

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF SALEM
WASHINGTON COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
03/11/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Patricia E. Persinger	01-01-12 to 12-31-15
Mayor	David L. Bower	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	David L. Bower	01-01-14 to 12-31-15
President Pro Tempore of the Common Council	Ronald C. Haendiges, Jr. Justin T. Green	01-01-14 to 12-31-14 01-01-15 to 12-31-15
Utility Office Manager	Carol Brough	01-01-14 to 12-31-15



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Salem (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 December 15, 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

December 15, 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 SALEM, WASHINGTON 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 Salem (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 December 15, 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 Salem'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

December 15, 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 SALEM
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	\$ 322,106	\$ 3,802,064	\$ 3,826,291	\$ 297,879
MOTOR VEHICLE HIGHWAY	180,096	459,032	525,235	113,893
LOCAL ROAD AND STREET	5,838	25,865	22,012	9,691
AVIATION	42,508	102,100	120,481	24,127
SANITATION	106,750	351,057	334,454	123,353
LAW ENFORCEMENT CONTINUING EDUCATION	7,088	3,114	5,924	4,278
UNSAFE BUILDING	21,554	960	1,213	21,301
RIVERBOAT REVENUE SHARING	12,748	37,433	33,483	16,698
PARK AND RECREATION	117,095	152,887	173,408	96,574
RAINY DAY FUND	40,932	40,000	40,000	40,932
K-9 PROGRAM	1,000	600	426	1,174
EDIT	175,335	426,714	406,358	195,691
LEVY EXCESS	-	195	-	195
CUMULATIVE CAPITAL IMPROVEMENT	9,792	16,715	16,953	9,554
CUMULATIVE CAPITAL DEVELOPMENT	31,066	71,319	77,300	25,085
SELF INSURANCE	(5,773)	1,317,469	1,301,368	10,328
STREET SIGN GRANT	10,040	-	-	10,040
CEMETERY OPERATING	27,253	125,237	106,857	45,633
AIRPORT GRANT - FEDERAL	70,351	2,400,804	2,471,155	-
AIRPORT GRANT - STATE	389	77,418	77,418	389
PETTY CASH - GENERAL	500	-	-	500
CASH CHANGE - GENERAL	50	-	-	50
PETTY CASH - PARK AND RECREATION	50	-	-	50
CEMETERY STONE REPAIR DONATION	579	-	-	579
CEMETERY CHAPEL DONATIONS	2,100	200	-	2,300
SALEM BICENTENNIAL FUND	10,200	9,000	12,151	7,049
SALEM SIDEWALK	116	392	-	508
PUBLIC SAFETY TAX	-	328,284	232,687	95,597
ANIMAL SHELTER DONATION	18,441	7,827	15,051	11,217
POLICE DONATION	-	866	866	-
CEMETERY PERMANENT MAINTENANCE	105,925	96,185	107,364	94,746
SINCLAIR MEMORIAL MAUSOLEUM	16,487	15	-	16,502
URBAN BEAUTIFICATION	-	400	400	-
SALEM HOUSING REHAB RLF	14	-	-	14
POLICE GRANT	-	641	641	-
SALEM R.B.E.G. FUND	-	25,000	-	25,000
ALLOCATION #1 U.E.Z.	65,919	134,425	30,157	170,187
AIRPORT IMPROVEMENT	179,328	48,606	193,155	34,779
BOAC RENTAL PROPERTY	4,698	9,600	6,423	7,875
PROJECT DONATION	14	1,000	1,014	-
FIRE PENSION OLD	78,892	101,907	100,354	80,445
POLICE PENSION OLD	88,775	82,993	94,814	76,954
INSURANCE	(559)	559	-	-
PAYROLL - NET SALARIES	-	738,148	738,148	-
PAYROLL - FEDERAL W/H	-	263,460	263,460	-

