

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF SALEM
WASHINGTON COUNTY, INDIANA

January 1, 2018 to December 31, 2018



FILED
07/05/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sally J. Hattabaugh	01-01-16 to 12-31-19
Mayor	Troy Merry	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Troy Merry	01-01-18 to 12-31-19
President Pro Tempore of the Common Council	Steve Crane Justin Green	01-01-18 to 12-31-18 01-01-19 to 12-31-19
Utility Office Manager	Carol Brough	01-01-18 to 12-31-19



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Salem (City), which comprises the financial position and results of operations for the year ended December 31, 2018, 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, 2018.

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, 2018, 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 20, 2019, 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 20, 2019



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the City of Salem (City), which comprises the financial position and results of operations for the year ended December 31, 2018, and the related notes to the financial statement, and have issued our report thereon dated May 20, 2019, 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 2018-001, 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 2018-001.

City of Salem's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

May 20, 2019

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

CITY OF SALEM
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2018

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18
GENERAL	\$ 1,092,612	\$ 3,862,393	\$ 3,227,869	\$ 1,727,136
MOTOR VEHICLE HIGHWAY	362,642	688,311	635,459	415,494
LOCAL ROAD & STREET	22,585	45,711	19,020	49,276
AVIATION	13,432	95,159	66,657	41,934
SANITATION	227,408	351,127	328,720	249,815
LAW ENFORCE. CONT. ED.	12,850	5,400	3,652	14,598
UNSAFE BUILDING	5,904	1,521	4,300	3,125
RIVERBOAT REVENUE SHARING	37,314	37,433	-	74,747
PARK & RECREATION	148,398	203,294	180,931	170,761
RAINY DAY FUND	40,932	-	-	40,932
K-9 PROGRAM	489	19,617	10,000	10,106
EDIT	274,433	382,909	283,127	374,215
LOIT SPECIAL DISTRIBUTION	267,153	-	261,739	5,414
CUM. CAP. IMPROVEMENT	23,062	14,772	1,088	36,746
CUM. CAP. DEVELOPMENT	30,848	58,717	60,329	29,236
SELF INSURANCE	3,309	49,337	51,035	1,611
STREET SIGN GRANT	862	-	862	-
CEMETERY OPERATING	65,951	123,069	112,339	76,681
AIRPORT GRANT-FEDERAL	2,559	1,045,734	1,048,293	-
AIRPORT GRANT-STATE	142	20,022	20,164	-
PETTY CASH - GENERAL	500	-	-	500
CASH CHANGE - GENERAL	50	-	-	50
CEM STONE REPAIR DONATION	879	200	-	1,079
CEMETERY CHAPEL DONATIONS	2,700	-	-	2,700
STREET SIGN GRANT	-	862	-	862
SALEM SIDEWALK	664	-	-	664
LIT - PUBLIC SAFETY TAX	369,039	386,485	326,356	429,168
ANIMAL SHELTER DONATION	19,122	1,030	9,289	10,863
POLICE DONATION	1,450	5,420	6,180	690
CEMETERY PERM. MAINT.	111,469	10,920	-	122,389
SINCLAIR MEM. MAUSOLEUM	16,553	27	-	16,580
EMERGENCY FLOOD 2017	14,563	-	500	14,063
URBAN BEAUTIFICATION	-	450	450	-
FIRE DONATION	2,337	14,207	9,166	7,378
SALEM HOUSING REHAB RLF	14	-	-	14
SALEM HOMEOWNER REPAIR (CDBG)	-	186,803	186,803	-
STORM WATER USER FEE	3,724	2,000	-	5,724
LOCAL ROAD AND BRIDGE MATCHING GRANT FUND	-	1,046,957	551,714	495,243
POLICE GRANT	9	-	-	9
SALEM R.B.E.G. FUND	15,902	4,686	-	20,588
ALLOCATION #1 U.E.Z.	346,114	666,998	694,555	318,557
SALEM ALLOCATION AREA #2	67,635	53,739	8,500	112,874
WAL-MART ALLOCATION AREA	71,323	321,568	387,891	5,000
AIRPORT IMPROVEMENT	72,848	236,148	202,074	106,922
BOAC RENTAL PROPERTY	13,004	21,569	25,838	8,735
PROJECT DONATION	2,322	2,250	2,315	2,257
FIRE PENSION OLD	89,336	73,085	74,467	87,954
POLICE PENSION OLD	97,504	70,751	64,516	103,739
PAYROLL - NET SALARIES	-	549,446	549,446	-
PAYROLL - FEDERAL W/H	-	232,223	232,223	-

