

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF RICHMOND
WAYNE COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
09/25/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Tammy S. Glenn (Vacant) Paula Hill Sandra Spencer(Interim)	01-01-13 to 03-10-14 03-11-14 to 03-17-14 03-18-14 to 03-06-15 03-07-15 to 12-31-15
Mayor	Sarah L. Hutton	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Vicki Robinson	01-01-13 to 12-31-15
President of the Common Council	Larry Parker J. Clayton Miller	01-01-13 to 12-31-13 01-01-14 to 12-31-15
President of the Board of Sanitary Commissioners	Suzanne Miller	01-01-13 to 12-31-15



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF RICHMOND, WAYNE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Richmond (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. The basis of accounting noted above is a different basis than that used in the prior year.

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 May 8, 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, 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

May 8, 2015



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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 RICHMOND, WAYNE 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 Richmond (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 May 8, 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.

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 a material weaknesses.

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.

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)


The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 and 2013-002.

City of Richmond'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

May 8, 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 RICHMOND
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	\$ 1,114,161	\$ 17,878,397	\$ 17,498,238	\$ 1,494,320
Motor Vehicle Highway	790,059	2,741,666	2,742,425	789,300
Local Road and Street	258,691	293,475	362,005	190,161
Park Nonreverting Operating	220,336	517,725	485,636	252,425
Animal Control	11,558	1,988	970	12,576
Law Enforcement Continuing Education	24,488	24,402	32,058	16,832
Unsafe Building	64,894	33	2,152	62,775
Rainy Day City	980,474	346,587	49,775	1,277,286
Cumulative Capital Development	543,524	523,752	406,669	660,607
Park Nonreverting Capital	2,849	-	-	2,849
Cumulative Capital Improvement	126,795	98,853	129,473	96,175
County EDIT	943,208	693,302	664,720	971,790
Tax Increment Financing	5,094,680	2,530,893	2,441,384	5,184,189
Police Pension	151,411	1,835,078	1,984,217	2,272
Fire Pension	45,273	2,460,110	2,479,212	26,171
Build Indiana	109,473	-	-	109,473
Park And Recreation	206,608	1,955,172	2,049,266	112,514
Haz-Mat	9,651	3,848	1,342	12,157
First Response	169,462	679,723	389,203	459,982
Criminal Justice	56,157	86,901	80,580	62,478
Law Enforcement Aid	304,051	200,629	225,716	278,964
Redevelopment	20,101	10	-	20,111
Redevelopment Revenue Bond	516	-	-	516
Business And Industrial Loan	795,876	140,912	3,352	933,436
Revolving Loan Local Cash	10,145	15,028	23,352	1,821
Program Income Loan	18,116	4,044	1,543	20,617
Microenterprise Loan	5,923	-	-	5,923
Human And Environmental	35,110	50,487	58,377	27,220
Midwest Industrial Park	345,529	39,383	-	384,912
City Grants	(89,417)	2,365,162	2,422,880	(147,135)
Center City Loan Program	36,870	32,819	3,352	66,337
Park Bond Sinking	61,839	237,000	235,221	63,618
Park Capital Improvements	8	-	-	8
Infrastructure	15,597	108	-	15,705
Park Bond Construction	674,291	134	517,508	156,917
Certified Tech Park	3,904,709	9,168	257,833	3,656,044
Health Insurance	25,201	7,872,227	6,840,426	1,057,002
Workers Comp Insurance	42,143	311,773	352,928	988
Gifts And Donations	153,566	85,732	89,470	149,828
Airport	200,005	413,114	462,910	150,209
Parallax	344,055	1,185,706	1,164,336	365,425
RP&L Payroll	-	4,398,221	4,398,221	-
RP&L Payroll Deduction	-	3,428,659	3,428,659	-
RP&L Operating	6,156,744	85,556,132	81,028,067	10,684,809
RP&L Bond And Interest	753,380	982	344,362	410,000
RP&L Depreciation	14,045,066	357,456	4,000,000	10,402,522
RP&L Customer Deposits	574,562	184,245	150,450	608,357
RP&L Cash Reserve	2,139,709	2,139,709	2,139,709	2,139,709
RP&L Insurance Reserve	1,338,003	1,744	-	1,339,747
Roseview Transit	(240,903)	1,276,513	1,247,874	(212,264)
Wastewater Operating	2,582,264	8,513,291	8,154,520	2,941,035
Wastewater 2009 Construction	3,925	-	500	3,425
Wastewater Construction Chester Boulevard	36,770	4	35,300	1,474
Wastewater 2012 Construction	14,710,760	3	7,415,761	7,295,002
Wastewater Bond and Interest	1,894,237	3,247,080	2,476,310	2,665,007
Wastewater Bond Reserve	1,666,700	198,446	-	1,865,146
Stormwater Operating	2,303,679	1,752,922	960,290	3,096,311
Off Street Parking	21	44,698	44,453	266
Solid Waste	5,872,125	4,061,676	4,760,787	5,173,014
Landfill	2,222,618	2,563,528	1,573,672	3,212,474
Rainy Day - Sanitation	229,972	119	-	230,091
Totals	<u>\$ 74,117,618</u>	<u>\$ 163,360,769</u>	<u>\$ 166,617,464</u>	<u>\$ 70,860,923</u>

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

CITY OF RICHMOND
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 may 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, 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 RICHMOND
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, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, and cable tv receipts.

