

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF WABASH
WABASH COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
07/06/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
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 <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	10
Notes to Financial Statement	11-16
Other Information - Unaudited:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	18-27
Schedule of Payables and Receivables	28
Schedule of Leases and Debt	29
Schedule of Capital Assets	30
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control over Compliance	32-33
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	36
Notes to Schedule of Expenditures of Federal Awards	37
Schedule of Findings and Questioned Costs	38-40
Auditee-Prepared Document:	
Corrective Action Plan	42
Other Reports	43

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Wendy D. Frazier	01-01-16 to 12-31-19
Mayor	Scott A. Long	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Scott A. Long	01-01-16 to 12-31-19
President Pro Tempore of the Common Council	Bryan W. Dillon Douglas E. Adams Eric E. Schoening	01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Wabash (City), which comprises the financial position and results of operations for the year ended December 31, 2016, 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 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, 2016.

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, 2016, 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 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 May 24, 2018, 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 solely 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 effectiveness of the City's 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

May 24, 2018



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 INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the City of Wabash (City), which comprises the financial position and results of operations for the year ended December 31, 2016, and the related notes to the financial statement, and have issued our report thereon dated May 24, 2018, 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 2016-001, that we consider to be a material weakness.

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

Compliance and Other Matters

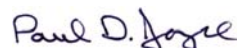
As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001.

City of Wabash's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

May 24, 2018

(This page intentionally left blank.)

FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF WABASH
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2016

Fund	Cash and Investments		Cash and Investments	
	01-01-16	Receipts	Disbursements	12-31-16
GENERAL	\$ 7,886,277	\$ 7,691,255	\$ 7,494,044	\$ 8,083,488
MOTOR VEHICLE HIGHWAY	688,915	1,674,127	1,657,208	705,834
LOCAL ROAD & STREET	161,049	47,076	50,000	158,125
AVIATION	110,694	101,648	149,344	62,998
AMBULANCE	659,054	1,166,934	1,000,055	825,933
CRIMINAL JUSTICE GRANT	23,471	47,530	16,398	54,603
LOIT SPECIAL DISTRIBUTION	-	1,192,416	51,500	1,140,916
LAW ENFORCEMENT CON'T ED	7,018	14,491	13,320	8,189
CLERK'S PERPETUAL	3,604	-	3,604	-
PARK & POOL	816,684	286,403	866,185	236,902
USER FEES	16,540	22	-	16,562
RAINY DAY	887,561	413,173	90,051	1,210,683
COMMUNITY CROSSING GRANT	-	1,000,000	-	1,000,000
AVIATION ROTARY	36,507	46,000	51,855	30,652
AVIATION GRANT	13,384	506,945	508,640	11,689
PARK NON REVERT CAPITAL	357,431	367,500	718,647	6,284
REDEVELOPMENT COMMISSION	149,573	-	8,725	140,848
NORTH EAST BUS. PARK	119,261	309,209	37,417	391,053
STORMWATER	1,369,845	734,011	326,924	1,776,932
CEDIT	1,068,078	852,900	673,185	1,247,793
CUMMULATIVE CAPITAL IMPR.	36,408	27,185	49,223	14,370
AVIATION REVOLVING	67,786	9,900	-	77,686
SELF INSURANCE	1,823,868	-	144,757	1,679,111
POLICE PENSION	556,773	461,244	452,527	565,490
FIREMEN'S PENSION	478,169	716,779	703,798	491,150
COURT COST DUE COUNTY	688	1,038	1,038	688
PUBLIC SAFETY LOIT	546,706	627,733	204,522	969,917
RDC CHECKING - NON TIF	927,555	6,420	109,661	824,314
CITY COURT	8,898	119,499	123,531	4,866
BROWNFIELD GRANTS	738	-	-	738
2010 CONST WORKS BOND	520,736	44,000	246,699	318,037
CINERGY METRONET TIF DIST	41,902	60,582	31,721	70,763
FORD METER BOX ALLOC.	-	91,742	91,742	-
MIAMI & MARKET (C. CREEK)	-	23,941	23,941	-
CINERGY METRONET ALLOC.	-	459,950	426,819	33,131
INNOVATIVE VENT. ALLOC.	12,645	975,013	987,658	-
STELLAR BAN 2015	36	854,686	743,453	111,269
DEBT RESERVE STREET	233,000	-	-	233,000
CIVIC	263	2,875	-	3,138
PAYROLL	-	4,958,107	4,958,107	-
PENSION PAYROLL	-	1,151,946	1,151,946	-
PARK DONATION	3,737	-	-	3,737
OPERATION GOOD NEIGHBOR	5,025	1,200	2,240	3,985
SEWAGE	1,538,491	2,986,412	2,692,959	1,831,944
SEWAGE BOND & COUPON	436,526	796,771	806,950	426,347
SEWAGE DEBT RESERVE	476,500	8,373	-	484,873
SEWAGE BOND PROCEEDS CONST. 2015	2,541,387	-	2,492,334	49,053
SEWAGE BOND PROCEEDS CONST. 2016	-	6,835,551	-	6,835,551
Totals	\$ 24,632,783	\$ 37,672,587	\$ 30,162,728	\$ 32,142,642