CITY OF SALEM
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2018

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18
PAYROLL - FICA	-	226,110	226,110	-
PAYROLL - MEDICARE	-	76,374	76,374	-
PAYROLL - STATE W/H	-	87,948	87,948	-
PAYROLL - COUNTY W/H	-	50,947	50,947	-
AMERICAN FAMILY LIFE	-	25,395	25,395	-
AUL 457	-	42,208	42,208	-
COMMUNITY FOUNDATION	-	770	770	-
BOSTON MUTUAL	-	3,587	3,587	-
PERF	-	253,323	253,323	-
COLONIAL LIFE	-	5,338	5,338	-
COMPANION LIFE	-	556	556	-
DIRECT DEPOSIT	-	1,513,256	1,513,256	-
IN STATE CENT COLL UNIT	-	5,775	5,775	-
NEW JERSEY FAMILY SUPPORT	-	5,250	5,250	-
GUARDIAN 125	-	22,160	22,160	-
HEALTH 125	-	74,269	74,269	-
ID PROTECTION	-	466	466	-
LINCOLN LIFE	-	671	671	-
NATIONWIDE 457	-	31	31	-
PRUDENTIAL LIFE	-	2,233	2,233	-
WASHINGTON NATIONAL LIFE	-	247	247	-
WASHINGTON CO. TREASURER	-	2,473	2,473	-
YMCA	-	1,954	1,954	-
FIRE PERF	-	70,530	70,530	-
POLICE PERF	-	122,057	122,057	-
LIBERTY NATIONAL 125	-	3,180	3,180	-
WASHINGTON CO. CLERK	-	386	386	-
CINTAS	-	888	888	-
WASTEWATER OPERATING	8,088	1,343,177	1,184,506	166,759
SEWER SERVICE	91,740	29,260	25,630	95,370
WASTEWATER DEPRECIATION	25,460	21,400	28,944	17,916
WASTEWATER BOND & INT	92,055	257,362	331,101	18,316
WASTEWATER DEBT SERVICE	426,540	3,780	244,452	185,868
WASTEWATER CONSTRUCTION 2018	-	1,468,154	152,715	1,315,439
PETTY CASH - WASTEWATER	500	-	-	500
CASH CHANGE - WASTEWATER	50	-	-	50
WATER OPERATING	118,034	2,499,843	1,933,284	684,593
WATER DEPRECIATION	38,084	24,000	2,700	59,384
WATER BOND & INTEREST	210,573	372,052	278,525	304,100
PETTY CASH - WATER	500	-	-	500
WATER NON-REVERTING	10,867	13,307	18,000	6,174
CASH CHANGE - WATER	50	-	-	50
WATER DEBT SERVICE	313,050	-	-	313,050
BECKS MILL WATER LINE EXT	609	-	-	609
Totals	\$ 5,288,146	\$ 19,523,067	\$ 16,446,106	\$ 8,365,107

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

CITY OF SALEM
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

Licenses and permits. Amounts received from businesses, occupations, or non-businesses that must be licensed before doing business within the government's jurisdiction, or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF SALEM
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 SALEM
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 SALEM
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

State statutes authorize the City to invest in securities including, but not limited to, 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 SALEM
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

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

C. 1937 Firefighters' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

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

CITY OF SALEM
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Plan Description

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

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

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

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

Funding Policy

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

Note 7. Holding Corporation

The City has entered into a capital lease with City of Salem Govt. Building Corp. (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the City. The lessor has been determined to be a related-party of the City. Lease payments during the year 2018 totaled \$110,000.

Note 8. Subsequent Events

The City issued Waterworks Bond Anticipation Notes of 2019 for \$14,783,000, on April 17, 2019. The primary purpose for this issue is financing certain necessary improvements to the waterworks.