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

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

Penalties which include fees received for late payments.

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

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements may 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 RICHMOND
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 RICHMOND
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 RICHMOND
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 RICHMOND
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.

E. Richmond Power and Light Pension Plan

Plan Description

The Utility contributes to the Richmond Power and Light Employees' Pension, which is a single-employer defined benefit plan. With the approval of the Utility's fiscal body, the plan is administered by the Principal Financial Group as authorized by state statute (Indiana Code 8-1.5-3-7) for full-time employees. The plan provides dependent pensions, life insurance, and disability benefits to plan members and beneficiaries. The trustee issues a publically available financial report that includes financial statements and required supplementary information of the plan. The report may be obtained by writing Richmond Power and Light, 2000 U.S. Highway 27, Richmond, IN 47374.

Funding Policy and Annual Pension Cost

The contribution requirements for plan members for the Richmond Power and Light Employees' Pension Plan are established and can be amended by the Board of Directors of the Utility. The Utility's annual pension costs for the current year and related information, as provided by the actuary, is presented later in this note.

CITY OF RICHMOND
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grant. The reimbursements for expenditures made by the City were not received by December 31, 2013.

Note 8. Restatements

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

Fund Name	Balance as of December 31, 2012	Prior Period Adjustment	Balance as of January 1, 2013
County EDIT	\$ 702,305	\$ 240,903	\$ 943,208
Roseview Transit	-	(240, 903)	(240, 903)
Wastewater 2012 Construction	-	14,710,760	14,710,760
Wastewater Bond and Interest	-	1,894,237	1,894,237

Note 9. Other Postemployment Benefits

The City provides to eligible retirees and their spouses the following benefits: health insurance. These benefits pose a liability to the City for this year and in future years. Information regarding the benefits can be obtained by contacting the City.

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SUPPLEMENTARY INFORMATION - UNAUDITED

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

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

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

CITY OF RICHMOND
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 Operating	Animal Control	Law Enforcement Continuing Education	Unsafe Building
Cash and investments - beginning	\$ 1,114,161	\$ 790,059	\$ 258,691	\$ 220,336	\$ 11,558	\$ 24,488	\$ 64,894
Receipts:							
Taxes	9,046,271	1,500,619	-	-	-	-	-
Licenses and permits	408,659	28,121	-	-	1,988	14,340	-
Intergovernmental	4,357,415	1,198,930	293,351	-	-	-	-
Charges for services	811,115	8,700	-	517,725	-	8,280	-
Fines and forfeits	41,746	-	-	-	-	1,712	-
Utility fees	-	-	-	-	-	-	-
Other receipts	3,213,191	5,296	124	-	-	70	33
Total receipts	17,878,397	2,741,666	293,475	517,725	1,988	24,402	33
Disbursements:							
Personal services	14,456,733	1,615,947	-	200,874	-	-	-
Supplies	464,022	349,434	252,721	93,471	75	811	-
Other services and charges	2,179,740	724,067	100,000	128,797	895	15,661	2,152
Debt service - principal and interest	6,269	33,700	-	59,500	-	-	-
Capital outlay	43,087	19,277	9,284	2,994	-	15,586	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	348,387	-	-	-	-	-	-
Total disbursements	17,498,238	2,742,425	362,005	485,636	970	32,058	2,152
Excess (deficiency) of receipts over disbursements	380,159	(759)	(68,530)	32,089	1,018	(7,656)	(2,119)
Cash and investments - ending	\$ 1,494,320	\$ 789,300	\$ 190,161	\$ 252,425	\$ 12,576	\$ 16,832	\$ 62,775

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

	Rainy Day City	Cumulative Capital Development	Park Nonreverting Capital	Cumulative Capital Improvement	County EDIT	Tax Increment Financing	Police Pension
Cash and investments - beginning	\$ 980,474	\$ 543,524	\$ 2,849	\$ 126,795	\$ 943,208	\$ 5,094,680	\$ 151,411
Receipts:							
Taxes	-	484,930	-	-	-	2,500,149	463,615
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	345,975	38,538	-	98,822	691,950	28,232	1,342,068
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	612	284	-	31	1,352	2,512	29,395
Total receipts	346,587	523,752	-	98,853	693,302	2,530,893	1,835,078
Disbursements:							
Personal services	-	-	-	-	-	-	1,983,805
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	30,000	478,649	172,462	412
Debt service - principal and interest	-	77,318	-	-	-	693,278	-
Capital outlay	49,775	329,351	-	99,473	86,071	1,575,644	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	100,000	-	-
Total disbursements	49,775	406,669	-	129,473	664,720	2,441,384	1,984,217
Excess (deficiency) of receipts over disbursements	296,812	117,083	-	(30,620)	28,582	89,509	(149,139)
Cash and investments - ending	\$ 1,277,286	\$ 660,607	\$ 2,849	\$ 96,175	\$ 971,790	\$ 5,184,189	\$ 2,272