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

CITY OF WABASH
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

Taxes. 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.

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

CITY OF WABASH
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

CITY OF WABASH
NOTES TO FINANCIAL STATEMENT
(Continued)

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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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 WABASH
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 WABASH
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 WABASH
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.

OTHER INFORMATION - UNAUDITED

The City's Annual Financial Report information can be found on the Indiana Gateway for Government Units 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 WABASH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	GENERAL	MOTOR VEHICLE HIGHWAY	LOCAL ROAD & STREET	AVIATION	AMBULANCE
Cash and investments - beginning	\$ 7,886,277	\$ 688,915	\$ 161,049	\$ 110,694	\$ 659,054
Receipts:					
Taxes	4,420,838	-	-	98,426	-
Licenses and permits	147,320	-	-	-	-
Intergovernmental receipts	3,008,258	1,657,496	47,076	3,222	-
Charges for services	26,292	-	-	-	966,232
Fines and forfeits	7,271	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	81,276	16,631	-	-	200,702
Total receipts	<u>7,691,255</u>	<u>1,674,127</u>	<u>47,076</u>	<u>101,648</u>	<u>1,166,934</u>
Disbursements:					
Personal services	5,620,279	737,163	-	97,905	508,997
Supplies	167,042	231,701	-	5,492	141,734
Other services and charges	1,471,392	554,618	-	17,069	56,018
Debt service - principal and interest	-	-	-	-	-
Capital outlay	230,553	133,726	50,000	28,878	293,306
Utility operating expenses	-	-	-	-	-
Other disbursements	4,778	-	-	-	-
Total disbursements	<u>7,494,044</u>	<u>1,657,208</u>	<u>50,000</u>	<u>149,344</u>	<u>1,000,055</u>
Excess (deficiency) of receipts over disbursements	<u>197,211</u>	<u>16,919</u>	<u>(2,924)</u>	<u>(47,696)</u>	<u>166,879</u>
Cash and investments - ending	<u>\$ 8,083,488</u>	<u>\$ 705,834</u>	<u>\$ 158,125</u>	<u>\$ 62,998</u>	<u>\$ 825,933</u>

CITY OF WABASH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	CRIMINAL JUSTICE GRANT	LOIT SPECIAL DISTRIBUTION	LAW ENFORCEMENT CON'T ED	CLERK'S PERPETUAL	PARK & POOL
Cash and investments - beginning	\$ 23,471	\$ -	\$ 7,018	\$ 3,604	\$ 816,684
Receipts:					
Taxes	-	-	-	-	233,802
Licenses and permits	-	-	8,230	-	-
Intergovernmental receipts	-	-	-	-	7,654
Charges for services	-	-	6,261	-	27,524
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	47,530	1,192,416	-	-	17,423
Total receipts	<u>47,530</u>	<u>1,192,416</u>	<u>14,491</u>	<u>-</u>	<u>286,403</u>
Disbursements:					
Personal services	-	-	-	-	310,120
Supplies	-	-	-	-	83,204
Other services and charges	-	-	-	3,604	48,661
Debt service - principal and interest	-	-	-	-	-
Capital outlay	16,398	-	13,320	-	407,254
Utility operating expenses	-	-	-	-	-
Other disbursements	-	51,500	-	-	16,946
Total disbursements	<u>16,398</u>	<u>51,500</u>	<u>13,320</u>	<u>3,604</u>	<u>866,185</u>
Excess (deficiency) of receipts over disbursements	<u>31,132</u>	<u>1,140,916</u>	<u>1,171</u>	<u>(3,604)</u>	<u>(579,782)</u>
Cash and investments - ending	<u>\$ 54,603</u>	<u>\$ 1,140,916</u>	<u>\$ 8,189</u>	<u>\$ -</u>	<u>\$ 236,902</u>