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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 SALEM
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	GENERAL	MOTOR VEHICLE HIGHWAY	LOCAL ROAD & STREET	AVIATION	SANITATION	LAW ENFORCE. CONT. ED.
Cash and investments - beginning	\$ 1,092,612	\$ 362,642	\$ 22,585	\$ 13,432	\$ 227,408	\$ 12,850
Receipts:						
Taxes	3,211,084	347,709	-	53,000	135,856	-
Licenses and permits	46,975	-	-	-	-	2,860
Intergovernmental receipts	201,557	328,558	45,711	-	13,179	-
Charges for services	145,389	1,260	-	42,159	197,627	1,555
Fines and forfeits	4,467	-	-	-	-	985
Utility fees	-	-	-	-	-	-
Other receipts	252,921	10,784	-	-	4,465	-
Total receipts	<u>3,862,393</u>	<u>688,311</u>	<u>45,711</u>	<u>95,159</u>	<u>351,127</u>	<u>5,400</u>
Disbursements:						
Personal services	2,225,305	402,167	-	-	99,411	-
Supplies	100,933	49,423	-	22,993	4,379	-
Other services and charges	583,063	13,869	19,020	40,281	224,868	2,937
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	60,098	170,000	-	-	-	665
Utility operating expenses	-	-	-	-	-	-
Other disbursements	258,470	-	-	3,383	62	50
Total disbursements	<u>3,227,869</u>	<u>635,459</u>	<u>19,020</u>	<u>66,657</u>	<u>328,720</u>	<u>3,652</u>
Excess (deficiency) of receipts over disbursements	<u>634,524</u>	<u>52,852</u>	<u>26,691</u>	<u>28,502</u>	<u>22,407</u>	<u>1,748</u>
Cash and investments - ending	<u>\$ 1,727,136</u>	<u>\$ 415,494</u>	<u>\$ 49,276</u>	<u>\$ 41,934</u>	<u>\$ 249,815</u>	<u>\$ 14,598</u>

CITY OF SALEM
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	UNSAFE BUILDING	RIVERBOAT REVENUE SHARING	PARK & RECREATION	RAINY DAY FUND	K-9 PROGRAM	EDIT
Cash and investments - beginning	\$ 5,904	\$ 37,314	\$ 148,398	\$ 40,932	\$ 489	\$ 274,433
Receipts:						
Taxes	-	-	147,817	-	-	317,023
Licenses and permits	1,521	-	570	-	-	-
Intergovernmental receipts	-	37,433	14,340	-	-	-
Charges for services	-	-	36,863	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	3,704	-	19,617	65,886
Total receipts	1,521	37,433	203,294	-	19,617	382,909
Disbursements:						
Personal services	-	-	137,751	-	-	20,058
Supplies	-	-	29,712	-	-	-
Other services and charges	-	-	12,857	-	-	233,239
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	88	-	-	29,830
Utility operating expenses	-	-	-	-	-	-
Other disbursements	4,300	-	523	-	10,000	-
Total disbursements	4,300	-	180,931	-	10,000	283,127
Excess (deficiency) of receipts over disbursements	(2,779)	37,433	22,363	-	9,617	99,782
Cash and investments - ending	\$ 3,125	\$ 74,747	\$ 170,761	\$ 40,932	\$ 10,106	\$ 374,215

CITY OF SALEM
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	LOIT SPECIAL DISTRIBUTION	CUM. CAP. IMPROVEMENT	CUM. CAP. DEVELOPMENT	SELF INSURANCE	STREET SIGN GRANT
Cash and investments - beginning	\$ 267,153	\$ 23,062	\$ 30,848	\$ 3,309	\$ 862
Receipts:					
Taxes	-	-	53,525	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	14,772	5,192	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	-	-	-	49,337	-
Total receipts	-	14,772	58,717	49,337	-
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	261,739	1,088	60,329	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	51,035	862
Total disbursements	261,739	1,088	60,329	51,035	862
Excess (deficiency) of receipts over disbursements	(261,739)	13,684	(1,612)	(1,698)	(862)
Cash and investments - ending	\$ 5,414	\$ 36,746	\$ 29,236	\$ 1,611	\$ -