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

	Fire Pension	Build Indiana	Park and Recreation	Haz-Mat	First Response	Criminal Justice	Law Enforcement Aid
Cash and investments - beginning	\$ 45,273	\$ 109,473	\$ 206,608	\$ 9,651	\$ 169,462	\$ 56,157	\$ 304,051
Receipts:							
Taxes	179,051	-	1,688,196	-	-	4,761	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	2,031,032	-	134,159	-	-	66,809	-
Charges for services	-	-	124,414	3,848	678,611	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	250,027	-	8,403	-	1,112	15,331	200,629
Total receipts	2,460,110	-	1,955,172	3,848	679,723	86,901	200,629
Disbursements:							
Personal services	2,473,293	-	1,405,827	-	235,611	38,950	96,395
Supplies	-	-	176,726	1,342	105,350	4,057	4,058
Other services and charges	5,919	-	453,489	-	31,907	33,063	12,500
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	13,224	-	16,335	4,510	112,763
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	2,479,212	-	2,049,266	1,342	389,203	80,580	225,716
Excess (deficiency) of receipts over disbursements	(19,102)	-	(94,094)	2,506	290,520	6,321	(25,087)
Cash and investments - ending	\$ 26,171	\$ 109,473	\$ 112,514	\$ 12,157	\$ 459,982	\$ 62,478	\$ 278,964

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

	Redevelopment	Redevelopment Revenue Bond	Business and Industrial Loan	Revolving Loan Local Cash	Program Income Loan	Microenterprise Loan	Human and Environmental
Cash and investments - beginning	\$ 20,101	\$ 516	\$ 795,876	\$ 10,145	\$ 18,116	\$ 5,923	\$ 35,110
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	22,658
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	10	-	140,912	15,028	4,044	-	27,829
Total receipts	10	-	140,912	15,028	4,044	-	50,487
Disbursements:							
Personal services	-	-	-	-	-	-	51,087
Supplies	-	-	-	-	-	-	2,062
Other services and charges	-	-	3,352	3,352	1,543	-	5,228
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	20,000	-	-	-
Total disbursements	-	-	3,352	23,352	1,543	-	58,377
Excess (deficiency) of receipts over disbursements	10	-	137,560	(8,324)	2,501	-	(7,890)
Cash and investments - ending	\$ 20,111	\$ 516	\$ 933,436	\$ 1,821	\$ 20,617	\$ 5,923	\$ 27,220

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

	Midwest Industrial Park	City Grants	Center City Loan Program	Park Bond Sinking	Park Capital Improvements	Infrastructure	Park Bond Construction
Cash and investments - beginning	\$ 345,529	\$ (89,417)	\$ 36,870	\$ 61,839	\$ 8	\$ 15,597	\$ 674,291
Receipts:							
Taxes	-	-	-	219,551	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	2,364,462	-	17,449	-	-	-
Charges for services	39,197	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	186	700	32,819	-	-	108	134
Total receipts	39,383	2,365,162	32,819	237,000	-	108	134
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	14,139	-	-	-	-	57,335
Other services and charges	-	681,853	3,352	-	-	-	460,173
Debt service - principal and interest	-	-	-	235,221	-	-	-
Capital outlay	-	1,726,888	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	2,422,880	3,352	235,221	-	-	517,508
Excess (deficiency) of receipts over disbursements	39,383	(57,718)	29,467	1,779	-	108	(517,374)
Cash and investments - ending	\$ 384,912	\$ (147,135)	\$ 66,337	\$ 63,618	\$ 8	\$ 15,705	\$ 156,917

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

	Certified Tech Park	Health Insurance	Workers Comp Insurance	Gifts and Donations	Airport	Parallax	RP&L Payroll
Cash and investments - beginning	\$ 3,904,709	\$ 25,201	\$ 42,143	\$ 153,566	\$ 200,005	\$ 344,055	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	7,200	-	-	-	412,870	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,968	7,872,227	311,773	85,732	244	1,185,706	4,398,221
Total receipts	9,168	7,872,227	311,773	85,732	413,114	1,185,706	4,398,221
Disbursements:							
Personal services	-	-	-	-	146,953	-	-
Supplies	-	5,880	-	47,867	208,967	-	-
Other services and charges	124,532	6,834,546	352,928	37,410	100,650	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	10,879	-	-	4,193	6,340	-	-
Utility operating expenses	-	-	-	-	-	1,164,336	-
Other disbursements	122,422	-	-	-	-	-	4,398,221
Total disbursements	257,833	6,840,426	352,928	89,470	462,910	1,164,336	4,398,221
Excess (deficiency) of receipts over disbursements	(248,665)	1,031,801	(41,155)	(3,738)	(49,796)	21,370	-
Cash and investments - ending	\$ 3,656,044	\$ 1,057,002	\$ 988	\$ 149,828	\$ 150,209	\$ 365,425	\$ -

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

	RP&L Payroll Deduction	RP&L Operating	RP&L Bond and Interest	RP&L Depreciation	RP&L Customer Deposits	RP&L Cash Reserve	RP&L Insurance Reserve
Cash and investments - beginning	\$ -	\$ 6,156,744	\$ 753,380	\$ 14,045,066	\$ 574,562	\$ 2,139,709	\$ 1,338,003
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	85,556,132	-	-	184,245	2,139,709	1,744
Other receipts	3,428,659	-	982	357,456	-	-	-
Total receipts	3,428,659	85,556,132	982	357,456	184,245	2,139,709	1,744
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	81,028,067	-	-	-	-	-
Other disbursements	3,428,659	-	344,362	4,000,000	150,450	2,139,709	-
Total disbursements	3,428,659	81,028,067	344,362	4,000,000	150,450	2,139,709	-
Excess (deficiency) of receipts over disbursements	-	4,528,065	(343,380)	(3,642,544)	33,795	-	1,744
Cash and investments - ending	\$ -	\$ 10,684,809	\$ 410,000	\$ 10,402,522	\$ 608,357	\$ 2,139,709	\$ 1,339,747

