

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CITY OF MADISON  
JEFFERSON COUNTY, INDIANA

January 1, 2014 to December 31, 2014



**FILED**  
11/29/2018



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 .....	11-18
Other Information - Unaudited:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis .....	20-31
Schedule of Payables and Receivables .....	32
Schedule of Leases and Debt .....	33
Schedule of Capital Assets .....	34
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control over Compliance .....	36-37
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards .....	40
Notes to Schedule of Expenditures of Federal Awards .....	41
Schedule of Findings and Questioned Costs .....	42-47
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings .....	50-51
Corrective Action Plan .....	52-53
Other Reports .....	54

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	William Kalb Rick Berry	01-01-12 to 12-31-15 01-01-16 to 12-31-19
Mayor	Damon L. Welch	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	Damon L. Welch	01-01-12 to 12-31-15
President Pro Tempore of the Common Council	Rick Berry Darrell Henderson David Alcorn	01-01-14 to 12-31-15 01-01-16 to 12-31-17 01-01-18 to 12-31-18
Utility Office Manager	Sara Stetson Mark Hill Rob Holt	01-01-14 to 09-24-17 09-25-17 to 03-26-18 03-27-18 to 12-31-18



## INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF MADISON, JEFFERSON COUNTY, INDIANA

### **Report on the Financial Statement**

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

### ***Management's Responsibility for the Financial Statement***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free 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, 2014.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated October 17, 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

October 17, 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](http://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 MADISON, JEFFERSON 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 Madison (City), which comprises the financial position and results of operations for the year ended December 31, 2014, and the related notes to the financial statement, and have issued our report thereon dated October 17, 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.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a 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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001, 2014-002, and 2014-003 to be material weaknesses.

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

**Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the City's financial statement is free from 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 items 2014-001 and 2014-002.

**City of Madison'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

October 17, 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 MADISON  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2014

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
GENERAL FUND	\$ 1,967,314	\$ 4,821,641	\$ 5,569,700	\$ 1,219,255
MOTOR VEHICLE HIGHWAY	148,733	422,874	289,819	281,788
LOCAL ROAD & STREET	17,245	54,797	64,120	7,922
AVIATION	42,383	123,436	112,289	53,530
INVESTIGATION RE-IM. FUND	752	-	-	752
FARMERS MARKET	-	975	268	707
UNSAFE BLDG. FUND (35.58)	41,985	5,232	4,214	43,003
PARK & RECREATION-GEN.	285,950	1,591,715	1,110,916	766,749
RAINY DAY FUND(35.43)	535,191	-	-	535,191
POLICE K-9 FUND(35.55)	4,799	320	84	5,035
PARK NRO (35.18)	117,282	169,892	182,449	104,725
CUM CAP. DEV.(35.15)	384,263	200,695	223,653	361,305
COMMUNITY GARDEN (35.46)	1,587	1,450	2,224	813
POLICE D.A.R.E.	1,657	1,500	703	2,454
EQ.RESERVE NRO	-	143,005	-	143,005
COMMUNITY BAND	-	1,828	1,553	275
P.A.C.E. NRO	-	50,030	-	50,030
CUM CAP IMPROV	64,357	31,654	10,477	85,534
TIF (35.27)	4,174,990	1,007,326	810,104	4,372,212
UST UNDERGROUND STORAGE TANKS	-	30,000	-	30,000
POLICE PENSION-CKING/INV	547,166	380,173	374,743	552,596
RIVERBOAT DIST. FUND	709,368	71,390	186,043	594,715
SEWER SRL	-	44,948	44,948	-
PETTY CASH	385	-	-	385
HISTORIC PRES. GRANT	96	-	-	96
PUBLIC SER.VIDEO (35.63)	18,999	54,201	48,895	24,305
EMER. RESPONSE TEAM	3,644	7,775	3,275	8,144
POLICE-CON'T EDUCATION	6,764	8,545	13,718	1,591
POLICE DONATION	23,354	3,263	11,372	15,245
INSURANCE	20,695	6,774	6,869	20,600
COMM DEV&EVENT (35.62)	928	14,738	9,218	6,448
BROADWAY FOUNTAIN	2,521	377	236	2,662
PARK DONATION	2,431	8,375	256	10,550
OPERATION PULLOVER GR	2,435	5,938	5,176	3,197
RIVERFRONT DEV GR (35.57)	3,000	-	-	3,000
MAD. CITY TREE (35.23)	242	675	917	-
CITY EMPLOYEE DONATION	616	8,427	6,141	2,902
M.A.I.N. NRO	-	14,455	14,292	163
COMM OF COMPASSION(35.49)	7,439	-	7,439	-
MICRO-ENTER GR.(35.26)	29,974	-	29,974	-
AVIATION-NRO (35.38)	143,310	47,353	35,752	154,911
SCBA FIRE DEPT(35.64)	79,700	39,448	-	119,148
AVIA ST. GRANT #3900101	3	224,626	220,738	3,891
BI-CENTENNIAL FUND(35.51)	96,142	-	-	96,142
COUNTY TAX FUND(35.48)	257,430	680,605	681,173	256,862
STAGE FUND NRO (35.59)	3,544	-	-	3,544
SENIOR CTZN. FUND	18,990	10,939	12,711	17,218
FIRE DEPT FED GR.(35.17)	1,418	-	-	1,418
MICROLOAN FUND (35.32)	108,145	14,833	50,000	72,978
HERITAGE TRAILS (35.33)	201	-	-	201
DIS. MITIGATION (35.56)	52,812	-	52,812	-
COMM DEV AC GR (35.28)	500,833	187,588	195,337	493,084
FIRE CO.INVEST. (35.19)	719,499	45,426	-	764,925
REV LOAN INV (35.16)	501,906	30,619	-	532,525
UTILITY INS. CKS (35.42)	500	-	-	500
PAYROLL FUND	122,223	7,087,712	7,127,447	82,488
TRANSFER STA. OPERATING	3,476	880,853	875,460	8,869
SEWAGE OPERATING	263,353	3,986,463	3,299,847	949,969
SEWAGE BOND & INTR	446,052	836,765	914,157	368,660
SEWAGE DEBT RESERVE	772,560	37,157	-	809,717
J.CO.SEWAGE OPERATING	434,475	808,208	980,619	262,064
WATER OPERATING	142,873	1,781,947	1,738,385	186,435
WATER METER DEP CKING	49,636	39,450	32,670	56,416
WATER METER INVESTMENT	35,424	-	-	35,424
99 WATER BOND & INT FUND	270,299	438,821	438,821	270,299
99 WATER BOND RESERVE FD	430,355	10,149	-	440,504
SEWAGE STATE REVOLVING LOAN FUND	-	1,462,090	1,462,090	-
<b>Totals</b>	<b>\$ 14,623,704</b>	<b>\$ 27,939,476</b>	<b>\$ 27,264,104</b>	<b>\$ 15,299,076</b>