CITY OF SALEM
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	CEMETERY OPERATING	AIRPORT GRANT-FEDERAL	AIRPORT GRANT-STATE	PETTY CASH - GENERAL	CASH CHANGE - GENERAL
Cash and investments - beginning	\$ 65,951	\$ 2,559	\$ 142	\$ 500	\$ 50
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	1,045,734	20,022	-	-
Charges for services	116,280	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	6,789	-	-	-	-
Total receipts	123,069	1,045,734	20,022	-	-
Disbursements:					
Personal services	97,822	-	-	-	-
Supplies	8,829	-	-	-	-
Other services and charges	5,688	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	1,048,293	20,164	-	-
Total disbursements	112,339	1,048,293	20,164	-	-
Excess (deficiency) of receipts over disbursements	10,730	(2,559)	(142)	-	-
Cash and investments - ending	\$ 76,681	\$ -	\$ -	\$ 500	\$ 50

CITY OF SALEM
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	CEM STONE REPAIR DONATION	CEMETERY CHAPEL DONATIONS	STREET SIGN GRANT	SALEM SIDEWALK	LIT - PUBLIC SAFETY TAX
Cash and investments - beginning	\$ 879	\$ 2,700	\$ -	\$ 664	\$ 369,039
Receipts:					
Taxes	-	-	-	-	343,712
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	200	-	862	-	42,773
Total receipts	200	-	862	-	386,485
Disbursements:					
Personal services	-	-	-	-	200,610
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	2,560
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	123,186
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	-	-	-	-	326,356
Excess (deficiency) of receipts over disbursements	200	-	862	-	60,129
Cash and investments - ending	\$ 1,079	\$ 2,700	\$ 862	\$ 664	\$ 429,168

CITY OF SALEM
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	ANIMAL SHELTER DONATION	POLICE DONATION	CEMETERY PERM. MAINT.	SINCLAIR MEM. MAUSOLEUM	EMERGENCY FLOOD 2017
Cash and investments - beginning	\$ 19,122	\$ 1,450	\$ 111,469	\$ 16,553	\$ 14,563
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	10,920	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	1,030	5,420	-	27	-
Total receipts	1,030	5,420	10,920	27	-
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	9,289	6,180	-	-	500
Total disbursements	9,289	6,180	-	-	500
Excess (deficiency) of receipts over disbursements	(8,259)	(760)	10,920	27	(500)
Cash and investments - ending	\$ 10,863	\$ 690	\$ 122,389	\$ 16,580	\$ 14,063

CITY OF SALEM
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	URBAN BEAUTIFICATION	FIRE DONATION	SALEM HOUSING REHAB RLF	SALEM HOMEOWNER REPAIR (CDBG)	STORM WATER USER FEE
Cash and investments - beginning	\$ -	\$ 2,337	\$ 14	\$ -	\$ 3,724
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	168,803	-
Charges for services	-	-	-	-	2,000
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	450	14,207	-	18,000	-
Total receipts	450	14,207	-	186,803	2,000
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	450	9,166	-	186,803	-
Total disbursements	450	9,166	-	186,803	-
Excess (deficiency) of receipts over disbursements	-	5,041	-	-	2,000
Cash and investments - ending	\$ -	\$ 7,378	\$ 14	\$ -	\$ 5,724

CITY OF SALEM
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	LOCAL ROAD AND BRIDGE MATCHING GRANT FUND	POLICE GRANT	SALEM R.B.E.G. FUND	ALLOCATION #1 U.E.Z.	SALEM ALLOCATION AREA #2
Cash and investments - beginning	\$ -	\$ 9	\$ 15,902	\$ 346,114	\$ 67,635
Receipts:					
Taxes	-	-	-	633,998	53,739
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	1,046,957	-	4,686	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	-	-	-	33,000	-
Total receipts	1,046,957	-	4,686	666,998	53,739
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	551,714	-	-	599,688	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	94,867	8,500
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	551,714	-	-	694,555	8,500
Excess (deficiency) of receipts over disbursements	495,243	-	4,686	(27,557)	45,239
Cash and investments - ending	\$ 495,243	\$ 9	\$ 20,588	\$ 318,557	\$ 112,874