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

	Roseview Transit	Wastewater Operating	Wastewater 2009 Construction	Wastewater Construction Chester Boulevard	Wastewater 2012 Construction	Wastewater Bond and Interest	Wastewater Bond Reserve
Cash and investments - beginning	\$ (240,903)	\$ 2,582,264	\$ 3,925	\$ 36,770	\$ 14,710,760	\$ 1,894,237	\$ 1,666,700
Receipts:							
Taxes	131,410	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	931,969	-	-	-	-	-	-
Charges for services	188,646	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	8,160,244	-	-	-	-	-
Other receipts	24,488	353,047	-	4	3	3,247,080	198,446
Total receipts	1,276,513	8,513,291	-	4	3	3,247,080	198,446
Disbursements:							
Personal services	834,312	1,190,689	-	-	-	-	-
Supplies	223,428	-	-	-	-	-	-
Other services and charges	187,941	131,616	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	2,476,310	-
Capital outlay	2,193	677,788	-	35,000	7,415,761	-	-
Utility operating expenses	-	3,317,825	-	-	-	-	-
Other disbursements	-	2,836,602	500	300	-	-	-
Total disbursements	1,247,874	8,154,520	500	35,300	7,415,761	2,476,310	-
Excess (deficiency) of receipts over disbursements	28,639	358,771	(500)	(35,296)	(7,415,758)	770,770	198,446
Cash and investments - ending	\$ (212,264)	\$ 2,941,035	\$ 3,425	\$ 1,474	\$ 7,295,002	\$ 2,665,007	\$ 1,865,146

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

	Stormwater Operating	Off Street Parking	Solid Waste	Landfill	Rainy Day - Sanitation	Totals
Cash and investments - beginning	\$ 2,303,679	\$ 21	\$ 5,872,125	\$ 2,222,618	\$ 229,972	\$ 74,117,618
Receipts:						
Taxes	-	-	3,060,920	-	-	19,279,473
Licenses and permits	-	-	-	-	-	453,108
Intergovernmental	-	-	903,629	-	-	14,867,448
Charges for services	-	24,163	71,398	1,774,116	-	4,670,283
Fines and forfeits	-	3,035	-	-	-	46,493
Utility fees	1,454,115	-	-	-	-	97,496,189
Other receipts	298,807	17,500	25,729	789,412	119	26,547,775
Total receipts	1,752,922	44,698	4,061,676	2,563,528	119	163,360,769
Disbursements:						
Personal services	22,234	12,727	2,198,061	700,367	-	27,663,865
Supplies	-	1,726	592,213	111,896	-	2,717,580
Other services and charges	-	30,000	603,820	373,037	-	14,305,046
Debt service - principal and interest	-	-	137,470	130,608	-	3,849,674
Capital outlay	191,802	-	447,847	244,091	-	13,140,156
Utility operating expenses	149,052	-	-	-	-	85,659,280
Other disbursements	597,202	-	781,376	13,673	-	19,281,863
Total disbursements	960,290	44,453	4,760,787	1,573,672	-	166,617,464
Excess (deficiency) of receipts over disbursements	792,632	245	(699,111)	989,856	119	(3,256,695)
Cash and investments - ending	\$ 3,096,311	\$ 266	\$ 5,173,014	\$ 3,212,474	\$ 230,091	\$ 70,860,923

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

Government or Enterprise	Accounts Payable	Accounts Receivable
Solid Waste	\$ 732,467	\$ -
Electric	10,187,777	6,582,268
Roseview Transit	3,788	-
Wastewater	131,295	749,194
Off Street Parking	349	-
Airport	910	30,558
Governmental activities	259,199	-
Totals	<u>\$ 11,315,785</u>	<u>\$ 7,362,020</u>

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Chase Equipment Leasing	Firetruck	\$ 79,409	11/16/2012	3/30/2016
West End Bank S.B.	Leaf Vacs/Boxes	33,700	10/31/2012	6/30/2015
West End Bank S.B.	Golf Cars	<u>20,315</u>	6/1/2012	6/15/2016
Total governmental activities		<u>133,424</u>		
Wastewater:				
Chase Equipment Leasing	High Sprocket Crawler Tractor and Trash Compactor	<u>130,608</u>	5/22/2009	7/1/2014
Total of annual lease payments		<u>\$ 264,032</u>		