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

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

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
PAYROLL - FICA	-	221,339	221,339	-
PAYROLL - MEDICARE	-	74,041	74,041	-
PAYROLL - STATE W/H	-	91,887	91,887	-
PAYROLL - COUNTY W/H	-	50,204	50,204	-
AMERICAN FAMILY LIFE	-	19,706	19,706	-
AUL 457	-	47,247	47,247	-
COMMUNITY FOUNDATION	-	1,466	1,466	-
BOSTON MUTUAL	-	2,316	2,316	-
PERF	-	225,737	225,737	-
COLONIAL LIFE	-	9,043	9,043	-
COMPANION LIFE	-	596	596	-
DIRECT DEPOSIT	-	1,308,024	1,308,024	-
IN STATE CENT COLL UNIT	-	5,995	5,995	-
NEW JERSEY FAMILY SUPPORT	-	9,126	9,126	-
GUARDIAN 125	-	23,114	23,114	-
HEALTH 125	-	84,034	84,034	-
ID PROTECTION	-	932	932	-
LINCOLN LIFE	-	733	733	-
NATIONWIDE 457	-	1,487	1,487	-
PRUDENTIAL LIFE	-	1,816	1,816	-
WASHINGTON NATIONAL LIFE	-	341	341	-
WASHINGTON COUNTY TREASURER	-	1,289	1,289	-
YMCA	-	3,357	3,357	-
FIRE PERF	-	78,458	78,458	-
POLICE PERF	-	127,713	127,713	-
U.S. DEPT. OF TREASURY	-	150	150	-
LIBERTY NATIONAL 125	-	1,114	1,114	-
SDU/TRIBAL ORDER	-	417	417	-
WASTEWATER OPERATING	6,245	1,222,287	1,210,105	18,427
SEWER SERVICE	62,370	31,790	23,650	70,510
WASTEWATER DEPRECIATION	20,908	18,780	24,418	15,270
WASTEWATER BOND AND INTEREST	26,908	413,665	440,573	-
WASTEWATER DEBT SERVICE	426,540	350,000	350,000	426,540
PETTY CASH - WASTEWATER	500	-	-	500
CASH CHANGE - WASTEWATER	50	-	-	50
WATER OPERATING	14,018	1,744,019	1,732,381	25,656
WATER DEPRECIATION	950	39,900	2,148	38,702
WATER BOND AND INTEREST	5	266,500	266,365	140
PETTY CASH - WATER	500	-	-	500
WATER NONREVERTING	1,133	25,370	17,661	8,842
CASH CHANGE - WATER	50	-	-	50
WATER DEBT SERVICE	313,050	-	-	313,050
BECKS MILL WATER LINE EXTENSION	609	-	-	609
Totals	<u>\$ 2,621,533</u>	<u>\$ 17,764,484</u>	<u>\$ 17,796,004</u>	<u>\$ 2,590,013</u>

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

CITY OF SALEM
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, 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, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF SALEM
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, 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, dog pound fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, and court costs.

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

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

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

E. Disbursements

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

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

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

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

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

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

CITY OF SALEM
NOTES TO FINANCIAL STATEMENT
(Continued)

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 SALEM
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

CITY OF SALEM
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 SALEM
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
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. Holding Corporation

The City has entered into a capital lease with City of Salem Government Facility Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the City. The lessor has been determined to be a related party of the City. Lease payments during the year 2014 totaled \$116,161.

Note 8. Subsequent Events

On August 19, 2015, the Salem Redevelopment Commission issued \$1,990,000 of Economic Development Revenue Bonds (Revenue Bonds) for the purpose of financing economic development facilities related to the Cedarwood Wal-Mart Project. The Revenue Bonds were issued at an interest rate of 5 percent and mature on January 15, 2040. The Salem Redevelopment Commission pledged through Resolution 2015-01 (with revisions 2015-2 and 2015-3) the property tax increment funds from the project to pay the debt service on the Revenue Bonds.

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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 SALEM
 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	SANITATION	LAW ENFORCEMENT CONTINUING EDUCATION	UNSAFE BUILDING	RIVERBOAT REVENUE SHARING
Cash and investments - beginning	\$ 322,106	\$ 180,096	\$ 5,838	\$ 42,508	\$ 106,750	\$ 7,088	\$ 21,554	\$ 12,748
Receipts:								
Taxes	1,862,437	218,622	-	-	168,002	-	-	-
Licenses and permits	30,742	-	-	-	-	2,660	960	-
Intergovernmental	1,120,651	239,130	25,865	-	12,740	-	-	37,433
Charges for services	131,800	1,260	-	102,004	167,858	454	-	-
Fines and forfeits	3,900	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	652,534	20	-	96	2,457	-	-	-
Total receipts	<u>3,802,064</u>	<u>459,032</u>	<u>25,865</u>	<u>102,100</u>	<u>351,057</u>	<u>3,114</u>	<u>960</u>	<u>37,433</u>
Disbursements:								
Personal services	2,323,614	384,489	-	-	91,141	-	-	-
Supplies	128,909	52,882	-	83,604	2,623	-	-	-
Other services and charges	559,869	17,071	22,012	36,877	214,733	2,518	-	33,483
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	72,748	70,793	-	-	25,957	3,406	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	741,151	-	-	-	-	-	1,213	-
Total disbursements	<u>3,826,291</u>	<u>525,235</u>	<u>22,012</u>	<u>120,481</u>	<u>334,454</u>	<u>5,924</u>	<u>1,213</u>	<u>33,483</u>
Excess (deficiency) of receipts over disbursements	<u>(24,227)</u>	<u>(66,203)</u>	<u>3,853</u>	<u>(18,381)</u>	<u>16,603</u>	<u>(2,810)</u>	<u>(253)</u>	<u>3,950</u>
Cash and investments - ending	<u>\$ 297,879</u>	<u>\$ 113,893</u>	<u>\$ 9,691</u>	<u>\$ 24,127</u>	<u>\$ 123,353</u>	<u>\$ 4,278</u>	<u>\$ 21,301</u>	<u>\$ 16,698</u>

