

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF WABASH
WABASH COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED

12/18/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Wendy D. Frazier	01-01-12 to 12-31-15
Mayor	Robert E. Vanlandingham	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Robert E. Vanlandingham	01-01-12 to 12-31-15
President Pro Tempore of the Common Council	James W. Wenrich Douglas Konkle	01-01-14 to 01-11-15 01-12-15 to 12-31-15



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF WABASH, WABASH COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Wabash (City), which comprises the financial position and results of operations for the year ended December 31, 2014, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2014.

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, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

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.


Other Information

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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 24, 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.


Paul D. Joyce, CPA
State Examiner

September 24, 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 WABASH, WABASH 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 Wabash (City), which comprises the financial position and results of operations for the year ended December 31, 2014, and the related notes to the financial statement, and have issued our report thereon dated September 24, 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 item 2014-001 to be material weaknesses.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Wabash'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

September 24, 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 WABASH
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2014

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
General	\$ 8,428,594	\$ 7,515,865	\$ 7,277,544	\$ 8,666,915
Motor Vehicle Highway	799,096	1,199,982	1,509,862	489,216
Local Road and Street	75,340	46,632	8,400	113,572
Aviation	202,639	156,388	242,151	116,876
Ambulance	626,552	802,451	870,044	558,959
Criminal Justice Grant	7,347	15,492	13,348	9,491
Law Enforcement Continuing Education	11,141	8,323	9,828	9,636
Clerk's Perpetuation Fund	3,486	1	-	3,487
Park & Pool	796,421	1,267,261	1,063,425	1,000,257
User Fees	16,376	146	-	16,522
Rainy Day Fund	896,018	-	-	896,018
Park Non Reverting Capital	164,474	210,000	374,474	-
Redevelopment Commission	19,360	-	7,902	11,458
CEDIT	785,029	552,124	448,198	888,955
Cumulative Capital Improvement	136,803	29,063	21,700	144,166
Self Insurance	1,959,390	-	-	1,959,390
Police Pension Fund	547,512	504,478	487,886	564,104
Fire Pension Fund	456,678	753,967	750,341	460,304
City Court	4,847	99,861	83,487	21,221
Aviation Grant	(5,711)	1,489,524	1,464,543	19,270
Brownfield Grants	738	-	-	738
North East Business Park	625,181	346,509	868,444	103,246
2010 Const Works Bond	602,946	-	49,366	553,580
Cinergy Metronet TIF Dist	55,746	65,247	71,673	49,320
EPA Grant	26,741	124,995	149,332	2,404
Ford Meter Box Allocation	-	93,582	93,582	-
Miami & Market (Charley Creek)	-	26,576	24,915	1,661
Cinergy Metronet Allocation	300,795	403,755	449,926	254,624
Innovative Venture Allocation	106,260	741,956	474,734	373,482
Aviation Revolving	37,155	9,800	14,933	32,022
Aviation-Rotary Fund	27,878	98,360	100,977	25,261
Debt Reserve-Street	233,000	-	-	233,000
Civic Fund	1,504	-	1,144	360
Sewage	1,384,257	3,042,652	2,890,913	1,535,996
Sewage Bond & Coupon	469,018	650,154	720,963	398,209
Sewage Debt Reserve	350,000	-	-	350,000
Payroll	36,725	4,949,995	4,882,168	104,552
Pension Payroll	-	1,194,595	1,194,348	247
Court Cost Due County	688	2,444	2,444	688
Park Donation	498	-	498	-
Operation Good Neighbor	5,931	3,410	2,423	6,918
Stormwater	2,014,219	759,952	470,174	2,303,997
Totals	<u>\$ 22,210,672</u>	<u>\$ 27,165,540</u>	<u>\$ 27,096,090</u>	<u>\$ 22,280,122</u>

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

CITY OF WABASH
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, wastewater, storm water, trash, aviation, and urban redevelopment and housing.

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

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or non-businesses 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 WABASH
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

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

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

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

E. Disbursements

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

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

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

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

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

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

CITY OF WABASH
NOTES TO FINANCIAL STATEMENT
(Continued)

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

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

CITY OF WABASH
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Note 5. Risk Management

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

CITY OF WABASH
NOTES TO FINANCIAL STATEMENT
(Continued)

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

C. 1937 Firefighters' Pension Plan

Plan Description

The 1937 Firefighters' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

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

Plan Description

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

CITY OF WABASH
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

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

Note 7. Subsequent Events

The City of Wabash Wastewater Utility issued 2015 Sewage Works Revenue Bonds of \$3,000,000 on May 11, 2015.