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

CITY OF MADISON  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, 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 nonbusinesses that must be licensed before doing business within the government's jurisdiction, or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF MADISON  
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 MADISON  
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 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 MADISON  
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 MADISON  
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. 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

CITY OF MADISON  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy*

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

**Note 7. Subsequent Events**

*2015 State Revolving Loan Series A*

On June 25, 2015, the Wastewater Utility entered into a State Revolving Loan agreement in the amount of \$2,100,000 at an interest rate of 2 percent to fund wastewater improvement projects. The loan was originally scheduled to mature on August 1, 2035; however, the debt was subsequently refinanced on October 28, 2015, as part of the 2015 State Revolving Loan Series C debt agreement as shown below.

*2015 State Revolving Loan Series B-1*

On October 28, 2015, the Wastewater Utility entered into a State Revolving Loan agreement in the amount of \$493,255 with an interest rate of 1.95 percent, maturing on February 1, 2020. The loan proceeds were used to fund wastewater improvement projects.

*2015 State Revolving Loan Series B-2*

On October 28, 2015, the Wastewater Utility entered into a State Revolving Loan agreement in the amount of \$2,198,784 with an interest rate of 1.95 percent to fund wastewater improvement projects. The loan is scheduled to mature on August 1, 2035.

*2015 State Revolving Loan Series C*

On October 28, 2015, the Wastewater Utility entered into a State Revolving Loan agreement in the amount of \$14,610,260 with zero percent interest maturing on August 1, 2035. The loan proceeds were used to refinance existing wastewater debt. Debt refinance with the loan agreement included the 2010 State Revolving Loan outstanding balance in the amount of \$2,397,072; the 2014 State Revolving Loan outstanding balance in the amount of \$5,875,000; the 2015 State Revolving Loan Series A outstanding balance of \$2,101,000; and the 2003 State Revolving Loans outstanding balance of \$4,237,188.

*2015 State Revolving Loan Series D*

On October 28, 2015, the Wastewater Utility entered into a State Revolving Loan agreement in the amount of \$403,000 with zero percent interest maturing on August 1, 2016. The loan proceeds were used to refinance the 2010 State Revolving Loan (Series A WW-SIL-11) outstanding balance in the amount of \$403,000.

*2017 State Revolving Loan Series A*

On December 15, 2017, the Wastewater Utility entered into a State Revolving Loan agreement to fund wastewater improvement projects. The agreement established a maximum drawdown of loan funds in the amount of \$871,200 at an interest rate of 2 percent. The loan is scheduled to mature on August 1, 2020; however, final repayment schedule will not be determined until construction is completed and all loan proceeds have been drawn down.