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

	PARK AND RECREATION	RAINY DAY FUND	K-9 PROGRAM	EDIT	LEVY EXCESS	CUMULATIVE CAPITAL IMPROVEMENT	CUMULATIVE CAPITAL DEVELOPMENT	SELF INSURANCE
Cash and investments - beginning	\$ 117,095	\$ 40,932	\$ 1,000	\$ 175,335	\$ -	\$ 9,792	\$ 31,066	\$ (5,773)
Receipts:								
Taxes	93,404	-	-	-	-	-	66,292	-
Licenses and permits	160	-	-	-	-	-	-	-
Intergovernmental	7,083	-	-	291,291	-	16,715	5,027	-
Charges for services	45,115	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	7,125	40,000	600	135,423	195	-	-	1,317,469
Total receipts	<u>152,887</u>	<u>40,000</u>	<u>600</u>	<u>426,714</u>	<u>195</u>	<u>16,715</u>	<u>71,319</u>	<u>1,317,469</u>
Disbursements:								
Personal services	121,713	-	-	-	-	-	-	-
Supplies	33,796	-	-	-	-	-	-	-
Other services and charges	11,390	-	-	227,223	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	2,852	-	-	109,135	-	16,953	77,300	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	3,657	40,000	426	70,000	-	-	-	1,301,368
Total disbursements	<u>173,408</u>	<u>40,000</u>	<u>426</u>	<u>406,358</u>	<u>-</u>	<u>16,953</u>	<u>77,300</u>	<u>1,301,368</u>
Excess (deficiency) of receipts over disbursements	<u>(20,521)</u>	<u>-</u>	<u>174</u>	<u>20,356</u>	<u>195</u>	<u>(238)</u>	<u>(5,981)</u>	<u>16,101</u>
Cash and investments - ending	<u>\$ 96,574</u>	<u>\$ 40,932</u>	<u>\$ 1,174</u>	<u>\$ 195,691</u>	<u>\$ 195</u>	<u>\$ 9,554</u>	<u>\$ 25,085</u>	<u>\$ 10,328</u>

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

	STREET SIGN GRANT	CEMETERY OPERATING	AIRPORT GRANT - FEDERAL	AIRPORT GRANT - STATE	PETTY CASH - GENERAL	CASH CHANGE - GENERAL	PETTY CASH - PARK AND RECREATION	CEMETERY STONE REPAIR DONATION
Cash and investments - beginning	\$ 10,040	\$ 27,253	\$ 70,351	\$ 389	\$ 500	\$ 50	\$ 50	\$ 579
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	2,400,804	77,418	-	-	-	-
Charges for services	-	111,727	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	13,510	-	-	-	-	-	-
Total receipts	-	125,237	2,400,804	77,418	-	-	-	-
Disbursements:								
Personal services	-	81,396	-	-	-	-	-	-
Supplies	-	11,211	-	-	-	-	-	-
Other services and charges	-	5,955	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	8,295	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	2,471,155	77,418	-	-	-	-
Total disbursements	-	106,857	2,471,155	77,418	-	-	-	-
Excess (deficiency) of receipts over disbursements	-	18,380	(70,351)	-	-	-	-	-
Cash and investments - ending	\$ 10,040	\$ 45,633	\$ -	\$ 389	\$ 500	\$ 50	\$ 50	\$ 579

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

	CEMETERY CHapel DONATIONS	SALEM BICENTENNIAL FUND	SALEM SIDEWALK	PUBLIC SAFETY TAX	ANIMAL SHELTER DONATION	POLICE DONATION	CEMETERY PERMANENT MAINTENANCE	SINCLAIR MEMORIAL MAUSOLEUM
Cash and investments - beginning	\$ 2,100	\$ 10,200	\$ 116	\$ -	\$ 18,441	\$ -	\$ 105,925	\$ 16,487
Receipts:								
Taxes	-	-	-	292,284	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	6,185	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	200	9,000	392	36,000	7,827	866	90,000	15
Total receipts	<u>200</u>	<u>9,000</u>	<u>392</u>	<u>328,284</u>	<u>7,827</u>	<u>866</u>	<u>96,185</u>	<u>15</u>
Disbursements:								
Personal services	-	-	-	171,590	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	1,054	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	60,043	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	12,151	-	-	15,051	866	107,364	-
Total disbursements	<u>-</u>	<u>12,151</u>	<u>-</u>	<u>232,687</u>	<u>15,051</u>	<u>866</u>	<u>107,364</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>200</u>	<u>(3,151)</u>	<u>392</u>	<u>95,597</u>	<u>(7,224)</u>	<u>-</u>	<u>(11,179)</u>	<u>15</u>
Cash and investments - ending	<u>\$ 2,300</u>	<u>\$ 7,049</u>	<u>\$ 508</u>	<u>\$ 95,597</u>	<u>\$ 11,217</u>	<u>\$ -</u>	<u>\$ 94,746</u>	<u>\$ 16,502</u>