CITY OF SALEM
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	WAL-MART ALLOCATION AREA	AIRPORT IMPROVEMENT	BOAC RENTAL PROPERTY	PROJECT DONATION	FIRE PENSION OLD
Cash and investments - beginning	\$ 71,323	\$ 72,848	\$ 13,004	\$ 2,322	\$ 89,336
Receipts:					
Taxes	321,568	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	72,851
Charges for services	-	-	21,450	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	-	236,148	119	2,250	234
Total receipts	321,568	236,148	21,569	2,250	73,085
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	74,467
Debt service - principal and interest	387,891	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	202,074	25,838	2,315	-
Total disbursements	387,891	202,074	25,838	2,315	74,467
Excess (deficiency) of receipts over disbursements	(66,323)	34,074	(4,269)	(65)	(1,382)
Cash and investments - ending	\$ 5,000	\$ 106,922	\$ 8,735	\$ 2,257	\$ 87,954

CITY OF SALEM
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	POLICE PENSION OLD	PAYROLL - NET SALARIES	PAYROLL - FEDERAL W/H	PAYROLL - FICA	PAYROLL - MEDICARE
Cash and investments - beginning	\$ 97,504	\$ -	\$ -	\$ -	\$ -
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	70,484	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	267	549,446	232,223	226,110	76,374
Total receipts	70,751	549,446	232,223	226,110	76,374
Disbursements:					
Personal services	500	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	64,016	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	549,446	232,223	226,110	76,374
Total disbursements	64,516	549,446	232,223	226,110	76,374
Excess (deficiency) of receipts over disbursements	6,235	-	-	-	-
Cash and investments - ending	\$ 103,739	\$ -	\$ -	\$ -	\$ -

CITY OF SALEM
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	PAYROLL - STATE W/H	PAYROLL - COUNTY W/H	AMERICAN FAMILY LIFE	AUL 457	COMMUNITY FOUNDATION
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	87,948	50,947	25,395	42,208	770
Total receipts	87,948	50,947	25,395	42,208	770
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	87,948	50,947	25,395	42,208	770
Total disbursements	87,948	50,947	25,395	42,208	770
Excess (deficiency) of receipts over disbursements	-	-	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF SALEM
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	BOSTON MUTUAL	PERF	COLONIAL LIFE	COMPANION LIFE	DIRECT DEPOSIT
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	3,587	253,323	5,338	556	1,513,256
Total receipts	<u>3,587</u>	<u>253,323</u>	<u>5,338</u>	<u>556</u>	<u>1,513,256</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	3,587	253,323	5,338	556	1,513,256
Total disbursements	<u>3,587</u>	<u>253,323</u>	<u>5,338</u>	<u>556</u>	<u>1,513,256</u>
Excess (deficiency) of receipts over disbursements	-	-	-	-	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SALEM
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	IN STATE CENT COLL UNIT	NEW JERSEY FAMILY SUPPORT	GUARDIAN 125	HEALTH 125	ID PROTECTION
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	5,775	5,250	22,160	74,269	466
Total receipts	5,775	5,250	22,160	74,269	466
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	5,775	5,250	22,160	74,269	466
Total disbursements	5,775	5,250	22,160	74,269	466
Excess (deficiency) of receipts over disbursements	-	-	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF SALEM
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	LINCOLN LIFE	NATIONWIDE 457	PRUDENTIAL LIFE	WASHINGTON NATIONAL LIFE	WASHINGTON CO. TREASURER
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	671	31	2,233	247	2,473
Total receipts	671	31	2,233	247	2,473
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	671	31	2,233	247	2,473
Total disbursements	671	31	2,233	247	2,473
Excess (deficiency) of receipts over disbursements	-	-	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF SALEM
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	YMCA	FIRE PERF	POLICE PERF	LIBERTY NATIONAL 125	WASHINGTON CO. CLERK
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	1,954	70,530	122,057	3,180	386
Total receipts	1,954	70,530	122,057	3,180	386
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	1,954	70,530	122,057	3,180	386
Total disbursements	1,954	70,530	122,057	3,180	386
Excess (deficiency) of receipts over disbursements	-	-	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF SALEM
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	CINTAS	WASTEWATER OPERATING	SEWER SERVICE	WASTEWATER DEPRECIATION	WASTEWATER BOND & INT
Cash and investments - beginning	\$ -	\$ 8,088	\$ 91,740	\$ 25,460	\$ 92,055
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	1,189,353	29,260	4,400	-
Other receipts	888	153,824	-	17,000	257,362
Total receipts	888	1,343,177	29,260	21,400	257,362
Disbursements:					
Personal services	-	239,644	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	25,978	-	-	-
Debt service - principal and interest	-	-	-	-	331,101
Capital outlay	-	-	-	28,944	-
Utility operating expenses	-	593,406	-	-	-
Other disbursements	888	325,478	25,630	-	-
Total disbursements	888	1,184,506	25,630	28,944	331,101
Excess (deficiency) of receipts over disbursements	-	158,671	3,630	(7,544)	(73,739)
Cash and investments - ending	\$ -	\$ 166,759	\$ 95,370	\$ 17,916	\$ 18,316