CITY OF MADISON  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*2017 State Revolving Loan Series B*

On December 15, 2017, the Wastewater Utility entered into a State Revolving Loan agreement to fund wastewater improvement projects. The agreement established a maximum drawdown of loan funds in the amount of \$10,528,800 at an interest rate of 2 percent. The loan is scheduled to mature on August 1, 2020; however, final repayment schedule will not be determined until construction is completed and all loan proceeds have been drawn down.

*Construction Contracts*

On January 2, 2018, the City entered into contracts in the amount of \$694,000 for wastewater system improvements phase 3B Division B and \$10,186,996 for wastewater collection system improvements phase 3B Division A. The improvements are being funded from the 2017 State Revolving Loans.

*Stellar Communities Program*

In October 2018, the state informed the City it had been designated as a Stellar Communities Designation Program recipient. The Stellar Communities Designation Program is a collaboration between the Office of Community and Rural Affairs (OCRA), the Indiana Housing and Community Development Authority (IHCDA), and the Indiana Department of Transportation (INDOT). The program pools funding sources to assist communities in achieving their long-term comprehensive strategic goals for targeted areas of their community.

Under the proposed program, the City will receive monies from the various state agencies in the amount of \$6,250,000. State monies, in addition to City contributions of \$9,600,000 and private contributions of \$36,061,327, will be used to complete the following projects over a four year period:

1. Madison Connector Multi-Modular Pathways - A 3.5 mile bicycle and pedestrian loop will be constructed to complete a seven mile loop throughout the City. The proposed project is expected to cost \$2,710,836 with \$1,458,643 funding through INDOT; \$758,443 in City funds; and \$493,750 from private funding.
2. Adaptive Re-Use of Historic Buildings - Four sites in the area have been designated for repurposing. The sites will be repurposed for the following uses: hotel, brewery and tasting facility, day spa, apartments, studio and gallery, and performing arts space. The proposed project is expected to cost \$33,402,011 with \$2,000,000 funding through IHCDA; \$400,000 OCRA funding; \$4,500,000 in City funds; and \$26,502,011 in private funding.
3. Destination Development - The project focuses on improving the reputation of the City as a tourism destination. Funds will be used to extend the sidewalk along the riverfront, expand and improve existing riverfront campgrounds, redevelop an existing playground for ADA accessibility, create and develop Georgetown Memorial Park, develop Heritage Park, and develop Jaycee Park restrooms. The proposed project is expected to cost \$2,274,500 with \$1,350,000 being funded through OCRA and \$924,500 being funded by the City.
4. Inviting Gateways - In conjunction with a current INDOT project, improvements will be made to gateways at the intersection of State Road 62 and US 421 and State Road 56 and Harrison Street. Part of the project will include the implementation of public art along state routes into Madison. Project costs are estimated at \$522,942 and will be funded by the City.

CITY OF MADISON  
NOTES TO FINANCIAL STATEMENT  
(Continued)

5. Student Community Initiatives - Renovations will be made to five vacant historic buildings for a student business, entrepreneurship center, and mentoring program; the launch of "Technology Transfer Program" with Hanover College; and a nursing education and training facility. The proposed cost of the project is \$518,089 with \$250,000 to be funded by the City and the remaining \$268,089 from private funding.
6. Overhauled Corridors - Enhancements and improvements will be made to Lanier Drive and Clifty Drive through re-envisioning the former Madison Plaza, implementing sidewalks and improvements, and increasing beautification efforts. The proposed project is expected to cost \$11,647,702 with \$541,357 being funded through INDOT; \$2,501,868 from City funds; and \$8,604,477 in private funds.
7. Neighborhood Revitalization - The project will revitalize downtown neighborhoods Lanier Drive and Green Road and the central business district through rehabilitation of owner-occupied homes, renovation of facades and 2<sup>nd</sup>/3<sup>rd</sup> floors of a building in downtown, sidewalk improvements, and the continuation of implementation of Habitat for Humanity housing projects. The proposed project cost is \$835,247 with \$250,000 funded by IHADA; \$250,000 funded by OCRA; \$142,247 in City funds; and \$193,000 in private funding.

