

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF WARSAW
KOSCIUSKO COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
05/19/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Lynne A. Christiansen	01-01-12 to 12-31-19
Mayor	Dr. Joseph M. Thallemer	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	Dr. Joseph M. Thallemer	01-01-12 to 12-31-19
President Pro Tempore of the Common Council	Diane L. Quance Michael J. Klondaris	01-01-13 to 12-31-15 01-01-16 to 12-31-17
Superintendent of Utilities	Brian J. Davison	01-01-15 to 12-31-17
Utility Office Manager	Mary Lou Plummer	01-01-15 to 04-28-17
Utility Office Supervisor	Rebecca Jenkins	05-01-17 to 12-31-17
Airport Manager	Nicholas D. King	01-01-15 to 12-31-17



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF WARSAW, KOSCIUSKO COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Warsaw (City), which comprises the financial position and results of operations for the year ended December 31, 2015, 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 (Indiana Code 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 from 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 to 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, 2015.

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, 2015, 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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, 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 March 29, 2017, 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

March 29, 2017



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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 WARSAW, KOSCIUSKO 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 Warsaw (City), which comprises the financial position and results of operations for the year ended December 31, 2015, and the related notes to the financial statement, and have issued our report thereon dated March 29, 2017, 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.

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 City's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001, that we consider to be a material weakness.

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

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)


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 Warsaw'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

March 29, 2017

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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 WARSAW
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2015

Fund	Cash and Investments 01-01-15	Receipts	Disbursements	Cash and Investments 12-31-15
GENERAL FUND	\$ 4,435,718	\$ 16,968,176	\$ 16,454,779	\$ 4,949,115
MOTOR VEHICLE HIGHWAY	734,112	810,714	634,501	910,325
LOCAL ROAD & STREET	241,411	125,317	240,000	126,728
AVIATION	671,591	524,280	617,784	578,087
PARK NONREVERT OPERATING	33,056	12,258	11,646	33,668
LAW CONTINUING EDUCATION	54,863	24,376	10,636	68,603
PARK & RECREATION	2,109,677	1,218,435	1,818,372	1,509,740
