ending	\$ 3,000	\$ 242	\$ 616	\$ -	\$ 7,439	\$ 29,974	\$ 143,310

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

	OWNER OCCUPIED REHAB GR.	SCBA FIRE DEPT.	AVIA ST. GRANT #3900101	MAD.BEAUTIFICATION	BI-CENTENNIAL FUND	COUNTY TAX FUND
Cash and investments - beginning	\$ -	\$ 40,350	\$ 3	\$ 116	\$ 84,144	\$ 161,453
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	21,498	-	-	-	-	-
Charges for services	-	-	718,954	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	39,350	-	-	12,700	609,918
Total receipts	21,498	39,350	718,954	-	12,700	609,918
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	662	1,815
Other services and charges	21,498	-	718,954	116	40	432,126
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	80,000
Total disbursements	21,498	-	718,954	116	702	513,941
Excess (deficiency) of receipts over disbursements	-	39,350	-	(116)	11,998	95,977
Cash and investments - ending	\$ -	\$ 79,700	\$ 3	\$ -	\$ 96,142	\$ 257,430

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

	STAGE FUND NRO	SENIOR CTZN. FUND	FIRE DEPT. FED. GRANT	MICROLOAN FUND	HERITAGE TRAILS FUND	FARMERS MARKET GR. FUND
Cash and investments - beginning	\$ 4,004	\$ 16,424	\$ 1,418	\$ 75,553	\$ 201	\$ 826
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	1,614
Charges for services	-	10,548	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	300	-	-	32,592	-	-
Total receipts	300	10,548	-	32,592	-	1,614
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	760	7,982	-	-	-	853
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	760	7,982	-	-	-	853
Excess (deficiency) of receipts over disbursements	(460)	2,566	-	32,592	-	761
Cash and investments - ending	\$ 3,544	\$ 18,990	\$ 1,418	\$ 108,145	\$ 201	\$ 1,587

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

	SCENIC BYWAY FUND	DISASTER MITIGATION(FEMA)	COMM.DEV.ACTION GRANT	FIRE COMPANY-INVESTMENT	REVOLVING LOAN-INVESTMENT	UTILITY INSUFFICIENT CKS.
Cash and investments - beginning	\$ 1,265	\$ 69,622	\$ 622,707	\$ 672,085	\$ 471,287	\$ 500
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	154,292	47,414	30,619	-
Total receipts	-	-	154,292	47,414	30,619	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	1,265	16,810	276,166	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	1,265	16,810	276,166	-	-	-
Excess (deficiency) of receipts over disbursements	(1,265)	(16,810)	(121,874)	47,414	30,619	-
Cash and investments - ending	\$ -	\$ 52,812	\$ 500,833	\$ 719,499	\$ 501,906	\$ 500

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

	PAYROLL FUND	TRANSFER STA. OPERATING	SEWAGE OPERATING	SEWAGE BOND & INTR	SEWAGE DEBT RESERVE	J.CO.SEWAGE OPERATING
Cash and investments - beginning	\$ 101,308	\$ 17	\$ 372,529	\$ 444,736	\$ 734,926	\$ 405,413
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	800,781	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	3,145,927	-	-	508,257
Other receipts	7,013,787	17,269	33,915	1,243,580	37,634	-
Total receipts	7,013,787	818,050	3,179,842	1,243,580	37,634	508,257
Disbursements:						
Personal services	1,913,965	466,562	911,800	-	-	134,842
Supplies	-	38,910	-	-	-	-
Other services and charges	4,264,430	309,119	-	-	-	-
Debt service - principal and interest	-	-	829,740	1,242,264	-	-
Capital outlay	-	-	4,252	-	-	19,491
Utility operating expenses	-	-	1,026,925	-	-	324,862
Other disbursements	814,477	-	516,301	-	-	-
Total disbursements	6,992,872	814,591	3,289,018	1,242,264	-	479,195
Excess (deficiency) of receipts over disbursements	20,915	3,459	(109,176)	1,316	37,634	29,062
Cash and investments - ending	\$ 122,223	\$ 3,476	\$ 263,353	\$ 446,052	\$ 772,560	\$ 434,475

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

	WATER OPERATING	WATER METER DEPOSIT CKING	WATER METER INVESTMENT	99 WATER BOND & INT FUND	99 WATER BOND RESERVE FD	Totals
Cash and investments - beginning	\$ 151,567	\$ 37,811	\$ 35,424	\$ 270,141	\$ 420,207	\$ 15,392,071
Receipts:						
Taxes	-	-	-	-	-	6,188,471
Licenses and permits	-	-	-	-	-	42,642
Intergovernmental	-	-	-	-	-	855,498
Charges for services	-	-	-	-	-	2,292,532
Fines and forfeits	-	-	-	-	-	6,329
Utility fees	1,824,457	-	-	-	-	5,478,641
Other receipts	194,722	45,600	-	438,988	10,148	11,431,210
Total receipts	2,019,179	45,600	-	438,988	10,148	26,295,323
Disbursements:						
Personal services	537,963	-	-	-	-	8,264,635
Supplies	-	-	-	-	-	773,220
Other services and charges	82,760	-	-	-	-	8,953,486
Debt service - principal and interest	10,148	-	-	438,830	-	2,550,686
Capital outlay	-	-	-	-	-	1,704,825
Utility operating expenses	881,182	33,775	-	-	-	2,266,744
Other disbursements	515,820	-	-	-	-	2,550,094
Total disbursements	2,027,873	33,775	-	438,830	-	27,063,690
Excess (deficiency) of receipts over disbursements	(8,694)	11,825	-	158	10,148	(768,367)
Cash and investments - ending	\$ 142,873	\$ 49,636	\$ 35,424	\$ 270,299	\$ 430,355	\$ 14,623,704