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

	URBAN BEAUTIFICATION	SALEM HOUSING REHAB RLF	POLICE GRANT	SALEM R.B.E.G. FUND	ALLOCATION #1 U.E.Z.	AIRPORT IMPROVEMENT	BOAC RENTAL PROPERTY	PROJECT DONATION
Cash and investments - beginning	\$ -	\$ 14	\$ -	\$ -	\$ 65,919	\$ 179,328	\$ 4,698	\$ 14
Receipts:								
Taxes	-	-	-	-	134,425	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	641	-	-	-	-	-
Charges for services	-	-	-	-	-	-	9,600	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	400	-	-	25,000	-	48,606	-	1,000
Total receipts	400	-	641	25,000	134,425	48,606	9,600	1,000
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	1,582	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	641	-	28,575	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	400	-	-	-	-	193,155	6,423	1,014
Total disbursements	400	-	641	-	30,157	193,155	6,423	1,014
Excess (deficiency) of receipts over disbursements	-	-	-	25,000	104,268	(144,549)	3,177	(14)
Cash and investments - ending	\$ -	\$ 14	\$ -	\$ 25,000	\$ 170,187	\$ 34,779	\$ 7,875	\$ -

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

	FIRE PENSION OLD	POLICE PENSION OLD	INSURANCE	PAYROLL - NET SALARIES	PAYROLL - FEDERAL W/H	PAYROLL - FICA	PAYROLL - MEDICARE
Cash and investments - beginning	\$ 78,892	\$ 88,775	\$ (559)	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	101,739	82,810	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	168	183	559	738,148	263,460	221,339	74,041
Total receipts	<u>101,907</u>	<u>82,993</u>	<u>559</u>	<u>738,148</u>	<u>263,460</u>	<u>221,339</u>	<u>74,041</u>
Disbursements:							
Personal services	-	500	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	100,354	94,314	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	738,148	263,460	221,339	74,041
Total disbursements	<u>100,354</u>	<u>94,814</u>	<u>-</u>	<u>738,148</u>	<u>263,460</u>	<u>221,339</u>	<u>74,041</u>
Excess (deficiency) of receipts over disbursements	<u>1,553</u>	<u>(11,821)</u>	<u>559</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 80,445</u>	<u>\$ 76,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	PAYROLL - STATE W/H	PAYROLL - COUNTY W/H	AMERICAN FAMILY LIFE	AUL 457	COMMUNITY FOUNDATION	BOSTON MUTUAL	PERF
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	91,887	50,204	19,706	47,247	1,466	2,316	225,737
Total receipts	91,887	50,204	19,706	47,247	1,466	2,316	225,737
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	91,887	50,204	19,706	47,247	1,466	2,316	225,737
Total disbursements	91,887	50,204	19,706	47,247	1,466	2,316	225,737
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

	COLONIAL LIFE	COMPANION LIFE	DIRECT DEPOSIT	IN STATE CENT COLL UNIT	NEW JERSEY FAMILY SUPPORT	GUARDIAN 125	HEALTH 125
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	9,043	596	1,308,024	5,995	9,126	23,114	84,034
Total receipts	9,043	596	1,308,024	5,995	9,126	23,114	84,034
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	9,043	596	1,308,024	5,995	9,126	23,114	84,034
Total disbursements	9,043	596	1,308,024	5,995	9,126	23,114	84,034
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

	ID PROTECTION	LINCOLN LIFE	NATIONWIDE 457	PRUDENTIAL LIFE	WASHINGTON NATIONAL LIFE	WASHINGTON COUNTY TREASURER	YMCA
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	932	733	1,487	1,816	341	1,289	3,357
Total receipts	932	733	1,487	1,816	341	1,289	3,357
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	932	733	1,487	1,816	341	1,289	3,357
Total disbursements	932	733	1,487	1,816	341	1,289	3,357
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

	FIRE PERF	POLICE PERF	U.S. DEPT. OF TREASURY	LIBERTY NATIONAL 125	SDU/TRIBAL ORDER	WASTEWATER OPERATING	SEWER SERVICE
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,245	\$ 62,370
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	1,204,291	31,790
Other receipts	78,458	127,713	150	1,114	417	17,996	-
Total receipts	<u>78,458</u>	<u>127,713</u>	<u>150</u>	<u>1,114</u>	<u>417</u>	<u>1,222,287</u>	<u>31,790</u>
Disbursements:							
Personal services	-	-	-	-	-	223,876	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	26,372	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	509,913	-
Other disbursements	78,458	127,713	150	1,114	417	449,944	23,650
Total disbursements	<u>78,458</u>	<u>127,713</u>	<u>150</u>	<u>1,114</u>	<u>417</u>	<u>1,210,105</u>	<u>23,650</u>
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	12,182	8,140
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,427</u>	<u>\$ 70,510</u>

