

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CITY OF BLOOMINGTON  
MONROE COUNTY, INDIANA

January 1, 2012 to December 31, 2012



**FILED**  
08/19/2013



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#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Michael Trexler Susan West	01-01-12 to 01-01-13 01-02-13 to 12-31-13
Mayor	Mark Kruzan	01-01-12 to 12-31-15
President of the Board of Public Works	Charlotte Zietlow	01-01-12 to 12-31-13
President of the Common Council	Tim Mayer Darryl Neher	01-01-12 to 12-31-12 01-01-13 to 12-31-13
Utilities Director	Patrick Murphy	01-01-12 to 12-31-13



**STATE OF INDIANA**  
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**INDEPENDENT AUDITOR'S REPORT**

TO: THE OFFICIALS OF THE CITY OF BLOOMINGTON, MONROE COUNTY, INDIANA

***Report on the Financial Statement***

We have audited the accompanying financial statement of the City of Bloomington (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement.

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

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

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 of the financial statement, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2012.

***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, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated July 3, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

***Accompanying Information***

*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.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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.

*Other Information*

Included in the financial statement are the receipts and disbursements activity from emergency telephone system fees (IC 36-8-16), enhanced wireless emergency telephone fees (IC 36-8-16.5), and statewide 911 services fees (IC 36-8-16.7). In accordance with Indiana Code 36-8-16-14, Indiana Code 36-8-16.5-41, and Indiana Code 36-8-16.7-38, these fees have been subject to an annual audit performed by the Indiana State Board of Accounts and, in our opinion, are fairly stated, in all material respects, in relation to the financial statement taken as a whole.

The City's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.



Bruce Hartman  
State Examiner

July 3, 2013



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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 BLOOMINGTON, MONROE 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 Bloomington (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated July 3, 2013, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2012-01 and 2012-02 to be material weaknesses.



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

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 Cost as item 2012-01.

***City of Bloomington's Response to Findings***

The City's response to the findings identified in our audit is described in the accompanying Official Response and 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.



Bruce Hartman  
State Examiner

July 3, 2013

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## FINANCIAL STATEMENT

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 BLOOMINGTON  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ (320,718)	\$ 36,258,431	\$ 31,346,159	\$ 4,591,554
Motor Vehicle Highway	255,538	4,534,868	3,527,625	1,262,781
Local Road And Street	286,832	750,450	1,234,806	(197,524)
Parking Enforcement	816,722	2,827,338	3,181,767	462,293
Crime Control	154,075	54,961	159,448	49,588
Enhanced Access	3,981	450	-	4,431
Electronic Map Generation	7,262	814	-	8,076
Parks & Rec General	(196,325)	6,092,897	6,122,934	(226,362)
Rainy Day	4,596,469	7,951	-	4,604,420
Cumulative Improvement (Cig)	18,221	213,254	182,000	49,475
Cumulative Capital Development	504,651	800,497	1,322,850	(17,702)
RDC	-	48,219	-	48,219
Police Pension	1,465,086	1,321,573	2,302,398	484,261
Fire Pension	1,720,600	1,832,610	3,005,648	547,562
Debt Service Reserve For 440 TIF	1,059,552	3,177	-	1,062,729
Rental Inspection Program	1,320	128,867	127,997	2,190
PERF Pension Relief Fund Police Held at the PERF	737,653	882	-	738,535
PERF Pension Relief Fund Fire Held at PERF	958,143	1,147	-	959,290
2011 Downtown Redevelop Bond	-	1,055,623	1,055,573	50
Bloomington Technology Park	52,373	150	-	52,523
B-Line Ph2 Dnr -Grant	824,292	766	824,991	67
Community Services	44,965	80,616	83,433	42,148
CDBG Escrow	11	-	-	11
Police Education	133,243	47,116	20,354	160,005
CDBG	(913)	999,229	1,016,785	(18,469)
Parks Non Reverting Operating	1,533,989	2,150,195	1,877,167	1,807,017
Bloomington Investment Incentive	335,087	54,505	10,000	379,592
Affordable Housing	2,833	-	-	2,833
Rental Rehab	2,610	-	-	2,610
HOME	4,782	909,774	949,864	(35,308)
Hand Special Grants	82,189	105,423	126,837	60,775
Dispatch Training	90,405	10,900	3,510	97,795
Wireless Emergency	286,209	154,613	173,624	267,198
Non Reverting Telecommunications	1,308,560	973,464	716,072	1,565,952
Restricted Donation	36,275	29,052	37,388	27,939
Municipal Arts	66,639	25,000	800	90,839
Arts Commission Operating	11,477	2,020	3,222	10,275
Non Reverting Economic Development	16,600	-	-	16,600
Non Reverting Improvement I	300,913	75,612	95,562	280,963
Unsafe Housing	87,755	29,458	31,067	86,146
Ctp Downtown	1,605,110	878,755	2,250	2,481,615
Tif Downtown	10,071,670	1,309,527	5,318,509	6,062,688
Tif Tapp	3,232,614	131,943	1,434,697	1,929,860