RAINY DAY	1,698,838	380,000	439,657	1,639,181
ECONOMIC DEV INCOME TAX (EDIT)	1,590,796	846,601	609,157	1,828,240
HAZARDOUS MATERIALS RESPONSE	-	2,295	-	2,295
LEVY EXCESS	202	-	-	202
FIRE TERRITORY OPERATING	1,324,936	3,188,672	3,201,069	1,312,539
AVIATION FUEL TRUST	17,414	1,521,080	1,533,394	5,100
CERTIFIED TECHNOLOGY PARK	35,632	156,542	-	192,174
CUM CAP DEVELOPMENT	983,532	409,409	383,178	1,009,763
PARK NONREVERTING CAPITAL	58,708	19,561	4,137	74,132
REDEVELOPMENT DISTRICT GENERAL	328,657	255,136	122,429	461,364
CITY CAPITAL PROJECTS FUND	1,123,923	-	422,163	701,760
CUM CAP IMP - CIG TAX	148,954	34,057	29,627	153,384
FIRE TERRITORY EQUIPMENT	2,162,442	505,022	195,736	2,471,728
SELF-INSURANCE FUND	272,438	2,095,461	2,106,894	261,005
POLICE PENSION	1,072,408	341,509	276,556	1,137,361
FIRE PENSION	972,859	327,070	257,622	1,042,307
RIVERBOAT	146,257	80,322	-	226,579
SALES TAX FUND	52	4,156	4,175	33
REDEVELOPMENT ALLOCATION	302,830	324,340	305,596	321,574
FEDERAL GRANT FUND	113,951	1,326,492	811,055	629,388
PETTY CASH/CASH CHANGE FUND	750	720	820	650
CEMETERY	468,686	399,253	521,802	346,137
DONATION	65,534	166,333	53,833	178,034
WARSAW POLICE FORFEITURE FUND	-	1,707	-	1,707
GENERAL BOND FUND	155,949	731,832	814,276	73,505
CITY HALL 2011 DEBT RESERVE	125,500	-	-	125,500
TIRB 12 WARSAW COMMONS RESERVE	124,453	-	-	124,453
WINONA PVD STDB SERIES 2013 DEBT RESERVE	299,500	-	-	299,500
WINONA PVD SERIES 2013A DEBT RESERVE	114,500	-	-	114,500
WINONA PVD STDB SERIES 2015 DEBT RESERVE	-	86,000	-	86,000
GRANT LOCAL FIRE	4,000	-	2,186	1,814
REDEVEL ALLOCATION CAP FUND	3,517	-	-	3,517
REDEVEL NORTHERN TIF ALLOCATION	5,159,258	3,431,025	2,229,146	6,361,137
REDEVEL/TIF WINONA INTERURBAN	43,322	5,957	10,000	39,279
AVIATION DEPRECIATION	258,121	127,428	258,078	127,471
REDEVEL EASTERN TIF	169,745	823,441	618,325	374,861
WINONA PVD STDB SERIES 2015 OPERATING	-	761,100	78,970	682,130
2011 SEWAGE REV BOND P & I	-	304,375	304,375	-
CEMETERY PERM & PERPETUAL	1,208,060	45,029	15,738	1,237,351
SELF INSURANCE/FIRE TERRITORY	70,846	683,890	564,679	190,057
EMPLOYEE BENEFIT TRUST	240,642	190,650	147,733	283,559
PAYROLL	41,396	9,364,402	9,360,675	45,123
WASTEWATER UTILITY OPERATING	3,462,092	6,915,825	6,849,360	3,528,557
WASTEWATER UTILITY BOND & INT 2013	266	664,044	663,843	467
WASTEWATER UTILITY DEPRECIATION	1,205,468	963,000	487,610	1,680,858
WASTEWATER UTILITY CASH RESERVE	237,844	425,686	425,686	237,844
WASTEWATER OPEN BONDS DEBT RESERVE	1,035,691	-	-	1,035,691
WASTEWATER LEASE BD 01/2005	870,000	-	78,000	792,000
WASTEWATER BOND & INT 2008	1,256	424,049	423,999	1,306
WASTEWATER LEASE BD 2005/PYMT	583,875	581,500	862,364	303,011
STORMWATER UTILITY OPERATING	105,748	527,569	335,730	297,587
2015 RA BONDS - BOND INTEREST	-	293,034	-	293,034
2015 RA BONDS - RESERVE FUND	-	164,147	-	164,147
2015 RA BONDS - CONSTRUCTION	-	1,859,724	111,888	1,747,836
2015 RA BONDS - SINKING FUND	-	24,850	24,850	-
Totals	<u>\$ 36,691,276</u>	<u>\$ 61,467,851</u>	<u>\$ 55,734,129</u>	<u>\$ 42,424,998</u>