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

	GENERAL FUND	MOTOR VEHICLE HIGHWAY	LOCAL ROAD & STREET	AVIATION	INVESTIGATION RE-IM. FUND	FARMERS MARKET
Cash and investments - beginning	\$ 1,967,314	\$ 148,733	\$ 17,245	\$ 42,383	\$ 752	\$ -
Receipts:						
Taxes	4,218,132	-	-	105,034	-	-
Licenses and permits	39,894	-	-	-	-	-
Intergovernmental receipts	303,733	422,638	54,561	6,220	-	-
Charges for services	22,950	-	-	11,946	-	-
Fines and forfeits	5,560	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	231,372	236	236	236	-	975
Total receipts	<u>4,821,641</u>	<u>422,874</u>	<u>54,797</u>	<u>123,436</u>	<u>-</u>	<u>975</u>
Disbursements:						
Personal services	2,610,870	289,819	-	21,261	-	-
Supplies	449,640	-	-	2,806	-	-
Other services and charges	2,292,909	-	64,120	74,818	-	268
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	216,281	-	-	13,404	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>5,569,700</u>	<u>289,819</u>	<u>64,120</u>	<u>112,289</u>	<u>-</u>	<u>268</u>
Excess (deficiency) of receipts over disbursements	<u>(748,059)</u>	<u>133,055</u>	<u>(9,323)</u>	<u>11,147</u>	<u>-</u>	<u>707</u>
Cash and investments - ending	<u>\$ 1,219,255</u>	<u>\$ 281,788</u>	<u>\$ 7,922</u>	<u>\$ 53,530</u>	<u>\$ 752</u>	<u>\$ 707</u>

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

	UNSAFE BLDG. FUND (35.58)	PARK & RECREATION-GEN.	RAINY DAY FUND(35.43)	POLICE K-9 FUND(35.55)	PARK NRO (35.18)
Cash and investments - beginning	\$ 41,985	\$ 285,950	\$ 535,191	\$ 4,799	\$ 117,282
Receipts:					
Taxes	-	1,121,115	-	-	3,584
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	4,385	-	-	-
Charges for services	-	466,215	-	-	166,308
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	5,232	-	-	320	-
Total receipts	5,232	1,591,715	-	320	169,892
Disbursements:					
Personal services	-	739,927	-	-	66,450
Supplies	-	121,281	-	84	60,574
Other services and charges	4,214	207,955	-	-	55,425
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	41,753	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	4,214	1,110,916	-	84	182,449
Excess (deficiency) of receipts over disbursements	1,018	480,799	-	236	(12,557)
Cash and investments - ending	\$ 43,003	\$ 766,749	\$ 535,191	\$ 5,035	\$ 104,725

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

	CUM CAP. DEV.(35.15)	COMMUNITY GARDEN (35.46)	POLICE D.A.R.E.	EQ.RESERVE NRO	COMMUNITY BAND	P.A.C.E. NRO
Cash and investments - beginning	\$ 384,263	\$ 1,587	\$ 1,657	\$ -	\$ -	\$ -
Receipts:						
Taxes	181,797	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	11,398	1,450	-	-	-	-
Charges for services	-	-	-	-	1,828	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	7,500	-	1,500	143,005	-	50,030
Total receipts	<u>200,695</u>	<u>1,450</u>	<u>1,500</u>	<u>143,005</u>	<u>1,828</u>	<u>50,030</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	10,206	-	-	-	-	-
Other services and charges	212,197	2,224	703	-	1,553	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	1,250	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>223,653</u>	<u>2,224</u>	<u>703</u>	<u>-</u>	<u>1,553</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(22,958)</u>	<u>(774)</u>	<u>797</u>	<u>143,005</u>	<u>275</u>	<u>50,030</u>
Cash and investments - ending	<u>\$ 361,305</u>	<u>\$ 813</u>	<u>\$ 2,454</u>	<u>\$ 143,005</u>	<u>\$ 275</u>	<u>\$ 50,030</u>

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

	CUM CAP IMPROV	TIF (35.27)	UST UNDERGROUND STORAGE TANKS	POLICE PENSION-CKING/INV	RIVERBOAT DIST. FUND
Cash and investments - beginning	\$ 64,357	\$ 4,174,990	\$ -	\$ 547,166	\$ 709,368
Receipts:					
Taxes	-	979,421	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	31,654	-	-	-	71,390
Charges for services	-	2,975	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	-	24,930	30,000	380,173	-
Total receipts	31,654	1,007,326	30,000	380,173	71,390
Disbursements:					
Personal services	-	-	-	374,643	-
Supplies	-	-	-	-	28,728
Other services and charges	2,500	583,763	-	100	127,611
Debt service - principal and interest	-	-	-	-	29,704
Capital outlay	7,977	226,341	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	10,477	810,104	-	374,743	186,043
Excess (deficiency) of receipts over disbursements	21,177	197,222	30,000	5,430	(114,653)
Cash and investments - ending	\$ 85,534	\$ 4,372,212	\$ 30,000	\$ 552,596	\$ 594,715