CITY OF WABASH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	USER FEES	RAINY DAY	COMMUNITY CROSSING GRANT	AVIATION ROTARY	AVIATION GRANT
Cash and investments - beginning	\$ 16,540	\$ 887,561	\$ -	\$ 36,507	\$ 13,384
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	22	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	-	413,173	1,000,000	46,000	506,945
Total receipts	<u>22</u>	<u>413,173</u>	<u>1,000,000</u>	<u>46,000</u>	<u>506,945</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	90,051	-	51,855	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	508,640
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	<u>-</u>	<u>90,051</u>	<u>-</u>	<u>51,855</u>	<u>508,640</u>
Excess (deficiency) of receipts over disbursements	<u>22</u>	<u>323,122</u>	<u>1,000,000</u>	<u>(5,855)</u>	<u>(1,695)</u>
Cash and investments - ending	<u>\$ 16,562</u>	<u>\$ 1,210,683</u>	<u>\$ 1,000,000</u>	<u>\$ 30,652</u>	<u>\$ 11,689</u>

CITY OF WABASH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	PARK NON REVERT CAPITAL	REDEVELOPMENT COMMISSION	NORTH EAST BUS. PARK	STORMWATER	CEDIT
Cash and investments - beginning	\$ 357,431	\$ 149,573	\$ 119,261	\$ 1,369,845	\$ 1,068,078
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	232,361	-	852,900
Charges for services	-	-	-	545,751	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	367,500	-	76,848	188,260	-
Total receipts	<u>367,500</u>	<u>-</u>	<u>309,209</u>	<u>734,011</u>	<u>852,900</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	718,647	8,725	-	-	77,500
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	37,417	-	595,685
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	326,924	-
Total disbursements	<u>718,647</u>	<u>8,725</u>	<u>37,417</u>	<u>326,924</u>	<u>673,185</u>
Excess (deficiency) of receipts over disbursements	<u>(351,147)</u>	<u>(8,725)</u>	<u>271,792</u>	<u>407,087</u>	<u>179,715</u>
Cash and investments - ending	<u>\$ 6,284</u>	<u>\$ 140,848</u>	<u>\$ 391,053</u>	<u>\$ 1,776,932</u>	<u>\$ 1,247,793</u>

CITY OF WABASH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	CUMMULATIVE CAPITAL IMPR.	AVIATION REVOLVING	SELF INSURANCE	POLICE PENSION	FIREMEN'S PENSION
Cash and investments - beginning	\$ 36,408	\$ 67,786	\$ 1,823,868	\$ 556,773	\$ 478,169
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	27,185	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	-	9,900	-	461,244	716,779
Total receipts	<u>27,185</u>	<u>9,900</u>	<u>-</u>	<u>461,244</u>	<u>716,779</u>
Disbursements:					
Personal services	-	-	-	452,159	701,787
Supplies	-	-	-	-	9
Other services and charges	-	-	144,757	368	2,002
Debt service - principal and interest	-	-	-	-	-
Capital outlay	49,223	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	<u>49,223</u>	<u>-</u>	<u>144,757</u>	<u>452,527</u>	<u>703,798</u>
Excess (deficiency) of receipts over disbursements	<u>(22,038)</u>	<u>9,900</u>	<u>(144,757)</u>	<u>8,717</u>	<u>12,981</u>
Cash and investments - ending	<u>\$ 14,370</u>	<u>\$ 77,686</u>	<u>\$ 1,679,111</u>	<u>\$ 565,490</u>	<u>\$ 491,150</u>