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

CITY OF WARSAW
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. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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. 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 the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF WARSAW
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines 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. Amounts received 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. Amounts received from charges for current services.

Other receipts. Amounts received from various sources, including, but 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. Amounts disbursed 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. Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

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

CITY OF WARSAW
NOTES TO FINANCIAL STATEMENT
(Continued)

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses. Amounts disbursed for operating the utilities.

Other disbursements. Amounts disbursed for various other purposes including, but 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, make transfers 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 amounts 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 amounts 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 WARSAW
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, the following: 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 WARSAW
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 WARSAW
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 Warsaw Building Corporation. 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 2015 totaled \$449,000.

Note 8. Subsequent Event

On December 28, 2016, the City issued \$2,950,000 General Obligation Bonds of 2016 to construct and equip a new fire station.

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 City's Annual Financial Report 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 WARSAW
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015

	GENERAL FUND	MOTOR VEHICLE HIGHWAY	LOCAL ROAD & STREET	AVIATION	PARK NONREVERT OPERATING	LAW CONTINUING EDUCATION	PARK & RECREATION
Cash and investments - beginning	\$ 4,435,718	\$ 734,112	\$ 241,411	\$ 671,591	\$ 33,056	\$ 54,863	\$ 2,109,677
Receipts:							
Taxes	5,568,134	-	-	109,854	-	-	968,935
Licenses and permits	26,227	-	-	-	-	-	-
Intergovernmental receipts	3,047,268	490,516	125,317	6,798	-	-	60,152
Charges for services	96,286	-	-	407,628	12,258	-	189,348
Fines and forfeits	34,370	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	8,195,891	320,198	-	-	-	24,376	-
Total receipts	<u>16,968,176</u>	<u>810,714</u>	<u>125,317</u>	<u>524,280</u>	<u>12,258</u>	<u>24,376</u>	<u>1,218,435</u>
Disbursements:							
Personal services	6,281,556	-	-	313,329	-	-	1,166,938
Supplies	816,363	245,381	50,000	51,090	6,014	758	193,454
Other services and charges	1,755,367	389,120	190,000	161,701	5,494	4,878	373,941
Debt service - principal and interest	59,240	-	-	-	-	-	-
Capital outlay	358,547	-	-	91,664	-	5,000	82,491
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	7,183,706	-	-	-	138	-	1,548
Total disbursements	<u>16,454,779</u>	<u>634,501</u>	<u>240,000</u>	<u>617,784</u>	<u>11,646</u>	<u>10,636</u>	<u>1,818,372</u>
Excess (deficiency) of receipts over disbursements	<u>513,397</u>	<u>176,213</u>	<u>(114,683)</u>	<u>(93,504)</u>	<u>612</u>	<u>13,740</u>	<u>(599,937)</u>
Cash and investments - ending	<u>\$ 4,949,115</u>	<u>\$ 910,325</u>	<u>\$ 126,728</u>	<u>\$ 578,087</u>	<u>\$ 33,668</u>	<u>\$ 68,603</u>	<u>\$ 1,509,740</u>

CITY OF WARSAW
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	RAINY DAY	ECONOMIC DEV INCOME TAX (EDIT)	HAZARDOUS MATERIALS RESPONSE	LEVY EXCESS	FIRE TERRITORY OPERATING	AVIATION FUEL TRUST	CERTIFIED TECHNOLOGY PARK
Cash and investments - beginning	\$ 1,698,838	\$ 1,590,796	\$ -	\$ 202	\$ 1,324,936	\$ 17,414	\$ 35,632
Receipts:							
Taxes	-	-	-	-	2,399,626	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	846,601	-	-	788,713	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	380,000	-	2,295	-	333	1,521,080	156,542
Total receipts	<u>380,000</u>	<u>846,601</u>	<u>2,295</u>	<u>-</u>	<u>3,188,672</u>	<u>1,521,080</u>	<u>156,542</u>
Disbursements:							
Personal services	-	-	-	-	2,777,865	-	-
Supplies	-	-	-	-	88,903	1,149,189	-
Other services and charges	59,657	72,982	-	-	291,309	59,205	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	380,000	536,175	-	-	42,992	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	325,000	-
Total disbursements	<u>439,657</u>	<u>609,157</u>	<u>-</u>	<u>-</u>	<u>3,201,069</u>	<u>1,533,394</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(59,657)</u>	<u>237,444</u>	<u>2,295</u>	<u>-</u>	<u>(12,397)</u>	<u>(12,314)</u>	<u>156,542</u>
Cash and investments - ending	<u>\$ 1,639,181</u>	<u>\$ 1,828,240</u>	<u>\$ 2,295</u>	<u>\$ 202</u>	<u>\$ 1,312,539</u>	<u>\$ 5,100</u>	<u>\$ 192,174</u>

CITY OF WARSAW
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	CUM CAP DEVELOPMENT	PARK NONREVERTING CAPITAL	REDEVELOPMENT DISTRICT GENERAL	CITY CAPITAL PROJECTS FUND	CUM CAP IMP - CIG TAX	FIRE TERRITORY EQUIPMENT	SELF-INSURANCE FUND
Cash and investments - beginning	\$ 983,532	\$ 58,708	\$ 328,657	\$ 1,123,923	\$ 148,954	\$ 2,162,442	\$ 272,438
Receipts:							
Taxes	380,558	-	94,729	-	-	381,843	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	23,597	-	5,861	-	-	30,032	-
Charges for services	-	19,561	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	5,254	-	154,546	-	34,057	93,147	2,095,461
Total receipts	<u>409,409</u>	<u>19,561</u>	<u>255,136</u>	<u>-</u>	<u>34,057</u>	<u>505,022</u>	<u>2,095,461</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	54,489	-	-	-	-	-	-
Other services and charges	43,443	3,289	7,429	-	-	11,300	2,106,894
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	285,246	848	115,000	422,163	29,627	184,436	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>383,178</u>	<u>4,137</u>	<u>122,429</u>	<u>422,163</u>	<u>29,627</u>	<u>195,736</u>	<u>2,106,894</u>
Excess (deficiency) of receipts over disbursements	<u>26,231</u>	<u>15,424</u>	<u>132,707</u>	<u>(422,163)</u>	<u>4,430</u>	<u>309,286</u>	<u>(11,433)</u>
Cash and investments - ending	<u>\$ 1,009,763</u>	<u>\$ 74,132</u>	<u>\$ 461,364</u>	<u>\$ 701,760</u>	<u>\$ 153,384</u>	<u>\$ 2,471,728</u>	<u>\$ 261,005</u>