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

	SEWER SRL	PETTY CASH	HISTORIC PRES. GRANT	PUBLIC SER.VIDEO (35.63)	EMER. RESPONSE TEAM	POLICE-CON'T EDUCATION
Cash and investments - beginning	\$ -	\$ 385	\$ 96	\$ 18,999	\$ 3,644	\$ 6,764
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	2,390
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	44,948	-	-	54,201	7,775	6,155
Total receipts	44,948	-	-	54,201	7,775	8,545
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	5,978
Other services and charges	-	-	-	48,895	3,275	7,740
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	44,948	-	-	-	-	-
Total disbursements	44,948	-	-	48,895	3,275	13,718
Excess (deficiency) of receipts over disbursements	-	-	-	5,306	4,500	(5,173)
Cash and investments - ending	\$ -	\$ 385	\$ 96	\$ 24,305	\$ 8,144	\$ 1,591

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

	<u>POLICE DONATION</u>	<u>INSURANCE</u>	<u>COMM DEV&amp;EVENT (35.62)</u>	<u>BROADWAY FOUNTAIN</u>	<u>PARK DONATION</u>	<u>OPERATION PULLOVER GR</u>
Cash and investments - beginning	\$ 23,354	\$ 20,695	\$ 928	\$ 2,521	\$ 2,431	\$ 2,435
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	8,375	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	3,263	6,774	14,738	377	-	5,938
Total receipts	<u>3,263</u>	<u>6,774</u>	<u>14,738</u>	<u>377</u>	<u>8,375</u>	<u>5,938</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	805	-	-	236	-	5,176
Other services and charges	10,567	6,869	9,218	-	256	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>11,372</u>	<u>6,869</u>	<u>9,218</u>	<u>236</u>	<u>256</u>	<u>5,176</u>
Excess (deficiency) of receipts over disbursements	<u>(8,109)</u>	<u>(95)</u>	<u>5,520</u>	<u>141</u>	<u>8,119</u>	<u>762</u>
Cash and investments - ending	<u>\$ 15,245</u>	<u>\$ 20,600</u>	<u>\$ 6,448</u>	<u>\$ 2,662</u>	<u>\$ 10,550</u>	<u>\$ 3,197</u>

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

	RIVERFRONT DEV GR (35.57)	MAD. CITY TREE (35.23)	CITY EMPLOYEE DONATION	M.A.I.N. NRO	COMM OF COMPASSION(35.49)
Cash and investments - beginning	\$ 3,000	\$ 242	\$ 616	\$ -	\$ 7,439
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	300	-	-	-
Charges for services	-	-	-	14,455	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	-	375	8,427	-	-
Total receipts	-	675	8,427	14,455	-
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	917	-	-	-
Other services and charges	-	-	6,141	14,292	7,439
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	-	917	6,141	14,292	7,439
Excess (deficiency) of receipts over disbursements	-	(242)	2,286	163	(7,439)
Cash and investments - ending	\$ 3,000	\$ -	\$ 2,902	\$ 163	\$ -

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

	MICRO-ENTER GR.(35.26)	AVIATION-NRO (35.38)	SCBA FIRE DEPT(35.64)	AVIA ST. GRANT #3900101	BI-CENTENNIAL FUND(35.51)	COUNTY TAX FUND(35.48)
Cash and investments - beginning	\$ 29,974	\$ 143,310	\$ 79,700	\$ 3	\$ 96,142	\$ 257,430
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	47,353	-	224,626	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	39,448	-	-	680,605
Total receipts	-	47,353	39,448	224,626	-	680,605
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	35,752	-	-	-	22,227
Other services and charges	29,974	-	-	220,738	-	642,396
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	16,550
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	29,974	35,752	-	220,738	-	681,173
Excess (deficiency) of receipts over disbursements	(29,974)	11,601	39,448	3,888	-	(568)
Cash and investments - ending	\$ -	\$ 154,911	\$ 119,148	\$ 3,891	\$ 96,142	\$ 256,862

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

	STAGE FUND NRO (35.59)	SENIOR CTZN. FUND	FIRE DEPT FED GR.(35.17)	MICROLOAN FUND (35.32)	HERITAGE TRAILS (35.33)	DIS. MITIGATION (35.56)
Cash and investments - beginning	\$ 3,544	\$ 18,990	\$ 1,418	\$ 108,145	\$ 201	\$ 52,812
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	10,939	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	14,833	-	-
Total receipts	-	10,939	-	14,833	-	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	12,711	-	-	-	52,812
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	50,000	-	-
Total disbursements	-	12,711	-	50,000	-	52,812
Excess (deficiency) of receipts over disbursements	-	(1,772)	-	(35,167)	-	(52,812)
Cash and investments - ending	\$ 3,544	\$ 17,218	\$ 1,418	\$ 72,978	\$ 201	\$ -