Type	Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	2009 Park District Bonds	\$ 1,255,000	\$ 246,830
Notes and loans payable	Guaranteed Energy Savings Project (City)	<u>919,753</u>	<u>173,852</u>
Total governmental activities		<u>2,174,753</u>	<u>420,682</u>
Electric:			
Revenue bonds	Baghouse (RPL)	<u>2,230,000</u>	<u>483,710</u>
Wastewater:			
Revenue bonds	Wastewater/Stormwater Improvements (ES Interceptor ph 3)	14,195,000	875,574
Revenue bonds	IN Brownfield Program Loan	-	43,485
Revenue bonds	Phase I and II of Digester Project	1,306,031	284,364
Revenue bonds	Replacing the walls of the RSD Digesters	949,863	151,885
Revenue bonds	Primary Clarifier Project	2,563,000	282,348
Revenue bonds	Tertiary Building Modifications	1,304,000	106,945
Revenue bonds	Wastewater Improvements to Chester Blvd. Basin	6,870,000	721,311
Revenue bonds	Wastewater/Stormwater Improvements (SE Basin and ES Interceptor ph 1 & 2))	9,400,000	806,728
Notes and loans payable	Guaranteed Energy Savings Project (Wastewater)	<u>2,255,046</u>	<u>274,940</u>
Total Wastewater		<u>38,842,940</u>	<u>3,547,580</u>
Totals		<u>\$ 43,247,693</u>	<u>\$ 4,451,972</u>

CITY OF RICHMOND
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	\$ 1,229,916
Infrastructure	36,779,475
Buildings	11,059,901
Improvements other than buildings	1,785,746
Machinery, equipment, and vehicles	<u>11,338,615</u>
Total governmental activities	<u>62,193,653</u>
Airport:	
Land	567,389
Buildings	877,458
Improvements other than buildings	8,689,177
Machinery, equipment, and vehicles	941,292
Construction in progress	<u>358,526</u>
Total Airport	<u>11,433,842</u>
Electric:	
Land	791,231
Infrastructure	15,075,054
Buildings	8,513,495
Improvements other than buildings	68,274,440
Machinery, equipment, and vehicles	<u>84,268,342</u>
Total Electric	<u>176,922,562</u>
Roseview Transit:	
Land	19,950
Buildings	577,915
Improvements other than buildings	184,525
Machinery, equipment, and vehicles	<u>731,685</u>
Total Roseview Transit	<u>1,514,075</u>
Wastewater:	
Land	81,294
Infrastructure	46,877,291
Buildings	2,885,365
Improvements other than buildings	48,887,460
Machinery, equipment, and vehicles	14,242,239
Construction in progress	<u>7,277,132</u>
Total Wastewater	<u>120,250,781</u>
Off Street Parking:	
Land	157,153
Buildings	1,334,021
Improvements other than buildings	409,418
Machinery, equipment, and vehicles	<u>56,046</u>
Total Off Street Parking	<u>1,956,638</u>
Solid Waste:	
Land	451,767
Infrastructure	4,318,839
Buildings	1,394,698
Improvements other than buildings	6,443,305
Machinery, equipment, and vehicles	<u>10,063,606</u>
Total Solid Waste	<u>22,672,215</u>
Total capital assets	<u><u>\$ 396,943,766</u></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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE CITY OF RICHMOND, WAYNE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the City of Richmond'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 Economic Adjustment Assistance

As described in items 2013-004 and 2013-005 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding Reporting and Special Test and Provisions that are applicable to its Economic Adjustment Assistance program. 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 Economic Adjustment Assistance

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Economic Adjustment Assistance* 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 Economic Adjustment Assistance program for the year ended December 31, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs 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 items 2013-003, 2013-004, and 2013-005 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 Plans. 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

May 8, 2015

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 RICHMOND
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>				
Child Nutrition Cluster				
Summer Food Service Program for Children	Indiana Department of Education	10.559		
Just Us Kids Outdoors			2013	\$ 25,514
Total - Department of Agriculture				25,514
<u>Department of Commerce</u>				
Economic Development Cluster				
Economic Adjustment Assistance	Direct Grant	11.307		
Revolving Loan Program			06-36-02088	929,923
Total - Department of Commerce				929,923
<u>Department of Housing and Urban Development</u>				
CDBG - State-Administered CDBG Cluster				
Community Development Block Grants/State's Program -	Indiana Office of Community and Rural Affairs	14.228		
and Non-Entitlement Grants in Hawaii				
Owner Occupied Rehab			HD-012-005	135,449
NSP1			NSP-1-009-026	284,049
NSP3			NSP3-011-001	553,262
Total - CDBG - State-Administered CDBG Cluster				972,760
Total - Department of Housing and Urban Development				972,760
<u>Department of Justice</u>				
Missing Children's Assistance	Indiana State Police	16.543		
ICAC Grant			100INTCRIMESF11	3,704
JAG Program Cluster				
Edward Byrne Memorial Justice Assistance Grant Program	Henry County Sheriff	16.738		
PACE			2013	78,901
JAG			2013	30,416
Total - JAG Program Cluster				109,317
Equitable Sharing Program	Direct Grant	16.922		
DEA Forfeitures			2013	146,815
Total - Department of Justice				259,836
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster				
Highway Planning and Construction	Indiana Department of Transportation	20.205		
Manor Drive			DES #20.205	132,685
Salisbury Road			DES 0400025	25,299
Starr-Gennett Redevelopment Area			DES#0810267	104,969
Traffic Sign Inventory Design			EDS#8249-11-320619	33,787
9th Street Bridge Proj.			ESA#249-10-321436	11,675
Total - Highway Planning and Construction Cluster				308,415
Highway Safety Cluster				
State and Community Highway Safety	Indiana Department of Transportation	20.600		
Highway Safety			2013	35,990
Alcohol Impaired Driving Countermeasures Incentive Grants	Indiana Department of Transportation	20.601		
Wayne County Traffic Safety Partnership			32NHTSA4102013	28,562
Total - Highway Safety Cluster				64,552