CITY OF WARSAW
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	POLICE PENSION	FIRE PENSION	RIVERBOAT	SALES TAX FUND	REDEVELOPMENT ALLOCATION	FEDERAL GRANT FUND	PETTY CASH/CASH CHANGE FUND
Cash and investments - beginning	\$ 1,072,408	\$ 972,859	\$ 146,257	\$ 52	\$ 302,830	\$ 113,951	\$ 750
Receipts:							
Taxes	333,757	317,918	-	-	324,226	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	3,596	3,153	80,322	-	-	1,300,305	-
Charges for services	-	-	-	-	-	26,187	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	4,156	5,999	-	4,156	114	-	720
Total receipts	<u>341,509</u>	<u>327,070</u>	<u>80,322</u>	<u>4,156</u>	<u>324,340</u>	<u>1,326,492</u>	<u>720</u>
Disbursements:							
Personal services	276,434	257,622	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	122	-	-	4,175	11,678	811,055	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	293,918	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	820
Total disbursements	<u>276,556</u>	<u>257,622</u>	<u>-</u>	<u>4,175</u>	<u>305,596</u>	<u>811,055</u>	<u>820</u>
Excess (deficiency) of receipts over disbursements	<u>64,953</u>	<u>69,448</u>	<u>80,322</u>	<u>(19)</u>	<u>18,744</u>	<u>515,437</u>	<u>(100)</u>
Cash and investments - ending	<u>\$ 1,137,361</u>	<u>\$ 1,042,307</u>	<u>\$ 226,579</u>	<u>\$ 33</u>	<u>\$ 321,574</u>	<u>\$ 629,388</u>	<u>\$ 650</u>

CITY OF WARSAW
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	CEMETERY	DONATION	WARSAW POLICE FORFEITURE FUND	GENERAL BOND FUND	CITY HALL 2011 DEBT RESERVE	TIRB 12 WARSAW COMMONS RESERVE	WINONA PVD STDB SERIES 2013 DEBT RESERVE
Cash and investments - beginning	\$ 468,686	\$ 65,534	\$ -	\$ 155,949	\$ 125,500	\$ 124,453	\$ 299,500
Receipts:							
Taxes	229,311	-	-	519,187	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	14,238	-	-	30,445	-	-	-
Charges for services	155,704	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	166,333	1,707	182,200	-	-	-
Total receipts	<u>399,253</u>	<u>166,333</u>	<u>1,707</u>	<u>731,832</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	405,038	-	-	-	-	-	-
Supplies	42,805	-	-	-	-	-	-
Other services and charges	36,769	53,833	-	88	-	-	-
Debt service - principal and interest	-	-	-	428,988	-	-	-
Capital outlay	37,190	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	385,200	-	-	-
Total disbursements	<u>521,802</u>	<u>53,833</u>	<u>-</u>	<u>814,276</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(122,549)</u>	<u>112,500</u>	<u>1,707</u>	<u>(82,444)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 346,137</u>	<u>\$ 178,034</u>	<u>\$ 1,707</u>	<u>\$ 73,505</u>	<u>\$ 125,500</u>	<u>\$ 124,453</u>	<u>\$ 299,500</u>