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

CITY OF BLOOMINGTON  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2012  
(Continued)

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
Tif Adams	2,817,189	299,530	305,137	2,811,582
Tif Prow	605,056	45,260	4,447	645,869
Tif Whitehall	4,674,848	591,494	2,721,581	2,544,761
Tif Thomson Walnut Winslow	3,092,464	612,392	910,923	2,793,933
Solid Waste	13,208	2,147,536	1,965,541	195,203
Petty Cash Accounts- City	14,610	11,240	11,835	14,015
Petty Cash Accounts-Utilities	400	-	-	400
Alternative Transportation	340,183	770,930	1,044,616	66,497
Downtown Cred	5,346,546	16,056	32,000	5,330,602
BMFC Showers	66,730	609,451	628,750	47,431
Police Station Lease	44,460	120	-	44,580
98 Street Bond II	(6,436)	860,563	881,013	(26,886)
Golf Course Bond	3	273,846	269,880	3,969
BMFC 1998 Street Lease	33,785	1,126,009	1,159,750	44
Redevelopment District Bond 2000	313,394	253,529	255,680	311,243
Fire Station #2 Lease	9,464	190,892	189,000	11,356
2001 Parks Bond	108,679	449,970	492,483	66,166
Parks Land Acquisition	997,074	2,985	7,641	992,418
Cumulative Captial Improvement Rate	1,401,743	230,588	1,041,804	590,527
Fire Capital	130,264	375	121,772	8,867
Industrail Development	2,265,780	6,801	-	2,272,581
Vehicle Replacement	542,361	250,098	440,894	351,565
Risk Management	61,622	722,215	627,310	156,527
Fleet Maintenance	380,928	2,245,991	1,902,510	724,409
Rosehill Trust	53,552	150	-	53,702
Payroll	1,115,502	10,708,527	11,778,246	45,783
Health Insurance	46,811	9,370,001	8,990,160	426,652
Insurance Voluntary Trust	67,653	970,574	882,605	155,622
Umemployment Comp	61,097	76,776	98,570	39,303
Storm Water Utility-Operating	516,134	1,544,483	1,606,727	453,890
Storm Water Utility-Construction	3,248,396	5,300	3,155,199	98,497
Utility Payroll	-	78,775	78,775	-
Wastewater Utility-Operating	142,327	22,412,734	21,453,498	1,101,563
Wastewater Util-Bond And Interest	1,325	5,542,026	5,486,984	56,367
Wastewater Utility-Construction	-	10,308,131	7,134,380	3,173,751
Wastewater Utility-Debt Reserve	1,501,182	11,355,465	6,400,587	6,456,060
Water O&M	2,023,065	18,146,677	19,492,707	677,035
Water Utility-Bond And Interest	3,954	5,819,177	5,818,589	4,542
Water Utility-Construction	30,851,857	168,971	19,852,959	11,167,869
Water Hydrant Deposit	25,350	24,250	18,250	31,350
Water Utility-Debt Reserve	5,639,459	248,859	246,605	5,641,713
Totals	<u>\$ 100,750,769</u>	<u>\$ 172,400,874</u>	<u>\$ 193,804,745</u>	<u>\$ 79,346,898</u>

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

CITY OF BLOOMINGTON  
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 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. Receipts are recorded when received and disbursements are recorded when paid.

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

**C. Cash and Investments**

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

**D. Receipts**

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

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers 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 which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

CITY OF BLOOMINGTON  
NOTES TO FINANCIAL STATEMENT  
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 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 which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

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

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

*E. Disbursements*

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

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

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

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

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

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

CITY OF BLOOMINGTON  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.



CITY OF BLOOMINGTON  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 4. *Deposits and Investments***

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

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

**Note 5. *Risk Management***

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

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

**Note 6. *Pension Plans***

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent 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  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

CITY OF BLOOMINGTON  
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 BLOOMINGTON  
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  
1 North Capital Street, 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. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of timing differences at year end.

**Note 8. Restatements**

For the year ended December 31, 2012, certain changes have been made to some of the beginning balances of the financial statements to more appropriately reflect financial activity of the City. Funds were included in the prior period that were not held in the City's name and therefore not included on the City's financial statement. The following schedule presents a summary of restated beginning balances.