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

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ 128,903	\$ 226,355
Water	66,031	91,034
Governmental activities	<u>239,478</u>	<u>191,235</u>
Totals	<u>\$ 434,412</u>	<u>\$ 508,624</u>

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

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Governmental activities:			
Notes and loans payable	Energy Savings Installment Contract/Loan	\$ 653,243	\$ 215,065
Notes and loans payable	Kansas State Bank-Garbage Truck	103,246	39,606
Notes and loans payable	Brownfield Loan Payment	<u>105,369</u>	<u>17,305</u>
Total governmental activities		<u>861,858</u>	<u>271,976</u>
Wastewater:			
Notes and loans payable	2010 State Revolving Forgivable Loan (SRF)	1,000,000	-
Notes and loans payable	2010 State Revolving Loan (SRF) Series A WW-SIL-11	446,000	32,290
Notes and loans payable	2010 State Revolving Loan (SRF) Series B WW09823903	2,575,072	156,167
Notes and loans payable	2003 State Revolving Loan (SRF) CS182360 01	<u>5,196,888</u>	<u>639,833</u>
Total Wastewater		<u>9,217,960</u>	<u>828,290</u>
Water:			
Notes and loans payable	1999 State Revolving Loan (SRF) DW199111 01	2,397,000	383,513
Notes and loans payable	2009 State Revolving Loan (SRF)	656,500	55,308
Notes and loans payable	2009 State Revolving Forgivable Loan (SRF)	<u>328,500</u>	<u>-</u>
Total Water		<u>3,382,000</u>	<u>438,821</u>
Totals		<u>\$ 13,461,818</u>	<u>\$ 1,539,087</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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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 MADISON, JEFFERSON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the City of Madison'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)

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 2013-004 and 2013-005 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

April 9, 2015

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

CITY OF MADISON
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 Housing and Urban Development</u>				
CDBG - State Administered CDBG Cluster				
Community Development Block Grants/State's Program and				
Non-Entitlement Grants in Hawaii		14.228		
Clearinghouse Project	Indiana Office of Community and Rural Affairs		A192-11-FF-10-101	\$ 491,971
Owner Occupied Rehabilitation Project	Indiana Housing and Community Development Authority		HD-011-007	21,498
Total for federal grantor agency				513,469
<u>Department of the Interior</u>				
Historic Preservation Fund Grants-In-Aid	Indiana Department of Natural Resources	15.904		
Madison Historic District Property Owner's Guide Project			18-12-41921-1	1,082
Total for federal grantor agency				1,082
<u>Department of Transportation</u>				
Airport Improvement Program	Direct	20.106		
Airport Layout Plan Update (Phase 1)			3-18-0052-1511	118,319
Rehabilitate Taxiway: Phase 2, Construction			3-18-0052-1612	582,164
Total for program				700,483
Highway Planning and Construction Cluster				
Highway Planning and Construction	Indiana Department of Transportation	20.205		
Mitigation For Madison - Milton Bridge Project			A249-10-321333	111,481
Highway Safety Cluster				
State and Community Highway Safety	Indiana Criminal Justice Institute	20.600		
Operation Pullover			2013-402-01 1500	1,998
Total for federal grantor agency				813,962
Total federal awards expended				\$ 1,328,513

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

CITY OF MADISON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

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

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2013:

Program Title	Federal CFDA Number	2013
Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	\$ <u>491,971</u>

CITY OF MADISON
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?	yes
Noncompliance material to financial statement noted?	yes

Federal Awards:

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
20.106	CDBG - State-Administered CDBG Cluster Airport Improvement Program

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

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

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

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the City to reduce the risks to the achievement of financial reporting objectives. The City has not separated incompatible activities related to cash and investment balances and receipts. The Receipts Clerk is responsible for writing receipts, recording receipts, and performing month end bank reconciliations. The Clerk-Treasurer stated that he reviews the bank reconciliation and fund report; however, that review was not documented. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

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

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

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

***FINDING 2013-002 - INTERNAL CONTROLS OVER THE PREPARATION
OF 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.

During the audit of the SEFA, we noted five federal grants totaling \$628,030 were not included on the City's SEFA. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report.

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:

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

- (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."

FINDING 2013-003 - INTERNAL CONTROLS OVER THE COLLECTION OF GOLF COURSE FEES

We noted deficiencies in the internal control system of the City related to financial transactions and reporting. We believe the following deficiencies regarding receipts constitute significant deficiencies.