CITY OF WARSAW
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	WINONA PVD SERIES 2013A DEBT RESERVE	WINONA PVD STDB SERIES 2015 DEBT RESERVE	GRANT LOCAL FIRE	REDEVEL ALLOCATION CAP FUND	REDEVEL NORTHERN TIF ALLOCATION	REDEVEL/TIF WINONA INTERURBAN	AVIATION DEPRECIATION
Cash and investments - beginning	\$ 114,500	\$ -	\$ 4,000	\$ 3,517	\$ 5,159,258	\$ 43,322	\$ 258,121
Receipts:							
Taxes	-	-	-	-	3,352,152	5,957	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	127,428
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	86,000	-	-	78,873	-	-
Total receipts	-	86,000	-	-	3,431,025	5,957	127,428
Disbursements:							
Personal services	-	-	-	-	41,358	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	2,186	-	26,760	10,000	23,078
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	2,161,028	-	235,000
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	-	2,186	-	2,229,146	10,000	258,078
Excess (deficiency) of receipts over disbursements	-	86,000	(2,186)	-	1,201,879	(4,043)	(130,650)
Cash and investments - ending	\$ 114,500	\$ 86,000	\$ 1,814	\$ 3,517	\$ 6,361,137	\$ 39,279	\$ 127,471

CITY OF WARSAW
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	REDEVEL EASTERN TIF	WINONA PVD STDB SERIES 2015 OPERATING	2011 SEWAGE REV BOND P & I	CEMETERY PERM & PERPETUAL	SELF INSURANCE/FIRE TERRITORY	EMPLOYEE BENEFIT TRUST	PAYROLL
Cash and investments - beginning	\$ 169,745	\$ -	\$ -	\$ 1,208,060	\$ 70,846	\$ 240,642	\$ 41,396
Receipts:							
Taxes	223,441	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-
Charges for services	-	-	-	39,809	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	600,000	761,100	304,375	5,220	683,890	190,650	9,364,402
Total receipts	<u>823,441</u>	<u>761,100</u>	<u>304,375</u>	<u>45,029</u>	<u>683,890</u>	<u>190,650</u>	<u>9,364,402</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	60,137	78,970	750	-	564,679	147,733	2,664
Debt service - principal and interest	-	-	303,625	-	-	-	-
Capital outlay	558,188	-	-	15,738	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	9,358,011
Total disbursements	<u>618,325</u>	<u>78,970</u>	<u>304,375</u>	<u>15,738</u>	<u>564,679</u>	<u>147,733</u>	<u>9,360,675</u>
Excess (deficiency) of receipts over disbursements	<u>205,116</u>	<u>682,130</u>	<u>-</u>	<u>29,291</u>	<u>119,211</u>	<u>42,917</u>	<u>3,727</u>
Cash and investments - ending	<u>\$ 374,861</u>	<u>\$ 682,130</u>	<u>\$ -</u>	<u>\$ 1,237,351</u>	<u>\$ 190,057</u>	<u>\$ 283,559</u>	<u>\$ 45,123</u>

CITY OF WARSAW
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	WASTEWATER UTILITY OPERATING	WASTEWATER UTILITY BOND & INT 2013	WASTEWATER UTILITY DEPRECIATION	WASTEWATER UTILITY CASH RESERVE	WASTEWATER OPEN BONDS DEBT RESERVE	WASTEWATER LEASE BD 01/2005	WASTEWATER BOND & INT 2008
Cash and investments - beginning	\$ 3,462,092	\$ 266	\$ 1,205,468	\$ 237,844	\$ 1,035,691	\$ 870,000	\$ 1,256
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	333,000	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	5,857,816	-	-	-	-	-	-
Other receipts	725,009	664,044	963,000	425,686	-	-	424,049
Total receipts	<u>6,915,825</u>	<u>664,044</u>	<u>963,000</u>	<u>425,686</u>	<u>-</u>	<u>-</u>	<u>424,049</u>
Disbursements:							
Personal services	1,928,036	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	663,843	-	-	-	-	423,999
Capital outlay	-	-	487,610	-	-	-	-
Utility operating expenses	1,634,922	-	-	-	-	-	-
Other disbursements	3,286,402	-	-	425,686	-	78,000	-
Total disbursements	<u>6,849,360</u>	<u>663,843</u>	<u>487,610</u>	<u>425,686</u>	<u>-</u>	<u>78,000</u>	<u>423,999</u>
Excess (deficiency) of receipts over disbursements	<u>66,465</u>	<u>201</u>	<u>475,390</u>	<u>-</u>	<u>-</u>	<u>(78,000)</u>	<u>50</u>
Cash and investments - ending	<u>\$ 3,528,557</u>	<u>\$ 467</u>	<u>\$ 1,680,858</u>	<u>\$ 237,844</u>	<u>\$ 1,035,691</u>	<u>\$ 792,000</u>	<u>\$ 1,306</u>