CITY OF SALEM
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	WASTEWATER DEBT SERVICE	WASTEWATER CONSTRUCTION 2018	PETTY CASH - WASTEWATER	CASH CHANGE - WASTEWATER	WATER OPERATING
Cash and investments - beginning	\$ 426,540	\$ -	\$ 500	\$ 50	\$ 118,034
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	2,445,828
Other receipts	3,780	1,468,154	-	-	54,015
Total receipts	3,780	1,468,154	-	-	2,499,843
Disbursements:					
Personal services	-	-	-	-	483,378
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	36,497
Debt service - principal and interest	244,452	-	-	-	-
Capital outlay	-	152,715	-	-	-
Utility operating expenses	-	-	-	-	908,895
Other disbursements	-	-	-	-	504,514
Total disbursements	244,452	152,715	-	-	1,933,284
Excess (deficiency) of receipts over disbursements	(240,672)	1,315,439	-	-	566,559
Cash and investments - ending	\$ 185,868	\$ 1,315,439	\$ 500	\$ 50	\$ 684,593

CITY OF SALEM
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	WATER DEPRECIATION	WATER BOND & INTEREST	PETTY CASH - WATER	WATER NON-REVERTING
Cash and investments - beginning	\$ 38,084	\$ 210,573	\$ 500	\$ 10,867
Receipts:				
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental receipts	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Utility fees	-	-	-	250
Other receipts	24,000	372,052	-	13,057
Total receipts	<u>24,000</u>	<u>372,052</u>	<u>-</u>	<u>13,307</u>
Disbursements:				
Personal services	-	-	-	-
Supplies	-	-	-	-
Other services and charges	-	-	-	-
Debt service - principal and interest	-	278,525	-	-
Capital outlay	2,700	-	-	-
Utility operating expenses	-	-	-	-
Other disbursements	-	-	-	18,000
Total disbursements	<u>2,700</u>	<u>278,525</u>	<u>-</u>	<u>18,000</u>
Excess (deficiency) of receipts over disbursements	<u>21,300</u>	<u>93,527</u>	<u>-</u>	<u>(4,693)</u>
Cash and investments - ending	<u>\$ 59,384</u>	<u>\$ 304,100</u>	<u>\$ 500</u>	<u>\$ 6,174</u>

CITY OF SALEM
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	CASH CHANGE - WATER	WATER DEBT SERVICE	BECKS MILL WATER LINE EXT	Totals
Cash and investments - beginning	\$ 50	\$ 313,050	\$ 609	\$ 5,288,146
Receipts:				
Taxes	-	-	-	5,619,031
Licenses and permits	-	-	-	51,926
Intergovernmental receipts	-	-	-	3,090,279
Charges for services	-	-	-	575,503
Fines and forfeits	-	-	-	5,452
Utility fees	-	-	-	3,669,091
Other receipts	-	-	-	6,511,785
Total receipts	-	-	-	19,523,067
Disbursements:				
Personal services	-	-	-	3,906,646
Supplies	-	-	-	216,269
Other services and charges	-	-	-	2,490,742
Debt service - principal and interest	-	-	-	1,241,969
Capital outlay	-	-	-	994,749
Utility operating expenses	-	-	-	1,502,301
Other disbursements	-	-	-	6,093,430
Total disbursements	-	-	-	16,446,106
Excess (deficiency) of receipts over disbursements	-	-	-	3,076,961
Cash and investments - ending	\$ 50	\$ 313,050	\$ 609	\$ 8,365,107