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

	COMM DEV AC GR (35.28)	FIRE CO.INVEST. (35.19)	REV LOAN INV (35.16)	UTILITY INS. CKS (35.42)	PAYROLL FUND	TRANSFER STA. OPERATING
Cash and investments - beginning	\$ 500,833	\$ 719,499	\$ 501,906	\$ 500	\$ 122,223	\$ 3,476
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	853,222
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	187,588	45,426	30,619	-	7,087,712	27,631
Total receipts	187,588	45,426	30,619	-	7,087,712	880,853
Disbursements:						
Personal services	-	-	-	-	1,797,574	529,730
Supplies	-	-	-	-	-	22,716
Other services and charges	195,337	-	-	-	4,461,190	323,014
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	868,683	-
Total disbursements	195,337	-	-	-	7,127,447	875,460
Excess (deficiency) of receipts over disbursements	(7,749)	45,426	30,619	-	(39,735)	5,393
Cash and investments - ending	\$ 493,084	\$ 764,925	\$ 532,525	\$ 500	\$ 82,488	\$ 8,869

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

	SEWAGE OPERATING	SEWAGE BOND & INTR	SEWAGE DEBT RESERVE	J.CO.SEWAGE OPERATING	WATER OPERATING	WATER METER DEP CKING
Cash and investments - beginning	\$ 263,353	\$ 446,052	\$ 772,560	\$ 434,475	\$ 142,873	\$ 49,636
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	3,227,179	-	-	808,208	1,739,757	-
Other receipts	759,284	836,765	37,157	-	42,190	39,450
Total receipts	3,986,463	836,765	37,157	808,208	1,781,947	39,450
Disbursements:						
Personal services	934,553	-	-	187,621	600,469	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	79,739	-
Debt service - principal and interest	836,765	914,157	-	-	10,149	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	1,111,953	-	-	792,998	847,212	32,670
Other disbursements	416,576	-	-	-	200,816	-
Total disbursements	3,299,847	914,157	-	980,619	1,738,385	32,670
Excess (deficiency) of receipts over disbursements	686,616	(77,392)	37,157	(172,411)	43,562	6,780
Cash and investments - ending	\$ 949,969	\$ 368,660	\$ 809,717	\$ 262,064	\$ 186,435	\$ 56,416

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

	WATER METER INVESTMENT	99 WATER BOND & INT FUND	99 WATER BOND RESERVE FD	SEWAGE STATE REVOLVING LOAN FUND	Totals
Cash and investments - beginning	\$ 35,424	\$ 270,299	\$ 430,355	\$ -	\$ 14,623,704
Receipts:					
Taxes	-	-	-	-	6,609,083
Licenses and permits	-	-	-	-	42,284
Intergovernmental receipts	-	-	-	-	907,729
Charges for services	-	-	-	-	1,831,192
Fines and forfeits	-	-	-	-	5,560
Utility fees	-	-	-	-	5,775,144
Other receipts	-	438,821	10,149	1,462,090	12,768,484
Total receipts	-	438,821	10,149	1,462,090	27,939,476
Disbursements:					
Personal services	-	-	-	-	8,152,917
Supplies	-	-	-	-	767,126
Other services and charges	-	-	-	-	9,762,963
Debt service - principal and interest	-	438,821	-	-	2,229,596
Capital outlay	-	-	-	1,462,090	1,985,646
Utility operating expenses	-	-	-	-	2,784,833
Other disbursements	-	-	-	-	1,581,023
Total disbursements	-	438,821	-	1,462,090	27,264,104
Excess (deficiency) of receipts over disbursements	-	-	10,149	-	675,372
Cash and investments - ending	\$ 35,424	\$ 270,299	\$ 440,504	\$ -	\$ 15,299,076

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

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Wastewater	\$ 72,622	\$ 275,048
Water	52,927	111,832
Governmental activities	<u>268,104</u>	<u>200,663</u>
Totals	<u>\$ 393,653</u>	<u>\$ 587,543</u>

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

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Governmental activities:			
Notes and loans payable	Brownfield Loan Payment	\$ 87,436	\$ 17,305
Notes and loans payable	Energy Savings Installment Contract/Loan	452,515	215,065
Notes and loans payable	Kansas State Bank-Garbage Truck	65,033	39,604
Notes and loans payable	Kansas State Bank-Recycling Truck	95,039	39,000
		<u>700,023</u>	<u>310,974</u>
Total governmental activities			
Wastewater:			
Notes and loans payable	2010 State Revolving Forgivable Loan(SRF)	1,000,000	-
Notes and loans payable	2010 State Revolving Loan (SRF) Series A WW-SIL-11	425,000	32,739
Notes and loans payable	2010 State Revolving Loan(SRF) Series B WW09823903	2,487,072	155,804
Notes and loans payable	2014 State Revolving Loan (SRF) WW13143903 (Note 1)	1,462,090	96,000
Notes and loans payable	2003 State Revolving Loan(SRF) CS182360 01	4,724,688	639,425
		<u>10,098,850</u>	<u>923,968</u>
Total Wastewater			
Water:			
Notes and loans payable	2009 State Revolving Loan(SRF)	595,500	112,192
Notes and loans payable	1999 State Revolving Loan (SRF) DW199111 01	2,083,000	383,408
		<u>2,678,500</u>	<u>495,600</u>
Total Water			
		<u>\$ 13,477,373</u>	<u>\$ 1,730,542</u>
Totals			

Note 1: The 2014 State Revolving Loan was authorized for a maximum amount of \$5,886,000. As of December 31, 2014, \$1,462,090 had been drawn down on the loan with a remaining available balance of \$4,423,910.