CITY OF WABASH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	COURT COST DUE COUNTY	PUBLIC SAFETY LOIT	RDC CHECKING - NON TIF	CITY COURT	BROWNFIELD GRANTS
Cash and investments - beginning	\$ 688	\$ 546,706	\$ 927,555	\$ 8,898	\$ 738
Receipts:					
Taxes	-	627,733	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	1,038	-	-	119,499	-
Utility fees	-	-	-	-	-
Other receipts	-	-	6,420	-	-
Total receipts	1,038	627,733	6,420	119,499	-
Disbursements:					
Personal services	-	45,676	-	-	-
Supplies	-	158,846	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	1,038	-	109,661	123,531	-
Total disbursements	1,038	204,522	109,661	123,531	-
Excess (deficiency) of receipts over disbursements	-	423,211	(103,241)	(4,032)	-
Cash and investments - ending	\$ 688	\$ 969,917	\$ 824,314	\$ 4,866	\$ 738

CITY OF WABASH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	2010 CONST WORKS BOND	CINERGY METRONET TIF DIST	FORD METER BOX ALLOC.	MIAMI & MARKET (C. CREEK)	CINERGY METRONET ALLOC.
Cash and investments - beginning	\$ 520,736	\$ 41,902	\$ -	\$ -	\$ -
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	44,000	60,582	91,742	23,941	459,950
Total receipts	44,000	60,582	91,742	23,941	459,950
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	246,699	31,721	91,742	23,941	426,819
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	246,699	31,721	91,742	23,941	426,819
Excess (deficiency) of receipts over disbursements	(202,699)	28,861	-	-	33,131
Cash and investments - ending	\$ 318,037	\$ 70,763	\$ -	\$ -	\$ 33,131

CITY OF WABASH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	INNOVATIVE VENT. ALLOC.	STELLAR BAN 2015	DEBT RESERVE STREET	CIVIC	PAYROLL
Cash and investments - beginning	\$ 12,645	\$ 36	\$ 233,000	\$ 263	\$ -
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	975,013	854,686	-	2,875	4,958,107
Total receipts	975,013	854,686	-	2,875	4,958,107
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	987,658	743,453	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	4,958,107
Total disbursements	987,658	743,453	-	-	4,958,107
Excess (deficiency) of receipts over disbursements	(12,645)	111,233	-	2,875	-
Cash and investments - ending	\$ -	\$ 111,269	\$ 233,000	\$ 3,138	\$ -

CITY OF WABASH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	PENSION PAYROLL	PARK DONATION	OPERATION GOOD NEIGHBOR	SEWAGE	SEWAGE BOND & COUPON
Cash and investments - beginning	\$ -	\$ 3,737	\$ 5,025	\$ 1,538,491	\$ 436,526
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	2,884,374	-
Other receipts	1,151,946	-	1,200	102,038	796,771
Total receipts	1,151,946	-	1,200	2,986,412	796,771
Disbursements:					
Personal services	-	-	-	351,675	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	122,527	-
Debt service - principal and interest	-	-	-	450	806,950
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	851,526	-
Other disbursements	1,151,946	-	2,240	1,366,781	-
Total disbursements	1,151,946	-	2,240	2,692,959	806,950
Excess (deficiency) of receipts over disbursements	-	-	(1,040)	293,453	(10,179)
Cash and investments - ending	\$ -	\$ 3,737	\$ 3,985	\$ 1,831,944	\$ 426,347

CITY OF WABASH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	SEWAGE DEBT RESERVE	SEWAGE BOND PROCEEDS CONST. 2015	SEWAGE BOND PROCEEDS CONST. 2016	Totals
Cash and investments - beginning	\$ 476,500	\$ 2,541,387	\$ -	\$ 24,632,783
Receipts:				
Taxes	-	-	-	5,380,799
Licenses and permits	-	-	-	155,550
Intergovernmental receipts	-	-	-	5,836,152
Charges for services	-	-	-	1,572,060
Fines and forfeits	-	-	-	127,830
Utility fees	-	-	-	2,884,374
Other receipts	8,373	-	6,835,551	21,715,822
Total receipts	<u>8,373</u>	<u>-</u>	<u>6,835,551</u>	<u>37,672,587</u>
Disbursements:				
Personal services	-	-	-	8,825,761
Supplies	-	-	-	788,028
Other services and charges	-	-	-	3,367,794
Debt service - principal and interest	-	-	-	807,400
Capital outlay	-	2,492,334	-	7,408,767
Utility operating expenses	-	-	-	851,526
Other disbursements	-	-	-	8,113,452
Total disbursements	<u>-</u>	<u>2,492,334</u>	<u>-</u>	<u>30,162,728</u>
Excess (deficiency) of receipts over disbursements	<u>8,373</u>	<u>(2,492,334)</u>	<u>6,835,551</u>	<u>7,509,859</u>
Cash and investments - ending	<u>\$ 484,873</u>	<u>\$ 49,053</u>	<u>\$ 6,835,551</u>	<u>\$ 32,142,642</u>