CITY OF SALEM
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2018

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ 37,726	\$ 98,626
Water	78,646	173,358
Governmental activities	389,669	50,431
Totals	\$ 506,041	\$ 322,415

CITY OF SALEM
SCHEDULE OF LEASES AND DEBT
December 31, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
City of Salem Govt. Building Corp.	Lease for City Hall	\$ 111,000	2/26/2014	7/15/2024
New Washington State Bank	Lease for 2016 Police Car	9,002	8/19/2016	8/19/2020
New Washington State Bank	Lease for 2016 Police Car	9,537	6/23/2016	7/20/2020
New Washington State Bank	Lease for 2016 Police Car	8,861	7/1/2016	7/1/2020
New Washington State Bank	Lease for 2018 Police Car	<u>10,446</u>	8/16/2018	8/20/2022
Total governmental activities		<u>148,846</u>		
Total of annual lease payments		<u>\$ 148,846</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Notes and loans payable	145 New Holland Tractor	\$ 66,240	\$ 17,387
Notes and loans payable	Alamo Samurai Mower	61,671	16,188
Notes and loans payable	Walmart TIF	<u>2,085,000</u>	<u>252,550</u>
Total governmental activities		<u>2,212,911</u>	<u>286,125</u>
Wastewater:			
Revenue bonds	Wastewater Utility	<u>2,585,000</u>	<u>217,994</u>
Water:			
Revenue bonds	Water Utility	<u>1,965,000</u>	<u>280,478</u>
Totals		<u>\$ 6,762,911</u>	<u>\$ 784,597</u>

CITY OF SALEM
SCHEDULE OF CAPITAL ASSETS
December 31, 2018

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	\$ 2,736,799
Infrastructure	9,238,062
Buildings	913,936
Improvements other than buildings	1,699,193
Machinery, equipment, and vehicles	2,663,525
Construction in progress	<u>8,385,745</u>
Total governmental activities	<u>25,637,260</u>
Wastewater:	
Land	159,265
Infrastructure	732,582
Buildings	4,919,233
Improvements other than buildings	2,893,035
Machinery, equipment, and vehicles	1,958,164
Construction in progress	<u>96,665</u>
Total Wastewater	<u>10,758,944</u>
Water:	
Land	848,577
Infrastructure	1,716,264
Buildings	198,748
Improvements other than buildings	3,982,841
Machinery, equipment, and vehicles	<u>3,846,604</u>
Total Water	<u>10,593,034</u>
Total capital assets	<u>\$ 46,989,238</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Report on Compliance for the Major Federal Program

We have audited the City of Salem's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2018. 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, 2018.

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

Report on Internal Control over Compliance


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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2018-002, that we consider to be a material weakness.

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

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


Paul D. Joyce, CPA
State Examiner

May 20, 2019

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

CITY OF SALEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018

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 Agriculture</u>					
Emergency Watershed Protection Program May 2017 Flood Clean-up	Direct grant	10.923	68-52KY-202	\$ -	\$ 108,123
Total - Department of Agriculture				-	108,123
<u>Department of Housing and Urban Development</u>					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Salem Downtown Revitalization	Indiana Office of Community and Rural Affairs	14.228	B-16-DC-18-001	-	168,803
Total - Department of Housing and Urban Development				-	168,803
<u>Department of Transportation</u>					
Airport Improvement Program Salem Municipal Airport Expansion	Direct grant	20.106	AIP 3-18-0075-19-2018 AIP 3-18-0075-17-2016	- -	783,932 261,802
Total - Airport Improvement Program				-	1,045,734
Total - Department of Transportation				-	1,045,734
Total federal awards expended				\$ -	\$ 1,322,660

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

CITY OF SALEM
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2018. 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 SALEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major program:	
Material weakness identified?	yes
Significant deficiency identified?	none reported
Any audit finding 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 2018-001

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

Repeat Finding

This is a repeat of Finding 2017-001 from the immediately prior audit.