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

	WASTEWATER DEPRECIATION	WASTEWATER BOND AND INTEREST	WASTEWATER DEBT SERVICE	PETTY CASH - WASTEWATER	CASH CHANGE - WASTEWATER	WATER OPERATING	WATER DEPRECIATION
Cash and investments - beginning	\$ 20,908	\$ 26,908	\$ 426,540	\$ 500	\$ 50	\$ 14,018	\$ 950
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	3,000	-	-	-	-	1,713,104	-
Other receipts	15,780	413,665	350,000	-	-	30,915	39,900
Total receipts	<u>18,780</u>	<u>413,665</u>	<u>350,000</u>	<u>-</u>	<u>-</u>	<u>1,744,019</u>	<u>39,900</u>
Disbursements:							
Personal services	-	-	-	-	-	439,018	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	40,327	-
Debt service - principal and interest	-	440,573	-	-	-	-	-
Capital outlay	24,418	-	-	-	-	-	2,148
Utility operating expenses	-	-	-	-	-	862,686	-
Other disbursements	-	-	350,000	-	-	390,350	-
Total disbursements	<u>24,418</u>	<u>440,573</u>	<u>350,000</u>	<u>-</u>	<u>-</u>	<u>1,732,381</u>	<u>2,148</u>
Excess (deficiency) of receipts over disbursements	<u>(5,638)</u>	<u>(26,908)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,638</u>	<u>37,752</u>
Cash and investments - ending	<u>\$ 15,270</u>	<u>\$ -</u>	<u>\$ 426,540</u>	<u>\$ 500</u>	<u>\$ 50</u>	<u>\$ 25,656</u>	<u>\$ 38,702</u>

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

	WATER BOND AND INTEREST	PETTY CASH - WATER	WATER NONREVERTING	CASH CHANGE - WATER	WATER DEBT SERVICE	BECKS MILL WATER LINE EXTENSION	Totals
Cash and investments - beginning	\$ 5	\$ 500	\$ 1,133	\$ 50	\$ 313,050	\$ 609	\$ 2,621,533
Receipts:							
Taxes	-	-	-	-	-	-	2,835,466
Licenses and permits	-	-	-	-	-	-	34,522
Intergovernmental	-	-	-	-	-	-	4,419,347
Charges for services	-	-	-	-	-	-	576,003
Fines and forfeits	-	-	-	-	-	-	3,900
Utility fees	-	-	350	-	-	-	2,952,535
Other receipts	266,500	-	25,020	-	-	-	6,942,711
Total receipts	266,500	-	25,370	-	-	-	17,764,484
Disbursements:							
Personal services	-	-	-	-	-	-	3,837,337
Supplies	-	-	-	-	-	-	313,025
Other services and charges	-	-	-	-	-	-	1,395,134
Debt service - principal and interest	266,365	-	-	-	-	-	706,938
Capital outlay	-	-	-	-	-	-	503,264
Utility operating expenses	-	-	-	-	-	-	1,372,599
Other disbursements	-	-	17,661	-	-	-	9,667,707
Total disbursements	266,365	-	17,661	-	-	-	17,796,004
Excess (deficiency) of receipts over disbursements	135	-	7,709	-	-	-	(31,520)
Cash and investments - ending	\$ 140	\$ 500	\$ 8,842	\$ 50	\$ 313,050	\$ 609	\$ 2,590,013

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

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ 45,829	\$ 100,615
Water	107,724	122,086
Governmental activities	445,571	20,505
Totals	\$ 599,124	\$ 243,206

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: City of Salem Government Facility Building Corporation	Lease for City Hall	<u>\$ 112,000</u>	02/26/14	07/15/24

Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Type			
Wastewater: Revenue bonds	Wastewater Utility Improvements	<u>\$ 2,375,000</u>	<u>\$ 444,105</u>
Water: Revenue bonds	Water Utility Improvements	<u>2,645,000</u>	<u>270,060</u>
Totals		<u>\$ 5,020,000</u>	<u>\$ 714,165</u>

CITY OF SALEM
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	\$ 2,158,115
Infrastructure	8,008,769
Buildings	913,936
Improvements other than buildings	1,264,254
Machinery, equipment, and vehicles	2,179,885
Construction in progress	2,667,604
Total governmental activities	17,192,563
Wastewater:	
Land	159,265
Infrastructure	211,764
Buildings	4,914,233
Improvements other than buildings	2,893,035
Machinery, equipment, and vehicles	1,971,713
Total Wastewater	10,150,010
Water:	
Land	833,132
Infrastructure	769,924
Buildings	153,619
Improvements other than buildings	3,979,673
Machinery, equipment, and vehicles	3,639,301
Total Water	9,375,649
Total capital assets	\$ 36,718,222

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 SALEM, WASHINGTON COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the City of Salem'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 items 2014-003 and 2014-004. 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, 2014-003, and 2014-004 to be material weaknesses.

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

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


Paul D. Joyce, CPA
State Examiner

December 15, 2015

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

CITY OF SALEM
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 Justice</u>				
Bulletproof Vest Partnership Program Bulletproof Vests	Direct grant	16.607	GL-ILN-744-0331	\$ 641
Equitable Sharing Program Police Forfeiture	Direct grant	16.922	13-FBI-002013	4,675
Total - Department of Justice				<u>5,316</u>
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster Highway Planning and Construction Shelby Street Reconstruction Project Salem Multi-Use Pathway Safe Routes to School	Indiana Department of Transportation	20.205	DES 0500891 DES 0600373 DES 0810444	33,865 14,898 1,660
Total - Highway Planning and Construction				<u>50,423</u>
Total - Highway Planning and Construction Cluster				<u>50,423</u>
Airport Improvement Program Salem Municipal Airport Expansion Salem Municipal Airport Expansion Salem Municipal Airport Expansion	Direct grant	20.106	AIP 3-18-0075-12-2012 AIP 3-18-0075-13-2013 AIP 3-18-0075-15-2014	100,681 2,269,829 100,645
Total - Airport Improvement Program				<u>2,471,155</u>
Total - Department of Transportation				<u>2,521,578</u>
Total federal awards expended				<u>\$ 2,526,894</u>