OTHER INFORMATION - UNAUDITED

The City's Annual Financial 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 Financial 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 other information presented was approved by management of the City. It is presented as intended by the City.

CITY OF WABASH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014

	General	Motor Vehicle Highway	Local Road and Street	Aviation	Ambulance	Criminal Justice Grant	Law Enforcement Continuing Education
Cash and investments - beginning	\$ 8,428,594	\$ 799,096	\$ 75,340	\$ 202,639	\$ 626,552	\$ 7,347	\$ 11,141
Receipts:							
Taxes	3,609,486	737,305	-	146,886	-	-	-
Licenses and permits	129,353	-	-	-	-	-	3,270
Intergovernmental	3,646,193	441,213	46,632	9,502	-	2,291	-
Charges for services	10,775	-	-	-	629,144	-	-
Fines and forfeits	7,403	-	-	-	-	-	-
Other receipts	112,655	21,464	-	-	173,307	13,201	5,053
Total receipts	<u>7,515,865</u>	<u>1,199,982</u>	<u>46,632</u>	<u>156,388</u>	<u>802,451</u>	<u>15,492</u>	<u>8,323</u>
Disbursements:							
Personal services	5,382,476	719,151	-	97,957	488,451	-	-
Supplies	248,393	227,527	-	5,937	116,947	-	-
Other services and charges	1,533,162	409,419	-	17,757	67,917	-	-
Capital outlay	92,468	153,765	8,400	120,500	196,729	13,348	9,828
Other disbursements	21,045	-	-	-	-	-	-
Total disbursements	<u>7,277,544</u>	<u>1,509,862</u>	<u>8,400</u>	<u>242,151</u>	<u>870,044</u>	<u>13,348</u>	<u>9,828</u>
Excess (deficiency) of receipts over disbursements	<u>238,321</u>	<u>(309,880)</u>	<u>38,232</u>	<u>(85,763)</u>	<u>(67,593)</u>	<u>2,144</u>	<u>(1,505)</u>
Cash and investments - ending	<u>\$ 8,666,915</u>	<u>\$ 489,216</u>	<u>\$ 113,572</u>	<u>\$ 116,876</u>	<u>\$ 558,959</u>	<u>\$ 9,491</u>	<u>\$ 9,636</u>

CITY OF WABASH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Clerk's Perpetuation Fund	Park & Pool	User Fees	Rainy Day Fund	Park Non Reverting Capital	Redevelopment Commission
Cash and investments - beginning	\$ 3,486	\$ 796,421	\$ 16,376	\$ 896,018	\$ 164,474	\$ 19,360
Receipts:						
Taxes	-	719,423	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	46,537	-	-	-	-
Charges for services	1	18,054	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other receipts	-	483,247	146	-	210,000	-
Total receipts	<u>1</u>	<u>1,267,261</u>	<u>146</u>	<u>-</u>	<u>210,000</u>	<u>-</u>
Disbursements:						
Personal services	-	275,831	-	-	-	-
Supplies	-	83,627	-	-	-	-
Other services and charges	-	59,652	-	-	374,474	7,902
Capital outlay	-	211,508	-	-	-	-
Other disbursements	-	432,807	-	-	-	-
Total disbursements	<u>-</u>	<u>1,063,425</u>	<u>-</u>	<u>-</u>	<u>374,474</u>	<u>7,902</u>
Excess (deficiency) of receipts over disbursements	<u>1</u>	<u>203,836</u>	<u>146</u>	<u>-</u>	<u>(164,474)</u>	<u>(7,902)</u>
Cash and investments - ending	<u>\$ 3,487</u>	<u>\$ 1,000,257</u>	<u>\$ 16,522</u>	<u>\$ 896,018</u>	<u>\$ -</u>	<u>\$ 11,458</u>