CITY OF BLOOMINGTON  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Fund Name	Balance as of December 31, 2011	Prior Period Adjustment	Balance as of January 1, 2012
Wastewater Utility-Sinking Cash With Fiscal Agent	\$ 3,853,859	\$ (3,853,859)	\$ -
Water Utility-Sinking Cash With Fiscal Agent	735,492	(735,492)	-

**Note 9. Combined Funds**

Funds related to Utility Debt Reserve and Debt Reserve with Fiscal Agent were reported individually in the prior financial statement but were combined into one fund for the current financial statement.

#### SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF BLOOMINGTON  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For The Year Ended December 31, 2012

	General	Motor Vehicle Highway	Local Road And Street	Parking Enforcement	Crime Control	Enhanced Access	Electronic Map Generation
Cash and investments - beginning	\$ (320,718)	\$ 255,538	\$ 286,832	\$ 816,722	\$ 154,075	\$ 3,981	\$ 7,262
Receipts:							
Taxes	18,225,104	3,162,695	559,985	-	-	-	-
Licenses and permits	64,156	-	-	-	-	-	-
Intergovernmental	12,794,910	92,745	-	-	-	-	-
Charges for services	4,099,008	-	-	2,054,131	-	450	814
Fines and forfeits	43,967	-	-	-	48,443	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,031,286	1,279,428	190,465	773,207	6,518	-	-
Total receipts	36,258,431	4,534,868	750,450	2,827,338	54,961	450	814
Disbursements:							
Personal services	26,068,425	2,118,989	-	849,832	-	-	-
Supplies	958,842	989,514	27,828	20,326	-	-	-
Other services and charges	2,726,047	419,122	757,216	853,804	159,448	-	-
Debt service - principal and interest	-	-	-	692,805	-	-	-
Capital outlay	85,966	-	449,762	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1,506,879	-	-	765,000	-	-	-
Total disbursements	31,346,159	3,527,625	1,234,806	3,181,767	159,448	-	-
Excess (deficiency) of receipts over disbursements	4,912,272	1,007,243	(484,356)	(354,429)	(104,487)	450	814
Cash and investments - ending	\$ 4,591,554	\$ 1,262,781	\$ (197,524)	\$ 462,293	\$ 49,588	\$ 4,431	\$ 8,076

CITY OF BLOOMINGTON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Parks & Rec General	Rainy Day	Cumulative Improvement (Cig)	Cumulative Capital Development	RDC	Police Pension	Fire Pension
Cash and investments - beginning	\$ (196,325)	\$ 4,596,469	\$ 18,221	\$ 504,651	\$ -	\$ 1,465,086	\$ 1,720,600
Receipts:							
Taxes	4,776,815	-	-	766,956	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	167,005	-	213,254	32,829	-	1,318,379	1,830,074
Charges for services	1,149,077	-	-	-	48,219	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	7,951	-	712	-	3,194	2,536
Total receipts	6,092,897	7,951	213,254	800,497	48,219	1,321,573	1,832,610
Disbursements:							
Personal services	4,143,790	-	-	-	-	1,021,485	1,196,509
Supplies	516,880	-	182,000	-	-	-	140
Other services and charges	1,106,777	-	-	149,448	-	1,280,913	1,808,999
Debt service - principal and interest	70,016	-	-	-	-	-	-
Capital outlay	11,691	-	-	243,402	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	273,780	-	-	930,000	-	-	-
Total disbursements	6,122,934	-	182,000	1,322,850	-	2,302,398	3,005,648
Excess (deficiency) of receipts over disbursements	(30,037)	7,951	31,254	(522,353)	48,219	(980,825)	(1,173,038)
Cash and investments - ending	\$ (226,362)	\$ 4,604,420	\$ 49,475	\$ (17,702)	\$ 48,219	\$ 484,261	\$ 547,562

CITY OF BLOOMINGTON  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For The Year Ended December 31, 2012  
(Continued)

	Debt Service Reserve For 440 TIF	Rental Inspection Program	PERF Pension Relief Fund Police Held at the PERF	PERF Pension Relief Fund Fire Held at PERF	2011 Downtown Redevelop Bond	Bloomington Technology Park	B-Line Ph2 Dnr -Grant
Cash and investments - beginning	\$ 1,059,552	\$ 1,320	\$ 737,653	\$ 958,143	\$ -	\$ 52,373	\$ 824,292
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	118,555	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	10,312	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	3,177	-	882	1,147	1,055,623	150	766
Total receipts	3,177	128,867	882	1,147	1,055,623	150	766
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	450	-	824,991
Debt service - principal and interest	-	-	-	-	1,055,123	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	127,997	-	-	-	-	-
Total disbursements	-	127,997	-	-	1,055,573	-	824,991
Excess (deficiency) of receipts over disbursements	3,177	870	882	1,147	50	150	(824,225)
Cash and investments - ending	\$ 1,062,729	\$ 2,190	\$ 738,535	\$ 959,290	\$ 50	\$ 52,523	\$ 67