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 at the City's golf course. One employee at the golf course is responsible for balancing the collections to the receipts issued and making bank deposits. The same employee, by contract, has exclusive rights to operate the food concessions and sell merchandise at the golf course's pro shop. Receipts of the golf course belonging to the City were sometimes comingled with receipts for food concessions and merchandise sales in the pro shop. This was primarily the result of (1) the same credit card machine and the same set of gift certificates being used for both golf course and pro shop transactions and (2) checks written for pro shop merchandise or concessions being made payable to the golf course in error. One employee at the golf course was responsible for balancing the collections at the golf course, including any amount due to/from the City to/from the pro shop. The activities related to golf course receipts were not always reviewed or verified.

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 MADISON
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)

Section III - Federal Award Findings and Questioned Costs

***FINDING 2013-004 - INTERNAL CONTROLS OVER PROCUREMENT
AND SUSPENSION AND DEBARMENT***

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): A192-11-FF-10-101
Pass-Through Entity: Indiana Office of Community and Rural Affairs

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

The City has not established proper internal controls to ensure the subrecipient and the contractors who were paid by the City from the grant funding were not suspended or debarred from receiving federal funding. The City relied on a Grant Administrator to comply with the Procurement and Suspension and Debarment compliance requirements, and did not review their work.

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 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."

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

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements of Procurement and Suspension and Debarment.

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

FINDING 2013-005 - INTERNAL CONTROLS OVER DAVIS-BACON ACT

Federal Agency: Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Number and Year (or Other Identifying Number): 3-18-0052-1511, 3-18-0052-1612

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 the grant agreement and the Davis-Bacon Act compliance requirements that have a direct and material effect on the program. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

The City did not establish internal controls to ensure that weekly certified payrolls were received from the contractors and reviewed for proper payment of prevailing wage rates. The City relied on a Grant Administrator to comply with the Davis-Bacon Act compliance requirements, and did not review their work.

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 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."

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

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements of the Davis-Bacon Act.

AUDITEE PREPARED DOCUMENT

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



City of Madison

CORRECTIVE ACTION PLAN

FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Clerk Treasurer
Contact Phone Number: 812-265-8316

Description of Corrective Action Plan:

The Clerk Treasurer will review at the end of the month, financial transactions and reports. The Clerk Treasurer will then initial reports.

Anticipated Completion Date: 04/01/2015

FINDING 2013-002 INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: Jan Melton/Tammy Boldery
Contact Phone Number: 812-265-8316

Description of Corrective Action Plan:

Jan will email the administrator of the federal grants monthly to make sure that all processes are being followed. She will then keep the replies that she receives in a file for review by SBOA.

Tammy Boldery will complete the SEFA and The Clerk Treasurer will review and sign off before submitting the report in Gateway.

Anticipated Completion Date: 05/01/2015

FINDING 2013-003 - INTERNAL CONTROLS OVER THE COLLECTION OF GOLF COURSE FEES

Contact Person Responsible for Corrective Action: The Park Board and David Stucker
Contact Phone Number: 812-265-8308

Description of Corrective Action Plan:

Jeff Bridgford has started taking separate payments for Jeff's Pro Shop and for The City of Madison. Funds are no longer commingled between Jeff's Pro Shop and City of Madison. The City funds are deposited as received and receipted. It was the conclusion of the exit interview group that a separate debit/credit card machine is needed for City transactions so that Jeff does not run City transactions on his debit/credit machine. The Park Board must approve this and is looking into the purchase of another debit/credit card machine for city use only. The Park Board will not have a meeting to further discuss this until April 29, 2015.

Anticipated Completion Date: 04/01/2015

William J. Kalb
CLERK - TREASURER
CLERKTREASURER@MADISON-IN.GOV



101 WEST MAIN STREET
MADISON, INDIANA 47250-3775
(812) 265-8316
FAX: (812) 273-6089

City of Madison

FINDING 2013-004 - INTERNAL CONTROLS OVER PROCUREMENT AND SUSPENSION AND DEBARMENT

Contact Person Responsible for Corrective Action: Tammy Boldery
Contact Phone Number: 812-265-8316

Description of Corrective Action Plan:

Emails will be sent to the grant administrators to make sure that sub-recipients are screened as required by law. All correspondence will be kept in a file for review by SBOA.

Anticipated Completion Date: 05/01/2015


FINDING 2013-005 - INTERNAL CONTROL OVER DAVIS BACON

Contact Person Responsible for Corrective Action: Jan Melton/Dick Goodman
Contact Phone Number: 812-265-8316

Description of Corrective Action Plan:

Dick Goodman, President of The Board of Aviation Commissioners, will be signing off on the payrolls that are being submitted for review by contractors. He will review the payrolls to make sure that the Davis Bacon Act is followed. He will then submit copies to Jan Melton for her SBOA review file.

Anticipated Completion Date: 05/01/2015



(Signature)

C/T

(Title)

APRIL 22, 2015

(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/>.