CITY OF WABASH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	CEDIT	Cumulative Capital Improvement	Self Insurance	Police Pension Fund	Fire Pension Fund	City Court
Cash and investments - beginning	\$ 785,029	\$ 136,803	\$ 1,959,390	\$ 547,512	\$ 456,678	\$ 4,847
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	543,124	28,213	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	99,861
Other receipts	9,000	850	-	504,478	753,967	-
Total receipts	<u>552,124</u>	<u>29,063</u>	<u>-</u>	<u>504,478</u>	<u>753,967</u>	<u>99,861</u>
Disbursements:						
Personal services	-	-	-	487,424	744,923	-
Supplies	-	-	-	-	-	-
Other services and charges	70,000	-	-	462	5,418	83,487
Capital outlay	378,198	21,700	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>448,198</u>	<u>21,700</u>	<u>-</u>	<u>487,886</u>	<u>750,341</u>	<u>83,487</u>
Excess (deficiency) of receipts over disbursements	<u>103,926</u>	<u>7,363</u>	<u>-</u>	<u>16,592</u>	<u>3,626</u>	<u>16,374</u>
Cash and investments - ending	<u>\$ 888,955</u>	<u>\$ 144,166</u>	<u>\$ 1,959,390</u>	<u>\$ 564,104</u>	<u>\$ 460,304</u>	<u>\$ 21,221</u>

CITY OF WABASH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Aviation Grant	Brownfield Grants	North East Business Park	2010 Const Works Bond	Cinergy Metronet TIF Dist	EPA Grant
Cash and investments - beginning	\$ (5,711)	\$ 738	\$ 625,181	\$ 602,946	\$ 55,746	\$ 26,741
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	1,489,524	-	30,269	-	-	124,995
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other receipts	-	-	316,240	-	65,247	-
Total receipts	<u>1,489,524</u>	<u>-</u>	<u>346,509</u>	<u>-</u>	<u>65,247</u>	<u>124,995</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	1,464,543	-	868,444	49,366	71,673	149,332
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>1,464,543</u>	<u>-</u>	<u>868,444</u>	<u>49,366</u>	<u>71,673</u>	<u>149,332</u>
Excess (deficiency) of receipts over disbursements	<u>24,981</u>	<u>-</u>	<u>(521,935)</u>	<u>(49,366)</u>	<u>(6,426)</u>	<u>(24,337)</u>
Cash and investments - ending	<u>\$ 19,270</u>	<u>\$ 738</u>	<u>\$ 103,246</u>	<u>\$ 553,580</u>	<u>\$ 49,320</u>	<u>\$ 2,404</u>

CITY OF WABASH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Ford Meter Box Allocation	Miami & Market (Charley Creek)	Cinergy Metronet Allocation	Innovative Venture Allocation	Aviation Revolving	Aviation-Rotary Fund
Cash and investments - beginning	\$ -	\$ -	\$ 300,795	\$ 106,260	\$ 37,155	\$ 27,878
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other receipts	93,582	26,576	403,755	741,956	9,800	98,360
Total receipts	<u>93,582</u>	<u>26,576</u>	<u>403,755</u>	<u>741,956</u>	<u>9,800</u>	<u>98,360</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	14,933	100,977
Capital outlay	93,582	24,915	449,926	474,734	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>93,582</u>	<u>24,915</u>	<u>449,926</u>	<u>474,734</u>	<u>14,933</u>	<u>100,977</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>1,661</u>	<u>(46,171)</u>	<u>267,222</u>	<u>(5,133)</u>	<u>(2,617)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 1,661</u>	<u>\$ 254,624</u>	<u>\$ 373,482</u>	<u>\$ 32,022</u>	<u>\$ 25,261</u>

CITY OF WABASH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Debt Reserve-Street	Civic Fund	Sewage	Sewage Bond & Coupon	Sewage Debt Reserve	Payroll
Cash and investments - beginning	\$ 233,000	\$ 1,504	\$ 1,384,257	\$ 469,018	\$ 350,000	\$ 36,725
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	3,041,197	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other receipts	-	-	1,455	650,154	-	4,949,995
Total receipts	-	-	3,042,652	650,154	-	4,949,995
Disbursements:						
Personal services	-	-	677,575	-	-	3,286,771
Supplies	-	-	574,974	-	-	-
Other services and charges	-	1,144	1,617,997	720,963	-	-
Capital outlay	-	-	-	-	-	-
Other disbursements	-	-	20,367	-	-	1,595,397
Total disbursements	-	1,144	2,890,913	720,963	-	4,882,168
Excess (deficiency) of receipts over disbursements	-	(1,144)	151,739	(70,809)	-	67,827
Cash and investments - ending	\$ 233,000	\$ 360	\$ 1,535,996	\$ 398,209	\$ 350,000	\$ 104,552