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

CITY OF SALEM
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. Noncash Assistance

The City expended the following amount of noncash assistance for the year ending December 31, 2014. This noncash assistance is also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>2014</u>
Equitable Sharing Program	16.922	<u>\$ 4,675</u>

CITY OF SALEM
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
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Section II - Financial Statement Findings

FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the City related to financial transactions and reporting. A lack of segregation of duties exists over financial statement receipts. The City has not separated incompatible activities related to City receipts and Utility collections.

City Receipts

One employee in the Clerk-Treasurer's Office is responsible for issuing receipts, balancing the collection drawer, and making the bank deposits. Another employee is responsible for posting the receipts to the ledger. The activities related to receipts were not always reviewed or verified by someone other than the employee performing the activities.

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

A comparison of the compositions of monies collected per the receipts was not made with the composition shown on the bank statements to ensure the monies collected were deposited in the same form as they were received.

Utility Collections

The Utility collections process is primarily handled by one person. The Utility Office Manager collects Utility payments, balances the collection drawer, posts Utility payments and adjustments to the customers' accounts, makes up the Utility deposit ticket, and remits the deposit ticket with the collections to the Clerk-Treasurer's Office. There is no evidence provided to indicate that the activities related to Utility collections were being reviewed or verified by someone other than the Utility Office Manager.

A lack of segregation of duties exists related to financial statement disbursements. The City has not separated incompatible activities related to vendor and payroll disbursements.

Vendor Disbursements

One employee in the Clerk-Treasurer's Office is responsible for matching invoices with purchase requisition orders; recording invoice payments in the ledger, issuing checks, mailing checks, making bank electronic fund payments, has access to the check stock, and prints reports of disbursements activity for approval. The same employee prepares the initial bank reconciliation and outstanding check list prior to its approval. The activities related to disbursements were not always reviewed or verified by someone other than the employee performing the activities.

Payroll Disbursements

One employee in the Clerk-Treasurer's Office is responsible for establishing new employees in the payroll computer system; entering employees' pay rates, entering employees' hours worked; recording leave time earned and used; calculating the employees' wages, issuing checks and or making direct deposit payments for wages, tax payments, and payroll deductions, printing reports of payroll disbursements for review and approval, preparing 941 reports, retirement reports, and W-2's. Another employee is responsible for recording the payroll payments, tax payments, and deduction payments to the ledger. The activities related to payroll were not always reviewed or verified by someone other than the employee performing the activities.

The failure to establish controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

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 SALEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-002 - CASH MANAGEMENT AND DAVIS-BACON

Federal Agency: Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106

Federal Award Number and Year (or Other Identifying Number): AIP 3-18-0075-12-2012,
AIP 3-18-0075-13-2013,
AIP 3-18-0075-15-2014

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

No control was in place until September of 2014 to notify the Clerk-Treasurer when the drawdown request had been received so that she could timely disburse the federal funds.

The City hired a Grant Administrator to assist in overseeing the labor standards required by the Davis-Bacon Act. Certified payrolls were submitted by the contractors to the Grant Administrator who would then check to determine if the prevailing wages were being properly paid. The City did not have procedures in place to review and approve the work being performed by the Grant Administrator.

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

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

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

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

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

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

FINDING 2014-003 - REPORTING

Federal Agency: Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106

Federal Award Number and Year (or Other Identifying Number): AIP 3-18-0075-12-2012;
AIP 3-18-0075-13-2013;
AIP 3-18-0075-15-2014

Management of the City has not established an effective internal control system related to the grant agreement and compliance requirements pertaining to Reporting. Procedures are not in place to verify that the financial information contained in the grant project ledger from which the grant financial reports are prepared is in agreement with the underlying financial activity for grant funds maintained in the financial records of the City. Failure to verify that the information shown in the grant project ledger agrees with the actual financial activity that occurred per the City's financial records resulted in inaccurate grant reporting.

The amount reported on the Federal Financial Report (Report) for grant project AIP 3-18-0075-12-2012 filed on July 16, 2014, as "total recipient shared required" and "recipient share of expenditures" were incorrect. The Report showed the amount for both items as \$42,220. The actual amount that should have been reported was \$26,298. The same Report incorrectly reported \$236,673 as the "total federal program income earned" and "program income expended in accordance with the deduction alternative". The actual amounts that should have been reported related to program income in both instances were zero.

The amount reported on the Federal Financial Report for grant project AIP 03-18-0075-13-2013, submitted on November 19, 2014, as the "recipient share of expenditures" was incorrect. The amount reported was \$211,295 and the actual amount was \$281,727. The reporting period end date on the same report incorrectly identified the ending date as December 31, 2014; however, the amounts reported were as of the fiscal year ending date of September 30, 2014.