CITY OF WABASH
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2016

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental Activities	\$ 603,009	\$ -
Wastewater Treatment Plant	<u>4,495</u>	<u>234,946</u>
Totals	<u>\$ 607,504</u>	<u>\$ 234,946</u>

CITY OF WABASH
SCHEDULE OF LEASES AND DEBT
December 31, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Crossroads Bank	Lease Police Cars	\$ 33,596	1/23/2015	1/1/2017
Municipal Capital Finance	Lease of Build. Comm. Truck	6,850	10/1/2014	10/1/2017
TFC Equipment	Lease Street Sweeper	<u>41,492</u>	5/27/2016	5/27/2020
Total of annual lease payments		<u>\$ 81,938</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Revenue bonds	Red. Comm. BAN 2012	\$ 2,524,087	\$ 100,963
Revenue bonds	Red. Comm. Bond Series 2011 (Innovative Ventures Project)	1,995,580	437,345
Revenue bonds	Red. Comm. Series 2010 A (Cinergy Metronet Project)	842,784	132,560
Revenue bonds	Red. Comm. Series 2011B (MS Wabash LLC Project)	1,325,000	113,064
Notes and loans payable	Stellar BAN / Bond 2015	899,584	133,116
Notes and loans payable	POOL BAN	<u>944,574</u>	<u>37,293</u>
Total governmental activities		<u>8,531,609</u>	<u>954,341</u>
Wastewater Treatment Plant:			
Revenue bonds	Sewage Works 2015	3,000,000	742,050
Revenue bonds	Sewage Works 2016	<u>7,005,000</u>	<u>182,577</u>
Total Wastewater Treatment Plant		<u>10,005,000</u>	<u>924,627</u>
Totals		<u>\$ 18,536,609</u>	<u>\$ 1,878,968</u>

CITY OF WABASH
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2016

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

	Ending Balance
Governmental activities:	
Land	\$ 3,558,607
Infrastructure	5,234,465
Buildings	5,461,237
Improvements other than buildings	9,704,213
Machinery, equipment, and vehicles	<u>7,043,020</u>
Total governmental activities	<u>31,001,542</u>
Wastewater Treatment Plant:	
Land	134,606
Infrastructure	3,196,131
Buildings	611,586
Improvements other than buildings	2,421,483
Machinery, equipment, and vehicles	2,347,468
Construction in progress	<u>7,000,000</u>
Total Wastewater Treatment Plant	<u>15,711,274</u>
Total capital assets	<u>\$ 46,712,816</u>

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Report on Compliance for the Major Federal Program

We have audited the City of Wabash's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2016. 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, 2016.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

May 24, 2018

(This page intentionally left blank.)

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 WABASH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

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	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Commerce</u>					
Economic Development Cluster Investments for Public Works and Economic Development Facilities	Direct Grant	11.300	06-01-05748	\$ -	\$ 232,361
Total - Economic Development Cluster				-	232,361
Total - Department of Commerce				-	232,361
<u>Department of Housing and Urban Development</u>					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii Owner Occupy Rehab	Indiana Housing and Community Development Authority	14.228	DR2OR-015-001	-	11,191
Total - Department of Housing and Urban Development				-	11,191
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Construction	Indiana Department of Transportation	20.205	1500256 1383415 1005202	- - -	143,506 80,870 100,375
Total - Highway Planning and Construction				-	324,751
Total - Highway Planning and Construction Cluster				-	324,751
Highway Safety Cluster State and Community Highway Safety Operation Pullover	Indiana Department of Transportation	20.600	D3-16-10197 D3-17-11135	- -	3,451 928
Total - State and Community Highway Safety				-	4,379
Total - Highway Safety Cluster				-	4,379
Airport Improvement Program	Direct Grant	20.106	3-18-0084-015-2015 3-18-0084-014-2013 3-18-0084-016-2016	- - -	248,331 224,900 10,800
Total - Airport Improvement Program				-	484,031
Total - Department of Transportation				-	813,161
Total federal awards expended				\$ -	\$ 1,056,713

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

CITY OF WABASH
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, 2016. 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 WABASH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	no

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 Program	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 2016-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Condition

There were deficiencies in the internal control system of the City related to financial transactions and reporting. The City had not separated incompatible activities related to receipts and reporting.