CITY OF MADISON  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2014

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

	Ending Balance
Governmental activities:	
Land	\$ 2,593,041
Infrastructure	955,283
Buildings	4,163,320
Improvements other than buildings	3,267,541
Machinery, equipment, and vehicles	<u>4,892,180</u>
Total governmental activities	<u>15,871,365</u>
Wastewater:	
Land	70,500
Infrastructure	249,360
Buildings	6,575,738
Machinery, equipment, and vehicles	1,280,439
Construction in progress	<u>793,987</u>
Total Wastewater	<u>8,970,024</u>
Water:	
Land	9,148,236
Infrastructure	298,507
Buildings	1,900,522
Improvements other than buildings	821,872
Machinery, equipment, and vehicles	<u>2,869,887</u>
Total Water	<u>15,039,024</u>
Total capital assets	<u>\$ 39,880,413</u>

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](http://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 MADISON, JEFFERSON COUNTY, INDIANA

**Report on Compliance for the Major Federal Program**

We have audited the City of Madison's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2014. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on the Major Federal Program***

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

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

(Continued)


**Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

October 17, 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 MADISON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2014

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<b>Department of Transportation</b>					
Airport Improvement Program	Direct	20.106			
AIP 3-18-0052-1511				\$ -	\$ 24,814
AIP 3-18-0052-1612				-	184,573
AIP 3-18-0052-1714				-	9,720
Total - Airport Improvement Program				-	219,107
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205			
Madison-Milton Bridge Reconstruction			A249-10-321333	-	45,338
Railroad Incline			A249-12-320146A	-	21,743
Sign Replacement			A249-12-320	-	45,000
Total - Highway Planning and Construction Cluster				-	112,081
Highway Safety Cluster					
State Community Highway Safety Operation Pullover	Indiana Criminal Justice Institute	20.600			
			D3-14-8232	-	5,398
Total - Highway Safety Cluster				-	5,398
Total - Department of Transportation				-	336,586
<b>Department of the Interior</b>					
Sportfishing and Boating Safety Act	Indiana Department of Environmental Management	15.622	A305-3-72	-	54,000
Clean Vessel Act	Indiana Department of Environmental Management	15.616	A305-3-73	-	16,656
Total - Department of the Interior				-	70,656
<b>Environmental Protection Agency</b>					
Clean Water State Revolving Fund Cluster					
Capitalization Grants for Clean Water State Revolving Funds State Revolving Fund - 2014 Bonds	Indiana Finance Authority	66.458			
			WW13143903	-	524,305
Total - Clean Water State Revolving Fund Cluster				-	524,305
Total - Environmental Protection Agency				-	524,305
Total federal awards expended				\$ -	\$ 931,547

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

CITY OF MADISON  
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, 2014. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

CITY OF MADISON  
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
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit finding disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	no

Identification of Major Program:

\_\_\_\_\_ Name of Federal Program or Cluster \_\_\_\_\_

Clean Water State Revolving Fund Cluster

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

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

**Section II - Financial Statement Findings**

**FINDING 2014-001**

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

*Condition*

The City did not have a proper system of controls in place to ensure that all financial activity was included in the financial statement.

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

*Context*

Financial activity associated with the City's State Revolving Loan funds were not reported in the financial statement. Loan proceeds in the amount of \$1,462,090 and related loan disbursements for wastewater improvements in the amount of \$1,462,090 were not included in the financial statements. Audit adjustments were proposed, accepted by the City, and made to the financial statements.

*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. . . ."

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.

*Effect*

The failure to establish controls enabled misstatements or irregularities to remain undetected.

*Recommendation*

We recommended that the City establish a system of internal controls related to financial transactions and reporting.

*Views of Responsible Officials*

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

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

***FINDING 2014-002***

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2013-002.

*Condition*

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). As a result, material misstatements of the SEFA remained undetected.

*Context*

The SEFA contained the following errors:

1. Expenditures for the Airport Improvement Program were understated by \$3,721.
2. Expenditures for the Sportfishing and Boating Safety Act in the amount of \$54,000 were not reported.
3. The Clean Vessel Act expenditures in the amount of \$16,656 were omitted.
4. Expenditures for the Highway Planning and Construction program in the amount of \$112,081 were not reported.
5. The State Community Highway Safety expenditures in the amount of \$5,398 were not reported.
6. The Capitalization Grants for Clean Water State Revolving Funds expenditures in the amount of \$524,305 were not reported.