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

49 CFR 18.20(b)(1) states:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) Financial Reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

CITY OF SALEM
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 and implement internal controls has resulted in noncompliance. Non-compliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the City.

We recommended that the City's management establish and implement controls related to the grant agreement and the compliance requirements governing Reporting and ensure that accurate Federal Financial Reports will be submitted in the future.

FINDING 2014-004 - PROCUREMENT, SUSPENSION, AND DEBARMENT

Federal Agency: Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106

Federal Award Number and Year (or Other Identifying Number): AIP 3-18-0075-12-2012,
AIP 3-18-0075-13-2013,
AIP 3-18-0075-15-2014

Management of the City has not established an effective internal control system related to the grant agreement and the compliance requirements pertaining to Procurement, Suspension, and Debarment. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements. The lack of an internal control system could also allow non-compliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Written policies and procedures outlining responsibilities and duties for procurement have not been established to identify Procurement, Suspension and Debarment requirements in order to ensure staff is knowledgeable about the grant requirements and a process is in place to ensure adherence to the requirements. The City does not have a written code of ethical conduct.

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

49 CFR 18.36(b) states in part:

"Procurement standards. (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section. . . .

(3) Grantees and subgrantees will maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts. No employee, officer, or agent of the grantee or subgrantee shall participate in selection, or in the award or administration of a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved. . . ."

CITY OF SALEM
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 enabled noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the City.

We recommended that the City's management establish and implement controls related to the grant agreement and compliance requirements governing Procurement, Suspension and Debarment and adopt the proper purchasing policies in order to comply with those requirements.

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AUDITEE PREPARED DOCUMENTS

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



City of Salem

Patricia E. Persinger, Clerk-Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2013-003 – CASH MANAGEMENT

Original Assigned SBA Audit Report Number: B44783

Report Period: January 1, 2013 to December 31, 2013

Federal Agency: Department of Transportation

Contact Person Responsible for Corrective Action: Patricia E. Persinger, Clerk-Treasurer

Contact Phone Number: 812-883-4264

Status of Audit Finding:

The City of Salem now has procedures in place between the grant administrator and the Clerk-Treasurer to make sure that the time between receipts of funds and the disbursement of the funds by the grantee is no more than three working days.


(Signature)

Clerk-Treasurer

(Title)

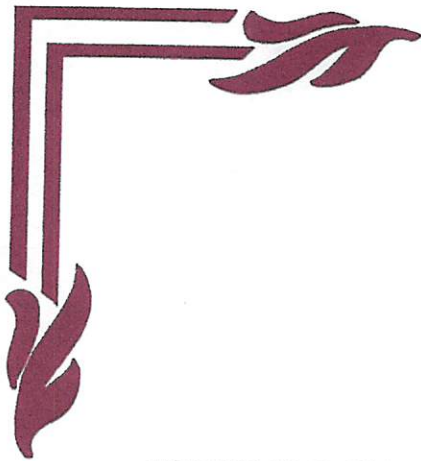
July 29, 2015

(Date)

201 E. Market St., Suite 101
Salem, Indiana 47167

Office: (812)883-4264

Fax: (812)883-3634



City of Salem

Patricia E. Persinger, Clerk-Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2013-004 – INTERNAL CONTROLS OVER THE DAVIS-BACON ACT REQUIREMENTS

Original Assigned SBA Audit Report Number: B44783

Report Period: January 1, 2013 to December 31, 2013

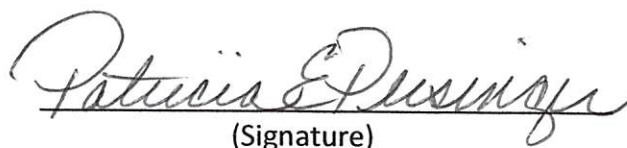
Federal Agency: Department of Transportation

Contact Person Responsible for Corrective Action: Patricia E. Persinger, Clerk-Treasurer

Contact Phone Number: 812-883-4264

Status of Audit Findings:

The City of Salem requires the verification by the grant administrator that prevailing wages are correct and then these same wages are reviewed by the Clerk-Treasurer to make sure they are in compliance with all laws, regulations, contracts and grant agreements. These payroll records are on file in the Clerk-Treasurer's office.


(Signature)

Clerk-Treasurer

(Title)

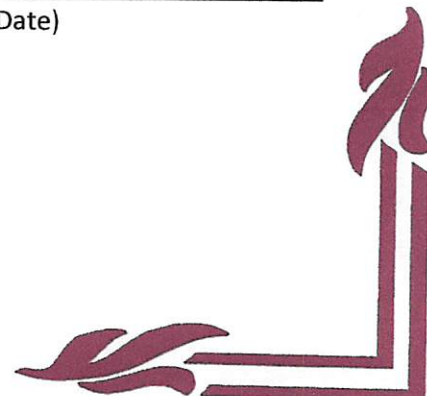
July 29, 2015

(Date)

201 E. Market St., Suite 101
Salem, Indiana 47167

Office: (812)883-4264

Fax: (812)883-3634





City of Salem

Patricia E. Persinger, Clerk-Treasurer

CORRECTIVE ACTION PLAN

FINDING 2014-001 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTION AND REPORTING

Contact Person Responsible for Corrective Action: Patricia E. Persinger, Clerk-Treasurer
Contact Phone Number: 812-883-4264

Description of Corrective Action Plan:

City Receipts – The City of Salem now has procedures in place to review and verify all receipts and deposits by the Clerk-Treasurer or in her absence by the 2nd Deputy Clerk-Treasurer. Procedures are also in place to verify that the cash and checks are deposited in the banks in the manner which were received.