CITY OF WABASH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Pension Payroll	Court Cost Due County	Park Donation	Operation Good Neighbor	Stormwater	Totals
Cash and investments - beginning	\$ -	\$ 688	\$ 498	\$ 5,931	\$ 2,014,219	\$ 22,210,672
Receipts:						
Taxes	-	-	-	-	-	5,213,100
Licenses and permits	-	-	-	-	-	132,623
Intergovernmental	-	-	-	-	226,894	6,635,387
Charges for services	-	-	-	-	530,910	4,230,081
Fines and forfeits	-	-	-	-	-	107,264
Other receipts	1,194,595	2,444	-	3,410	2,148	10,847,085
Total receipts	<u>1,194,595</u>	<u>2,444</u>	<u>-</u>	<u>3,410</u>	<u>759,952</u>	<u>27,165,540</u>
Disbursements:						
Personal services	-	-	-	-	-	12,160,559
Supplies	-	-	-	-	-	1,257,405
Other services and charges	-	-	-	-	-	5,085,664
Capital outlay	-	-	-	-	-	4,852,959
Other disbursements	1,194,348	2,444	498	2,423	470,174	3,739,503
Total disbursements	<u>1,194,348</u>	<u>2,444</u>	<u>498</u>	<u>2,423</u>	<u>470,174</u>	<u>27,096,090</u>
Excess (deficiency) of receipts over disbursements	<u>247</u>	<u>-</u>	<u>(498)</u>	<u>987</u>	<u>289,778</u>	<u>69,450</u>
Cash and investments - ending	<u>\$ 247</u>	<u>\$ 688</u>	<u>\$ -</u>	<u>\$ 6,918</u>	<u>\$ 2,303,997</u>	<u>\$ 22,280,122</u>

CITY OF WABASH
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2014

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental Activities	\$ -	\$ 719
Wastewater Utility	-	184,557
Sormwater Utility	-	47,081
Total	<u>\$ -</u>	<u>\$ 232,357</u>

CITY OF WABASH
SCHEDULE OF LEASES AND DEBT
December 31, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Ford Credit	Lease of Police Cars	\$ 31,015	03/28/13	03/28/15
Municipal Capital Finance	Lease of Build. Comm. Truck	<u>6,850</u>	10/01/14	10/01/17
Total of annual lease payments		<u>\$ 37,865</u>		

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:				
Revenue Bonds - Redevelopment Commission	Economic Development (Ford Meter Box) - 2009A		\$ 891,117	\$ 42,769
Taxable Bonds - Redevelopment Commission	Economic Development (Cinergy MetroNet) - 2010A		1,491,830	277,765
Taxable Bonds - Redevelopment Commission	Economic Development (Innovation Ventures) - 2011		3,324,107	685,444
Taxable Bonds - Redevelopment Commission	Economic Development (Charley Creek Inn) - 2011		244,687	22,401
Taxable Bonds - Redevelopment Commission	Economic Development (Mainstreet Wabash LLC) - 2011B		1,465,000	59,022
Bond Anticipation note	Redevelopment 2012		2,275,061	-
Bond Anticipation note	Pool Project 2014		316,057	-
General obligation bonds	Street Bond - CEDIT		440,000	234,763
Revenue bonds	Sewage Works - 2010		<u>1,425,000</u>	<u>732,575</u>
Totals			<u>\$ 11,872,859</u>	<u>\$ 2,054,739</u>

CITY OF WABASH
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2014

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

	Ending Balance
Governmental activities:	
Land	\$ 3,725,401
Infrastructure	5,423,522
Buildings	5,967,196
Improvements other than buildings	7,459,681
Machinery, equipment, and vehicles	6,375,297
Construction in progress	389,526
Total governmental activities	29,340,623
Wastewater Utility:	
Land	134,606
Infrastructure	1,532,736
Buildings	9,769,988
Improvements other than buildings	4,620,280
Machinery, equipment, and vehicles	2,112,690
Total Wastewater Utility	18,170,300
Total capital assets	\$ 47,510,923

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE CITY OF WABASH, WABASH COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the City of Wabash'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 its major federal program for the year ended December 31, 2014. The City's major federal program is 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 the City's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-002. Our opinion on the major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance


Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the 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 2014-002 and 2014-003 to be material weaknesses.