Receipts

The Wastewater Department (Department) had two employees. These employees had the same title, the same salary, and shared the same duties and responsibilities equally. Except for approving biweekly timesheets, there was no supervisory oversight and review of the activities of the Department. Due to the lack of segregation of duties and supervisory review,

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

officials were not able to prevent or detect in a timely manner the failure to deposit collections for Wastewater receipts. The lack of necessary input controls allowed discrepancies between collections posted to customers' accounts and collections deposited to the bank to go undetected.

The Wastewater Billing Department (Billing Department) could not account for collections credited to customer accounts totaling \$152,128 from September 5, 2013 to May 9, 2017. Of this total, \$60,967 was from January 1, 2016 to December 31, 2016. These collections were entered in the Billing Department's computer system in 112 batches assigned to 94 different collection dates. None of the 112 batches were included in the Billing Department's daily Cash Entry Batch Lists, and none of the collections in those batches were remitted to the Office of the Clerk-Treasurer, recorded in the City's fund ledger, or deposited in the bank.

Reporting

The Clerk-Treasurer prepared and submitted the financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system. Gateway is the collection platform for local units of government to submit required data to the State of Indiana. All cities are required to submit their Annual Financial Report via Gateway. The City, however, did not have documentable controls to verify the accuracy of the financial information prior to submission.

Context

This was a systemic problem, which occurred throughout the audit period.

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. . . .

Management remediates identified issues. . . ."

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

Indiana Code 5-13-6-1(c) states in part:

" . . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . . ."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Cause

Management of the City had not established a proper system of internal control that segregated key functions related to the City's financial transactions and reporting.

Effect

The failure to establish controls enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the City at risk that controls may not be designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements or irregularities in a timely manner.

Recommendation

We recommended that the City's management design and implement a proper system of internal controls, which would segregate key functions and also perform periodic monitoring of its system of internal control.

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

No matters are reportable.

AUDITEE-PREPARED DOCUMENT

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



City of Wabash

WENDY FRAZIER
CLERK-TREASURER

CITY HALL
202 S. WABASH ST
WABASH, IN 46992

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

May 24, 2018

Corrective Action Plan for the City of Wabash

FINDING 2016-001

Contact persons Responsible for Corrective Action: Mayor Scott A. Long, Wendy D. Frazier, Robert Gray, Tracy Peterson-Bolan, Regina Sundheimer & Amber Krhin
Contact Phone Number: (260) 563-4171

Views of Responsible Official:

As stated many times throughout the entire audit process, the Clerk-Treasurer and the Deputy Clerk-Treasurer work together in preparing the financial information. Once the year end annual report is complete the Clerk-Treasurer prints the report and the Deputy Clerk (Amber) goes line item by line item and proofs the document. Once the newspaper prints the annual report the Deputy Clerk (Amber) once again checks it for accuracy. Because Amber's initials did not appear on the document the State Board of Accounts cannot "verify" that Amber actually checked the document. The annual report was found to be in compliance and all figure were true and correct.

Description of Corrective Action Plan:

For the completion of the annual report for 2018 Deputy Clerk-Treasurer Amber Krhin will initial the report.

At the request of Mayor Scott A. Long and Clerk-Treasurer Wendy D. Frazier, an excel spreadsheet has been created for use by the Wastewater Billing Clerks and the Clerk-Treasurer's office. The spreadsheet has a starting Masterfile balance that cannot be changed. The Wastewater Billing office will provide the Clerk-Treasurer's office with daily documentation to all entries pertaining to the total of the Masterfile Balance. Tracy Peterson-Bolan or Robert Gray will initial and approve all adjustments. If at any time the Clerk-Treasurer's office and the Wastewater billing Masterfile balances do not match, all of the above listed contact persons will work together as needed to find the problem.

Anticipated completion Date: Immediately

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/>.