Vendor Disbursements – All invoice are approve by the department head and Mayor or Clerk-Treasurer before processing. All vouchers are signed by the department head before going to Common Council or Board of Public Works and Safety. Only after approval are invoices paid. At the end of each month a Check/Accounts Payable Voucher Verification is reviewed and signed by the Clerk-Treasurer.

Payroll Disbursements – Payroll receipts are reviewed and matched to the Payroll Allowance Docket by the Clerk-Treasurer and the Payroll Allowance Docket is reviewed and signed by the Common Council and all payroll fund balances are zero at the end of each month.

Anticipated Completion Date: December 2, 2015


(Signature)

Clerk-Treasurer
(Title)

December 15, 2015

(Date)

Office: (812)883-4264

Fax: (812)883-3634

201 E. Market St., Suite 101
Salem, Indiana 47167

City of Salem Municipal Utilities
Water, Sewer, and Garbage
201 E. Market St. Ste. 106
Salem, Indiana 47167
(812) 883-3937

CORRECTIVE ACTION PLAN

**FINDING 2014-001- INTERNAL CONTROLS AND COMPLIANCE OVER
FINANCIAL TRANSACTIONS AND REPORTING**

Contact Person Responsible for Corrective Action: Mayor David Bower
Contact Phone Number: 812-883-4265

Description of Corrective Action Plan:

There have been proper policies and procedures that were immediately implemented that will ensure accuracy and integrity of the revenues by the employees of Salem Utilities for the City of Salem. Procedures and actions will be verified and received on a daily basis.

Please see attached an example of the Cash Update Summary Report that is turned into the clerk/treasurer's office with the daily deposit.

Anticipated Completion Date: October 15, 2014



Signature

Mayor

Title

12-15-15

Date



City of Salem

Patricia E. Persinger, Clerk-Treasurer

CORRECTIVE ACTION PLAN

FINDING 2014-002 – CASH MANAGEMENT AND DAVIS BACON

Contact Person Responsible for Corrective Action: Patricia E. Persinger, Clerk-Treasurer

Contact Phone Number: 812-883-4264

Description of Corrective Action Plan:

The City of Salem has procedures in place between the Clerk-Treasurer and the grant administrator minimizing the time between the receipt of funds and the disbursement of those funds by the grantee. Also there is a spreadsheet compiled recording the dates of receipt and the dates of disbursement.

The City of Salem requires the verification by the grant administrator that prevailing wages are correct and then these same wages are reviewed by the Clerk-Treasurer to make sure they are in compliance with all laws, regulations, contracts and grant agreements. These payroll records are on file in the Clerk-Treasurer's office.

Anticipated Completion Date: October 31, 2014



(Signature)

Clerk-Treasurer

(Title)

December 15, 2015

(Date)

201 E. Market St., Suite 101
Salem, Indiana 47167

Office: (812)883-4264
Fax: (812)883-3634



Salem Municipal Airport (183)
Salem Board of Aviation
Commissioners

2593 W. Highway 56

Salem, IN 47167

CORRECTIVE ACTION PLAN

FINDING 2014-003 Reporting

Contact Person Responsible for Corrective Action: Ronny Floyd – BOAC President

Contact Phone Number: 817-620-4934

Description of Corrective Action Plan:


As of 11/18/15 additional reporting has been added to normal procedures and grant balances are updated at regular Board meetings.

Beginning with all 2015 reporting, all SF425 reporting has been corrected to show "Recipient Share" as the amount that the Federal portion does not cover. Previous reports only showed true local share not including State participation.

Report period end dates will reflect when the annual report is due (90 days after the end of the fiscal year) unless directed otherwise by FAA. Currently no Quarterly SF425 reporting is accomplished.


Anticipated Completion Date:

All changes have been fulfilled.



(Signature)

Salem Municipal Airport BOAC President



(Date)



CORRECTIVE ACTION PLAN


FINDING 2014-004 – PROCUREMENT, SUSPENSION AND DEBARMENT

Contact Person Responsible for Corrective Action: David L. Bower, Mayor
Contact Phone Number: 812-883-4265

Description of Corrective Action Plan:

The City of Salem is in the process of addressing this item. The City Attorney is drafting an ordinance setting this policy. The ordinance will be approved by both the Board of Public Works and Safety and the Common Council.

Anticipated Completion Date: June 30, 2016


(Signature)

Mayor
(Title)

12-15-15
(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/>.