CITY OF WARSAW
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	WASTEWATER LEASE BD 2005/PYMT	STORMWATER UTILITY OPERATING	2015 RA BONDS - BOND INTEREST	2015 RA BONDS - RESERVE FUND	2015 RA BONDS - CONSTRUCTION	2015 RA BONDS - SINKING FUND	Totals
Cash and investments - beginning	\$ 583,875	\$ 105,748	\$ -	\$ -	\$ -	\$ -	\$ 36,691,276
Receipts:							
Taxes	-	-	-	-	-	-	15,209,628
Licenses and permits	-	-	-	-	-	-	26,227
Intergovernmental receipts	-	-	-	-	-	-	7,189,914
Charges for services	-	-	-	-	-	-	1,074,209
Fines and forfeits	-	-	-	-	-	-	34,370
Utility fees	-	527,569	-	-	-	-	6,385,385
Other receipts	581,500	-	293,034	164,147	1,859,724	24,850	31,548,118
Total receipts	<u>581,500</u>	<u>527,569</u>	<u>293,034</u>	<u>164,147</u>	<u>1,859,724</u>	<u>24,850</u>	<u>61,467,851</u>
Disbursements:							
Personal services	-	9,974	-	-	-	-	13,458,150
Supplies	-	-	-	-	-	-	2,698,446
Other services and charges	-	-	-	-	111,888	1,450	7,484,024
Debt service - principal and interest	581,500	-	-	-	-	-	2,461,195
Capital outlay	-	134,376	-	-	-	-	6,457,237
Utility operating expenses	-	138,447	-	-	-	-	1,773,369
Other disbursements	280,864	52,933	-	-	-	23,400	21,401,708
Total disbursements	<u>862,364</u>	<u>335,730</u>	<u>-</u>	<u>-</u>	<u>111,888</u>	<u>24,850</u>	<u>55,734,129</u>
Excess (deficiency) of receipts over disbursements	<u>(280,864)</u>	<u>191,839</u>	<u>293,034</u>	<u>164,147</u>	<u>1,747,836</u>	<u>-</u>	<u>5,733,722</u>
Cash and investments - ending	<u>\$ 303,011</u>	<u>\$ 297,587</u>	<u>\$ 293,034</u>	<u>\$ 164,147</u>	<u>\$ 1,747,836</u>	<u>\$ -</u>	<u>\$ 42,424,998</u>

CITY OF WARSAW
SCHEDULE OF PAYABLES
December 31, 2015

<u>Government or Enterprise</u>	<u>Accounts Payable</u>
Governmental activities	\$ 810,165
Wastewater	62,477
Stormwater	<u>8,500</u>
Totals	<u>\$ 881,142</u>

CITY OF WARSAW
SCHEDULE OF LEASES AND DEBT
December 31, 2015

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Crossroads Bank	Purchase Garbage Truck	\$ 29,240	7/15/2014	1/15/2019
Warsaw Redevelopment Authority	Lease Rental Revenue Bonds Series 2015	<u>90,619</u>	2/1/2016	2/1/2040
Total governmental activities		<u>119,859</u>		
Wastewater:				
City of Warsaw Building Corporation	Lease Rental Refunding Bonds Series 2015	<u>787,000</u>	1/1/2016	1/1/2024
Stormwater:				
First Source Bank	Street Sweeper	<u>44,086</u>	5/1/2015	5/1/2018
Total of annual lease payments		<u>\$ 950,945</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	General Obligation Bond 2014	\$ 850,000	\$ 427,450
Revenue bonds	Tax Increment Special Taxing District Series 2015 Winona PVD III	860,000	26,198
Revenue bonds	Taxable Economic Development Bonds 2000	840,000	224,000
Revenue bonds	Special Taxing District Bonds 2011	555,000	193,695
Revenue bonds	Tax Increment Rev Bonds Series 2012	1,295,000	120,159
Revenue bonds	Tax Increment Rev Bonds Series 2013	2,895,000	294,708
Revenue bonds	Tax Increment Rev Bonds Series 2013A	<u>1,145,000</u>	<u>95,370</u>
Total governmental activities		<u>8,440,000</u>	<u>1,381,580</u>
Wastewater:			
Revenue bonds	Sewage Works Revenue Bonds 2008	1,740,000	429,209
Revenue bonds	Sewage Works Revenue Bond 2011	3,990,000	309,975
Revenue bonds	Sewage Works Revenue Bonds 2013	<u>4,285,000</u>	<u>662,793</u>
Total Wastewater		<u>10,015,000</u>	<u>1,401,977</u>
Totals		<u>\$ 18,455,000</u>	<u>\$ 2,783,557</u>