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

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


Paul D. Joyce, CPA
State Examiner

September 24, 2015

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

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

CITY OF WABASH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

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 Commerce</u>				
Economic Development Cluster Investments for Public Works and Economic Development Facilities	Direct Grant	11.300	06-01-05748	\$ 30,269
Total - Department of Commerce				<u>30,269</u>
<u>Department of Transportation</u>				
Airport Improvement Program	Direct Grant	20.106	3-18-0084-14	<u>1,425,642</u>
Highway Planning and Construction Cluster Highway Planning and Construction Alber Street	Indiana Department of Transportation	20.205	1005202	<u>226,894</u>
Total - Highway Planning and Construction Cluster				<u>226,894</u>
Highway Safety Cluster State and Community Highway Safety	Indiana Criminal Justice Institute	20.600	D3-14-8220	<u>2,291</u>
Total - Highway Safety Cluster				<u>2,291</u>
Total - Department of Transportation				<u>1,654,827</u>
<u>Environmental Protection Agency</u>				
Brownfields Assessment and Cleanup Cooperative Agreements	Direct Grant	66.818	BFOOE00890-0	<u>149,332</u>
Total - Environmental Protection Agency				<u>149,332</u>
<u>Department of Homeland Security</u>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Indiana Department of Homeland Security	97.036	169-UM6PE-00	<u>16,146</u>
Total - Department of Homeland Security				<u>16,146</u>
Total federal awards expended				<u>\$ 1,850,574</u>

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

CITY OF WABASH
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

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

CITY OF WABASH
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?	no

Federal Awards:

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

Identification of Major Program:

CFDA Number	Name of Federal Program or Cluster
20.106	Airport Improvement Program

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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

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

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-002 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number and Year: 3-18-0084-14
Pass-Through Entity: Direct Grant

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

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

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

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

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

49 CFR 18.32(d) states in part:

- "(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated."

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 segregation of duties, related to the grant agreement and the Equipment and Real Property Management compliance requirement to ensure the City complies with all requirements.

FINDING 2014-003 - SUSPENSION AND DEBARMENT

Federal Agency: Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number and Year: 3-18-0084-014
Pass-Through Entity: Direct Grant

Management of the City has not established an effective internal control system related to suspension and debarment compliance requirements. As a result, the City did not effectively monitor whether vendors were debarred, suspended, or otherwise excluded.

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

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.

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

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

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

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

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

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AUDITEE PREPARED DOCUMENT

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



City of Wabash

WENDY FRAZIER
CLERK-TREASURER

CITY HALL
202 S. WABASH ST
WABASH, IN 46992

(260) 563-4171
FAX: (260) 563-0876
wfrazier@cityofwabash.com

September 23, 2015

Corrective Action Plan for the City of Wabash

State Board of Accounts
3302 Washington St., Room E418
Indianapolis, IN 46204-2765

FINDING 2014-001

Contact Person Responsible for Corrective Action: Wendy D. Frazier
Contact Phone Number: (260) 563-4171

Description of Corrective Action Plan:

The Clerk-Treasurer's Office, will train the new deputy, Amber Khirin to prepare for the review of the Clerk-Treasurer, (which is where the deputy will get said information to enter into gateway) data entered into the Gateway system to ensure that all financial transactions are correctly reported and that the financial statement is accurate in its presentation. We do not anticipate changing of Employees and each deputy will cross-train in 2016 and share more responsibility.

Anticipated Completion Date: December 31, 2015

FINDING 2014-002

Federal Agency: Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Years: 2014
Pass-Through Entity: Direct Grant

Contact Person Responsible for Corrective Action: Wendy D. Frazier
Contact Phone Number: (260) 563-4171

Description of Corrective Action Plan:

The Clerk-Treasurer's Office will share as whole, meaning Wendy, Judy, and Amber, to the best of our ability, and coordinate with the grant administrator NGC, and the Board of Aviation president to get the best up to date information on gateway in regard to the in regard to Capital Assets.

Anticipated Completion Date: September 23, 2015

FINDING 2014-003

Federal Agency: Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Years: 2014
Pass-Through Entity: Direct Grant

Contact Person Responsible for Corrective Action: Wendy D. Frazier
Contact Phone Number: (260) 563-4171

Description of Corrective Action Plan:

The Clerk-Treasurer's Office will share as whole, meaning Wendy, Judy, and Amber, to the best of our ability, and coordinate with the City Attorney and the Board of Aviation president to test for Suspension and Debarment for companies paid over \$25,000 on a federal project.

Wendy Franjin, IAMC
(Signature)

CLERK-TREASURER
(Title)

9-24-15
(Date)

OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.