Audit adjustments were proposed, accepted by the City, and made to the SEFA.

*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.

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

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. . . ."

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § \_\_\_\_\_.310. . . ."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

*Cause*

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

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

*Recommendation*

We recommended that the City's management establish controls related to the preparation of the SEFA.

*Views of Responsible Officials*

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

**FINDING 2014-003**

Subject: Internal Controls - Receipts  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2013-001.

*Condition*

Deficiencies in the internal control system of the City related to financial transactions and reporting were identified. There was a lack of segregation of duties related to receipts. The Receipts Clerk was responsible for issuing receipts, recording receipts, and making bank deposits. The same individual responsible for receipts also performed monthly bank reconciliations. There was no oversight or review over the receipts issued to ensure all receipt activity was recorded to the ledger and deposited.

*Context*

The lack of controls was a systemic issue 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. . . ."

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

*Cause*

Management of the City had not established a proper system of internal control.

*Effect*

The failure to establish controls could have enabled misstatements or irregularities to remain undetected.

*Recommendation*

We recommended that the City establish a system of internal controls related to financial transactions and reporting for receipts.

*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.

(This page intentionally left blank.)

#### AUDITEE-PREPARED DOCUMENTS

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

*Rick Berry*

CLERK - TREASURER  
CLERKTREASURER@MADISON-IN.GOV



101 WEST MAIN STREET  
MADISON, INDIANA 47250-3775  
(812) 265-8316  
FAX: (812) 273-6089

## *City of Madison*

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

#### FINDING 2013-004 – INTERNAL CONTROLS OVER PROCUREMENT AND SUSPENSION AND DEBARMENT

Fiscal year in which the finding initially occurred: 2013  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: OCRA/Community Development Block Grant  
Contact Person Responsible for Corrective Action: Tammy Boldery  
Contact Phone Number: 812-265-8316

#### Status of Audit Finding:

This grant was run through the Mayor's office and was a Community Development Block Grant to help fund the Community Clearinghouse for River Valley Resources, Inc. This grant is no longer in process but in the future all inquiries will be made to the grant administrator to make sure the sub-recipients are screened as required by law. All documentation will be kept in a file in the clerk treasurer's office for SBOA review. This policy will be in effect for all future grants and the city department it comes out of.

#### FINDING 2013-005 – INTERNAL CONTROLS OVER DAVIS BACON

Fiscal year in which the finding initially occurred: 2013  
Pass-Through Entity-Direct Grant/USDOT  
Contact Person Responsible for Corrective Action: Lacey Gammons/Dick Goodman  
Contact Phone Number: 812-265-8316

#### Status of Audit Finding:

The Clerk Treasurers' office has discovered that the corrective action plan has not actually been implemented as stated in the corrective action plan in the prior audit. All parties concerned have been notified and a concrete action is now underway.

Quik Benz  
(Signature)

Clerk Treasurer  
(Title)

9/20/2018  
(Date)

*Rick Berry*

CLERK • TREASURER  
CLERKTREASURER@MADISON.IN.GOV



101 WEST MAIN STREET  
MADISON, INDIANA 47250-3775  
(812) 265-8316  
FAX: (812) 273-6089

## *City of Madison*

October 2, 2018

### **Finding 2014-001-Financial Transactions and Reporting**

**Contact person responsible for corrective action:** Rick Berry

**Contact phone number:** 812-265-8316

**Anticipated Completion Date:** 10/01/2018

**Description of Corrective Action Plan:** We are now tracking all SRF Fund activity and balancing monthly.

### **Finding 2014-002-Preparation of the Schedule of Expenditure of Federal Awards**

**Contact person responsible for corrective action:** Rick Berry

**Contact phone number:** 812-265-8316

**Anticipated Completion Date:** 10/01/2018

**Description of Corrective Action Plan:** We will have the council approve all grants and we will keep copies and track them by creating new revenue numbers. Once the grant information is put into Gateway based upon the review of the financial records, it is reviewed by the department heads responsible for administrating the grants to insure its accuracy.

### **Finding 2014-003-Controls over Financial Transactions and Reporting**

**Contact person responsible for corrective action:** Rick Berry

**Contact phone number:** 812-265-8316

**Anticipated Completion Date:** 10/01/2018

**Description of Corrective Action Plan:** Rick has in the past and will continue to make all bank deposits. Barb will do them in case of Rick's absence. Rick has and will continue to review and sign off on all bank reconciliations. Rick will start as of today comparing deposit slips with the receipts to make sure they agree. In Rick's absence, Barb will do this.

*Rick Berry*

Signature

*Clerk Treasurer*

Title

*10/5/2018*

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/>.