CITY OF WARSAW
SCHEDULE OF CAPITAL ASSETS
December 31, 2015

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	\$ 8,202,779
Infrastructure	53,067,225
Buildings	8,649,795
Improvements other than buildings	8,487,589
Machinery, equipment, and vehicles	14,402,653
Construction in progress	793,477
Total governmental activities	93,603,518
Wastewater:	
Land	239,706
Buildings	20,017,137
Improvements other than buildings	38,908,281
Machinery, equipment, and vehicles	3,082,948
Construction in progress	34,993
Total Wastewater	62,283,065
Stormwater:	
Machinery, equipment, and vehicles	198,762
Total capital assets	\$ 156,085,345

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE CITY OF WARSAW, KOSCIUSKO COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the City of Warsaw's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2015. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2015.

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

Report on Internal Control over Compliance


Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on 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 the Uniform Guidance, 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.

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 a 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2015-002, which we consider to be a material weakness.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

March 29, 2017

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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 WARSAW
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

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	Pass-Through To Subrecipient	Total Federal Awards Expended
<u>Department of Justice</u>					
Bulletproof Vest Partnership Program	Direct grant	16.607			
Bulletproof Vest Partnership Program			2013BUBX13067973	\$ -	\$ 2,895
Total - Department of Justice				-	2,895
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205			
Market Street Improvement Project			1400786	-	374
Husky Road Trail Project			1297651	-	134,085
Total - Highway Planning and Construction Cluster				-	134,459
Highway Safety Cluster					
State and Community Highway Safety	Town of Winona Lake	20.600			
Operation Pull Over (OPO) Enforcement			3172	-	12,461
			2508	-	1,535
Total - State and Community Highway Safety				-	13,996
Alcohol Impaired Driving Countermeasures Incentive Grants I	Town of Winona Lake	20.601			
Kosciusko Co DUI Task Force			3174	-	6,410
Total - Highway Safety Cluster				-	20,406
Airport Improvement Program					
Non Primary Entitlement Grant	Direct Grant	20.106			
Update Airport Layout Plan			AIP-3-18-0085-10	-	52,006
Install Guidance Signs			AIP-3-18-0085-012-2013	-	21,600
Land Acquisition			AIP-3-18-0085-013-2014	-	160,311
			AIP-3-18-0085-014-2015	-	486,000
Total - Airport Improvement Program				-	719,917
Total - Department of Transportation				-	874,782
Total federal awards expended				\$ -	\$ 877,677

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

CITY OF WARSAW
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2015. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF WARSAW
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 weakness identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weakness identified?	yes
Significant deficiency identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for it:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
20.106	Airport Improvement Grant	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

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

Section II - Financial Statement Findings

FINDING 2015-001 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

There were several deficiencies in the internal control system of the City related to financial transactions and reporting.

1. Lack of Segregation of Duties: The City had not separated incompatible activities related to cash, receipt processing, the preparation of the Annual Financial Report (AFR), or preparation of the Schedule of Expenditures of Federal Awards (SEFA).
 - (a) One employee was responsible for performing monthly bank reconciliations. There was no written evidence that a second employee reviewed the monthly bank reconciliations.

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

(b) There were multiple employees involved in the receipt and deposit process. There was no written evidence that a second employee was performing oversight of the process.

(c) One employee was responsible for preparing and submitting financial information into the Indiana Gateway for Government Units financial system, the source of the Annual Financial Report and the SEFA. There was no evidence that supporting documentation was reviewed and approved prior to submission.

2. Monitoring of Controls: The City had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the City to monitor and assess the quality of the system of internal control.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

Cause

Management of the City had not established a proper system of internal control over financial transactions and reporting.