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

CITY OF RICHMOND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013
(Continued)

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 Transportation (continued)</u>				
Airport Improvement Program	Direct Grant	20.106		
Taxiway Rehab & Terminal Apron			3-18-0071-015	442,321
Taxiway Rehab and Terminal Apron Phase II			3-18-0071-14	326
Taxiway Lighting			3-18-0071-16	69,369
Total - Airport Improvement Program				512,016
Formula Grants for Rural Areas Roseview Transit	Indiana Department of Transportation	20.509	3-18-0071-013-2010	531,129
Formula Grants for Rural Areas - ARRA Transit Capital Improvements		20.509	Tier 2 EDS#A249-10-3	164,725
Total - Formula Grants for Rural Areas				695,854
Total - Department of Transportation				1,580,837
<u>Environmental Protection Agency</u>				
Capitalization Grants for Clean Water State Revolving Funds ES Interceptor III	Indiana Department of Environmental Management	66.458	WW1308904	2,501,092
Brownfield Assessment and Cleanup Cooperative Agreements Brownfield Cleanup	Direct Grant	66.818	BF00E61501	127,456
Total - Environmental Protection Agency				2,628,548
<u>Department of Health and Human Services</u>				
Aging Special Programs for the Aging Title III, Part B Grants - for Supportive Services and Senior Centers Title III Grants	Indiana Department of Health	93.044	2013	31,425
Total - Department of Health and Human Services				31,425
<u>Corporation for National and Community Service</u>				
Retired and Senior Volunteer Program Human and Environmental	Direct Grant	94.002	2013	22,658
Total - Corporation for National and Community Service				22,658
<u>Department of Homeland Security</u>				
State Homeland Security Program (SHSP) Haz Mat Equipment Haz Mat Equipment	Indiana Department of Homeland Security	97.073	EMW-2011-SS-00058 EMW-2011-SS-00058	6,116 7,084
Total - Department of Homeland Security				13,200
Total federal awards expended				\$ 6,464,701

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

CITY OF RICHMOND
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. Calculation of Expenditures of the Economic Development Cluster presented on the SEFA

Balance of RLF loans outstanding at the end of the recipient's fiscal year	\$ 365,097
Plus: Cash and Investment balance in the RLF at the end of the recipients fiscal year	933,435
Plus: Administrative expenses paid out of RLF income during the recipients fiscal year	3,352
Plus: Unpaid principal of all loans written off during the recipients fiscal year	<u>-</u>
Total "Expenditures"	<u>1,301,884</u>
Calculation for Federal Participation Rate	
Original Grant	1,000,000
Original Match (In-kind - Donated Warner Gear Buildings)	<u>400,000</u>
Total Original Grant with Original Match	1,400,000
Federal Participation Rate (Federal grant awarded divided by total program)	<u>0.71429</u>
Total for SEFA (Total "Expenditures" times Federal Participation Rate)	<u>\$ 929,923</u>

CITY OF RICHMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified for all programs except Economic Adjustment Assistance which was Qualified
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	Economic Development Cluster
20.509	Airport Improvement Program
66.458	Formula Grants for Rural Areas
	Capitalization Grants for Clean Water State Revolving Funds

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

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

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

1. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statement and then determining how those identified risks should be managed. The City has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement.
2. Receipts: Adequate controls were not in place over receipts. Receipts or other methods of logging monies received were not maintained at the point of collection. The City did not have adequate procedures in place to ensure that collections were properly posted to the records.

The City prepares and submits their financial information online through the Gateway system. The financial statement is compiled from the information provided by the Gateway system. The City did not have adequate controls in place to ensure the financial information reported was accurate. The failure to establish controls over financial transactions and reporting resulted in errors to the financial statement as follows:

- Receipts and disbursements were posted to the Wastewater Bond and Interest fund when they were transferred to the bank account instead of when the debt service payments were made causing the beginning cash balance to be understated by \$1,894,237; receipts to be understated by \$11,873; disbursements to be overstated by \$758,897; and the cash ending balance to be understated by \$2,665,007.
- The Wastewater 2012 Construction fund was not reported in the financial statement causing the beginning cash balance to be understated by \$14,710,760; receipts to be understated by \$3; disbursements to be understated by \$7,415,761; and the ending cash balance to be understated by \$7,295,002.
- Transfers to savings accounts for RP&L Depreciation and RP&L Insurance Reserve funds were posted as disbursements in error causing disbursements and ending cash balance to be overstated by \$14,837.
- Transfers between some electric utility funds were reported incorrectly causing receipts to be understated by \$344,362; disbursements to be understated by \$343,380; and ending balances to be understated by \$982.
- Ending balances for some electric utility funds were entered as the beginning balance in error causing both beginning and ending balances for RP&L Bond and Interest to be understated by \$343,380; RP&L Depreciation to be overstated by \$357,445; and RP&L Insurance Reserve to be overstated by \$1,744.