Condition

The City had implemented internal controls over the preparation of the Schedule of Expenditures of Federal Awards (SEFA). The Deputy Clerk-Treasurer entered the grant information into the Indiana Gateway for Government Units financial reporting system as part of the Annual Financial Report. The Clerk-Treasurer reviewed the information for accuracy prior to submission; however, the control was not effective in preventing, or detecting and correcting, errors as the SEFA was materially misstated.

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

Context

The SEFA contained the following errors:

1. The CFDA 14.228 was omitted resulting in expenditures being understated in the amount of \$168,803.
2. The expenditures for CFDA 20.106 were overstated by \$2,559.

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.

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities. . . .

- Accurate and timely recording of transactions. . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

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

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

The City's 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*.

Recommendation

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

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-002

Subject: Airport Improvement Program - Special Tests and Provisions - Wage Rate Requirements
Federal Agency: Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number and Year (or Other Identifying Number): AIP-3-18-0075-17-2016
Pass-Through Entity: Direct Grant
Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements
Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement. The City hired an engineering firm to oversee compliance with the wage rate requirements; however, the City had not implemented effective controls that would have ensured that the engineering firm adequately verified compliance.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

The City's management had not developed a system of internal controls, which would have ensured that the City complied with the Special Test and Provisions - Wage Rate Requirements compliance requirement.

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

Effect

The failure to establish an effective internal control system, which would include segregation of duties, placed the City at risk of noncompliance with the grant agreement and the Special Test and Provisions - Wage Rate Requirements compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish controls related to the grant agreement and the Special Test and Provisions - Wage Rate Requirements.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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



Sally Hattabaugh, Clerk-Treasurer
201 E. Market Street, Suite 101
Salem, IN 47167
812-883-4264 (Office)
812-883-3634 (Fax)


SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-001

Fiscal year in which the finding initially occurred: 2017
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:
Contact Person Responsible for Corrective Action: Sally J. Hattabaugh
Contact Phone Number: 812-883-4264

Status of Audit Finding:

Clerk-Treasurer's Office is still implementing a control that compares the last year's SEFA report with the current SEFA report to look for any grants reported in the prior report that we would still have in the current year. Also, the Clerk-Treasurer receives copies of all grant documentation and it is maintained in binders. And, we are still working with department heads to review the grant information entered into Gateway.



(Signature)

Clerk-Treasurer

(Title)

04/09/2019

(Date)



Sally Hattabaugh, Clerk-Treasurer
201 E. Market Street, Suite 101
Salem, IN 47167
812-883-4264 (Office)
812-883-3634 (Fax)

CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Sally J. Hattabaugh, Clerk-Treasurer
Contact Phone Number: 812-883-4264

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Clerk-Treasurer's office will implement a control that compares the last year's SEFA report with the current SEFA report to look for any grants reported in the prior report that we would still have in the current year. Also, the Clerk-Treasurer receives copies of all grant documentation and it is maintained in binders. And 1st Deputy Clerk-Treasurer along with the department heads will review the grant information entered into Gateway.

Anticipated Completion Date: May 31, 2019


(Signature)

Clerk-Treasurer

(Title)

04/26/2019

(Date)



Sally Hattabaugh, Clerk-Treasurer
201 E. Market Street, Suite 101
Salem, IN 47167
812-883-4264 (Office)
812-883-3634 (Fax)

CORRECTIVE ACTION PLAN

FINDING 2018-002

Contact Person Responsible for Corrective Action: Sally J. Hattabaugh, Clerk-Treasurer
Contact Phone Number: 812-883-4264

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

A master spreadsheet which tracks all items that constitute the pay requests is sent by the grant administrator to the Clerk-Treasurer. The Clerk-Treasurer then verifies the amounts that the claims dockets are for that month.

Procedures are in place for the Clerk-Treasurer to tick mark the certified payrolls after they are reviewed.

Anticipated Completion Date: June 30, 2019


(Signature)

Clerk-Treasurer
(Title)

May 2, 2019
(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/>.