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

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the City at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

FINDING 2015-002 - SPECIAL TESTS AND PROVISIONS - WAGE RATE REQUIREMENTS

Federal Agency: Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number and Year: AIP-3-18-0085-013-2014

Condition

An effective internal control system was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Wage Rate Requirements.

The City did not have a control in place to ensure compliance with the Special Tests and Provisions - Wage Rate Requirements. The City hired an Engineer to oversee compliance with the Special Tests and Provisions - Wage Rate Requirements; however, the City did not design or implement procedures to ensure that the Engineer adequately verified compliance.

Context

This related only to this program during the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and the Special Tests and Provisions - Wage Rate Requirements.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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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 WARSAW

Office of the Clerk-Treasurer

www.warsaw.in.gov • 102 S. Buffalo Street, Warsaw, IN 46580 • Phone: (574) 372-9545 • Fax: (574) 372-9504

CORRECTIVE ACTION PLAN

FINDING 2015-001

March 29, 2017

Contact Person Responsible for Corrective Action: Lynne A. Christiansen

Contact Phone Number 574-372-9545

Description of Corrective Action Plan:

1. **Segregation of Duties:** The City concurs with the conditions, criteria, cause and effect of finding 2015-001. The City will immediately separate incompatible activities related to cash, receipt processing, the preparation of the Annual Financial Report, and the Schedule of Expenditures of Federal Awards (SEFA).

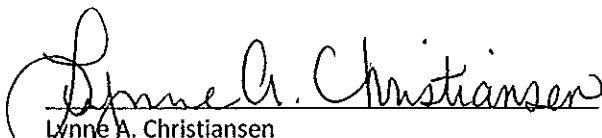
a). Monthly bank statements/reconciliations will be reviewed and checked by a second employee by either initialing or marking the monthly bank reconciliations.

b). Oversight had been preformed; however it was not memorialized or documented by initials or checkmarks. The city will require written evidence that a second employee is performing oversight by initialing or marking deposit slips after a second review has been performed to check the balance of the paperwork with checks and cash for daily deposit.

c). Review of information submitted into Gateway had been performed; however it was not memorialized or documented by initials or checkmarks. Review of information prepared for the SEFA had been performed but not memorialized or documented as well. The city will require written evidence that a second employee has reviewed the information to be submitted into Gateway and SEFA with initials or checkmarks.

2. **Monitoring of Controls:** The City will continue to develop a process to identify and communicate corrective actions to improve controls.

Anticipated Completion Date: Internal Controls are an ongoing process with no definite completion date. The items addressed above will take effect immediately.



Lynne A. Christiansen
Clerk-Treasurer, City of Warsaw



Warsaw Municipal Airport City of Warsaw Board of Aviation Commissioners

CORRECTIVE ACTION PLAN

FINDING 2015 - 002 - INTERNAL CONTROLS OVER THE AIRPORT IMPROVEMENT PROGRAM

Contact Person Responsible for Corrective Action: Nicholas D. King
Contact Phone Number: 574.372.9541

Views of Responsible Official: The BOAC concurs with this finding and proposes this corrective action plan.

Description of Corrective Action Plan:

General

The City of Warsaw Board of Aviation Commissioners (BOAC) and airport management have created a written document entitled "Internal Controls Supplement". This document will be considered a living document and will be updated, and added to, on an ongoing basis. This document shall include, but not be limited to, individual sections to address specific tasks to ensure that the BOAC maintains the specific controls required by all governing bodies.

Detailed

Finding 2015 - 002 has one specific area of concern being there is no process documented that neither explains the roles, assignments, nor steps, that are being utilized to monitor the Davis Bacon Act by the BOAC and airport management.

The corrective action is as follows:

Davis Bacon Act: Matching; Period of Availability

A policy and procedure will be created for the implementation, review, and document control for the Davis Bacon Act; related to certified payroll review and verification procedures. This procedure identifies the roles of the individuals responsible for completing these tasks. With this implementation a schedule for completing the process on an ongoing basis will be created. This will include a document that accurately records the actions taken.

Anticipated Completion Date:

It is anticipated that the creation and implementation of these policies and procedures, along with the review by the BOAC and the Clerk Treasurer will take up to two regular meetings to finalize and adopt. The target date for the final approval adoption by the BOAC will be May 9, 2017.

Nicholas D. King (Signature: Nicholas D. King)

Airport Manager (Title: Airport Manager)

3/29/17 (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/>.