Audit adjustments were proposed, accepted by the City and made to the financial statement 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)

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

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

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

FINDING 2013-002 - 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 review of the federal schedule failed to detect material errors. The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors:

- Expenditures for the following cfda numbers and amounts were not included on the SEFA: 10.559 for \$7,546; 16.543 for \$3,704; 20.600 for \$19,416; and 20.601 for \$28,562.
- Expenditures for the following cfda numbers and amounts were overstated on the SEFA due to incorrect computations and posting errors: 11.307 for \$179,649 and 16.738 for \$3,171.
- Expenditures for the following cfda numbers and amounts were overstated on the SEFA due to incorrectly including state and local sources as federal funding: 20.106 for \$12,487 and 20.205 for \$16,773.

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 Guidedlines 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."

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

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 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."

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE AIRPORT IMPROVEMENT PROGRAM

Federal Agency: Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Number and Year (or Other Identifying Number): 3-18-0071-015 and 3-18-0071-16

Pass-Through Entity: Direct

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and compliance with the Davis-Bacon Act requirements. The contractor's compliance with the Davis-Bacon Act requirements were managed by the construction engineering firm, but the City did not monitor their review of the requirements. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

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

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

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

"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 noted above that have a direct and material effect to the program.

FINDING 2013-004 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE ECONOMIC ADJUSTMENT ASSISTANCE PROGRAM

Federal Agency: Department of Commerce
Federal Program: Economic Adjustment Assistance
CFDA Number: 11.307
Federal Award Number and Year: 06-36-02088
Pass-Through Entity: Direct

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

ED-209 reports prepared for the periods ending March 31, 2013, and October 31, 2013, contained numerous posting errors including principle repayments being reported as income, Revolving Loan Fund (RFL) income added to RLF Capital base reported incorrectly, and loan losses not reported on the March 31, 2013 report.

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

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

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

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

13 CFR 307.14 Revolving Loan Fund semi-annual report and Income and Expense Statement states:

"(a) Frequency of reports. All RLF Recipients, including those receiving Recapitalization Grants for existing RLFs, must complete and submit a semi-annual report in electronic format, unless EDA approves a paper submission.

(b) Report contents. RLF Recipients must certify as part of the semi-annual report to EDA that the RLF is operating in accordance with the applicable RLF Plan. RLF Recipients also must describe (and propose pursuant to § 307.9) any modifications to the RLF Plan to ensure effective use of the RLF as a strategic financing tool.

(c) RLF Income and Expense Statement. An RLF Recipient using either fifty (50) percent or more (or more than \$100,000) of RLF Income for administrative costs in a six-month (6) Reporting Period must submit to EDA a completed Income and Expense Statement (Form ED-209I or any successor form) for that Reporting Period in electronic format, unless EDA approves a paper submission."

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 all compliance requirements that have a direct and material effect to the program.

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

FINDING 2013-005 - ECONOMIC ADJUSTMENT ASSISTANCE - SPECIAL TESTS AND PROVISIONS

Federal Agency: Department of Commerce
Federal Program: Economic Adjustment Assistance
CFDA Number: 11.307
Federal Award Number and Year: 06-36-02088
Pass-Through Entity: Direct

Management of the City has not established an effective internal control system, related to the grant agreement 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 review of ED-209 reports prepared for the periods ending March 31, 2013, and October 31, 2013, revealed that excess cash was on hand and funds were required to be sequestered. The City also received notice from EDA indicating the City needed to sequester funds. Funds were not sequestered as required by the grant requirements.

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

Excess funds should be sequestered.

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."

13 CFR 307.16 Effective Utilization of Revolving Loan Funds states in part:

"(c) Capital utilization standard.

- (1) During the Revolving Phase, RLF Recipients must manage their repayment and lending schedules to provide that at all times at least seventy-five (75) percent of the RLF Capital is loaned or committed. The following exceptions apply:
 - (i) An RLF Recipient that anticipates making large loans relative to the size of its RLF Capital base may propose a Plan that provides for maintaining a capital utilization standard greater than twenty-five (25) percent; and
 - (ii) EDA may require an RLF Recipient with an RLF Capital base in excess of \$4 million to adopt a Plan that maintains a proportionately higher percentage of its funds loaned.
- (2) When the percentage of loaned RLF Capital falls below the capital utilization standard, the dollar amount of the RLF funds equivalent to the difference between the actual percentage of RLF Capital loaned and the capital utilization standard is referred to as 'excess funds.'

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

(i) Sequestration of excess funds. If the RLF Recipient fails to satisfy the capital utilization standard for two (2) consecutive Reporting Periods, EDA may require the RLF Recipient to deposit excess funds in an interest-bearing account. The portion of interest earned on the account holding excess funds attributable to the Federal Share (as defined in § 314.5 of this chapter) of the RLF Grant shall be remitted to the U.S. Treasury. The RLF Recipient must obtain EDA's written authorization to withdraw any sequestered funds.

(ii) Persistent non-compliance. An RLF Recipient will generally be allowed a reasonable period of time to lend excess funds and achieve the capital utilization standard. However, if an RLF Recipient fails to achieve the capital utilization standard after a reasonable period of time, as determined by EDA, it may be subject to sanctions such as suspension or termination."

The failure to establish internal controls enabled 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 those related to the grant agreement and compliance requirements that have a direct and material effect to the program and sequester all funds as required by the grant requirements.

AUDITEE PREPARED DOCUMENT

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



CITY OF RICHMOND

DEPARTMENT OF FINANCE & PURCHASING
50 NORTH FIFTH STREET, RICHMOND, INDIANA 47374
PHONE (765) 983-7200 FAX (765) 983-7212

SALLY HUTTON

Mayor

SANDRA SPENCER

City Controller

TO: State Board of Accounts
FROM: Sandra Spencer, City Controller
REF: 2013 Audit Findings and Corrective Action Plan

FINDING 2013-001 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS

Contact Person: Sandra Spencer
Contact Number: 765-983-7215
Anticipated Completion Date: N/A

CORRECTIVE ACTION PLAN

1. Preparing Financial Statements: It was brought to my attention that bond and interest funds were not all posted to the financial statements. In the future, we will make sure to report those funds so that our receipts and disbursements will not be understated or overstated.
2. Receipts: We will implement a procedure to create a receipt for each transaction when funds are received, making sure to indicate the method of payment on each receipt.

Signed *Sandra Spencer*
Title *Controller*
Date *4/28/15*



CITY OF RICHMOND

DEPARTMENT OF FINANCE & PURCHASING
50 NORTH FIFTH STREET, RICHMOND, INDIANA 47374
PHONE (765) 983-7200 FAX (765) 983-7212

SALLY HUTTON

Mayor

SANDRA SPENCER

City Controller

TO: State Board of Accounts
FROM: Sandra Spencer, City Controller
REF: 2013 Audit Findings and Corrective Action Plan

FINDING 2013-002 –PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person: Tony Foster
Contact Number: 765-983-7211
Anticipated Completion Date: N/A

CORRECTIVE ACTION PLAN

1. It has been brought to my attention that effective internal controls are needed to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The Director of Metropolitan Development, his department, and the Controller's office will work together to detect inefficiencies in the current system to provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, segregation of duties, and compliance with laws and regulations going forward.

Signed Sandra Spencer

Title Controller

Date 4/28/15



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SALLY HUTTON

Mayor

SANDRA SPENCER

City Controller

TO: State Board of Accounts
FROM: Sandra Spencer, City Controller
REF: 2013 Audit Findings and Corrective Action Plan

**FINDING 2013-003-INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT
HAVE A DIRECT AND MATERIAL EFFECT TO THE AIRPORT IMPROVEMENT
PROGRAM.**

Contact Person: Sandra Spencer
Contact Number: 765-983-7215
Anticipated Completion Date: N/A

CORRECTIVE ACTION PLAN

1. It has been brought to my attention that effective internal controls were not in place regarding the oversight of contractual labor for the Airport Improvement Program. We will work to be in compliance with this issue by making sure to establish internal controls that would require the engineer to oversee the work being done and to be sure the invoicing matches work done.

Signed *Sandra Spencer*
Title *Controller*
Date *4/28/15*



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SALLY HUTTON

Mayor

SANDRA SPENCER

City Controller

TO: State Board of Accounts
FROM: Sandra Spencer, City Controller
REF: 2013 Audit Findings and Corrective Action Plan

FINDING 2013-004 – INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A MATERIAL EFFECT TO THE ECONOMIC DEVELOPMENT CLUSTER.

Contact Person: Tony Foster
Contact Number: 765-983-7211
Anticipated Completion Date: N/A

CORRECTIVE ACTION PLAN

Federal Agency: Department of Commerce
Federal Program: Economic Development Cluster
CFDA Number: 11.307
Federal Award Number and Year: 06-36-02088
Pass-Through Entity: Direct

1. It has been brought to my attention that effective internal controls are needed to ensure grant funds and associated reporting are signed and reviewed by at least two persons for segregation of duties. This will be done by Tony Foster, Executive Director of Metropolitan Development and by the Controller or Mayor as needed.
2. The City of Richmond will make every effort to consider these findings when preparing future reports.

Signed *Sandra Spencer*
Title *Controller*
Date *4/28/15*



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SALLY HUTTON
Mayor

SANDRA SPENCER
City Controller

TO: State Board of Accounts
FROM: Sandra Spencer, City Controller
REF: 2013 Audit Findings and Corrective Action Plan

FINDING 2013-005 –ECONOMIC ADJUSTMENT ASSISTANCE-SPECIAL TESTS AND PROVISIONS

Contact Person: Sandra Spencer
Contact Number: 765-983-7215
Anticipated Completion Date: N/A

CORRECTIVE ACTION PLAN

1. It has been brought to my attention that sequestration of excess funds was not done in 2013. Due to the amount of RLF cash on hand, funds should have been sequestered into a separate account and any interest earned forwarded to the US Treasury. A \$250,000 loan was approved in 2013. Unfortunately it was not disbursed until 2014 due to the time it took to complete proper due diligence in securing proper liens/mortgages to secure the loan. If that loan would have been disbursed more timely, sequestration of funds may not have been required. The City of Richmond will make every effort to make sure that funds are properly sequestered moving forward.

Signed *Sandra Spencer*
Title *Controller*
Date *4/28/15*

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/>.