CITY OF BLOOMINGTON  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For The Year Ended December 31, 2012  
(Continued)

	Community Services	CDBG Escrow	Police Education	Cdbg	Parks Non Reverting Operating	Bloomington Investment Incentive	Affordable Housing
Cash and investments - beginning	\$ 44,965	\$ 11	\$ 133,243	\$ (913)	\$ 1,533,989	\$ 335,087	\$ 2,833
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	932,229	64,613	-	-
Charges for services	-	-	10,930	-	2,085,582	100	-
Fines and forfeits	-	-	36,067	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	80,616	-	119	67,000	-	54,405	-
Total receipts	80,616	-	47,116	999,229	2,150,195	54,505	-
Disbursements:							
Personal services	-	-	-	102,901	523,326	-	-
Supplies	6,466	-	-	841	459,780	-	-
Other services and charges	76,967	-	20,354	913,043	583,649	10,000	-
Debt service - principal and interest	-	-	-	-	287,285	-	-
Capital outlay	-	-	-	-	23,127	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	83,433	-	20,354	1,016,785	1,877,167	10,000	-
Excess (deficiency) of receipts over disbursements	(2,817)	-	26,762	(17,556)	273,028	44,505	-
Cash and investments - ending	\$ 42,148	\$ 11	\$ 160,005	\$ (18,469)	\$ 1,807,017	\$ 379,592	\$ 2,833

CITY OF BLOOMINGTON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Rental Rehab	HOME	Hand Special Grants	Dispatch Training	Wireless Emergency	Non Reverting Telecommunications	Restricted Donation
Cash and investments - beginning	\$ 2,610	\$ 4,782	\$ 82,189	\$ 90,405	\$ 286,209	\$ 1,308,560	\$ 36,275
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	834,082	66,189	-	154,613	2,500	-
Charges for services	-	-	510	-	-	812,453	-
Fines and forfeits	-	-	-	10,900	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	75,692	38,724	-	-	158,511	29,052
Total receipts	-	909,774	105,423	10,900	154,613	973,464	29,052
Disbursements:							
Personal services	-	79,175	47,322	-	173,624	-	-
Supplies	-	229	-	-	-	7,816	36,427
Other services and charges	-	870,460	79,515	3,510	-	486,318	961
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	221,938	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	949,864	126,837	3,510	173,624	716,072	37,388
Excess (deficiency) of receipts over disbursements	-	(40,090)	(21,414)	7,390	(19,011)	257,392	(8,336)
Cash and investments - ending	\$ 2,610	\$ (35,308)	\$ 60,775	\$ 97,795	\$ 267,198	\$ 1,565,952	\$ 27,939

CITY OF BLOOMINGTON  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For The Year Ended December 31, 2012  
(Continued)

	Municipal Arts	Arts Commission Operating	Non Reverting Economic Development	Non Reverting Improvement I	Unsafe Housing	Ctp Downtown	Tif Downtown
Cash and investments - beginning	\$ 66,639	\$ 11,477	\$ 16,600	\$ 300,913	\$ 87,755	\$ 1,605,110	\$ 10,071,670
Receipts:							
Taxes	-	-	-	-	-	-	1,281,572
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	1,543	-	-	-	873,817	-
Charges for services	-	-	-	74,776	-	-	-
Fines and forfeits	-	-	-	-	29,458	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	25,000	477	-	836	-	4,938	27,955
Total receipts	25,000	2,020	-	75,612	29,458	878,755	1,309,527
Disbursements:							
Personal services	-	-	-	-	18,021	-	-
Supplies	-	696	-	-	-	-	-
Other services and charges	800	2,526	-	60,562	13,046	2,250	3,481,665
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	35,000	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	1,836,844
Total disbursements	800	3,222	-	95,562	31,067	2,250	5,318,509
Excess (deficiency) of receipts over disbursements	24,200	(1,202)	-	(19,950)	(1,609)	876,505	(4,008,982)
Cash and investments - ending	\$ 90,839	\$ 10,275	\$ 16,600	\$ 280,963	\$ 86,146	\$ 2,481,615	\$ 6,062,688

CITY OF BLOOMINGTON  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For The Year Ended December 31, 2012  
(Continued)

	Tif Tapp	Tif Adams	Tif Prow	Tif Whitehall	Tif Thomson Walnut Winslow	Solid Waste	Petty Cash Accounts- City
Cash and investments - beginning	\$ 3,232,614	\$ 2,817,189	\$ 605,056	\$ 4,674,848	\$ 3,092,464	\$ 13,208	\$ 14,610
Receipts:							
Taxes	123,548	291,135	43,414	577,436	593,561	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	10,223	-	-
Charges for services	-	-	-	-	-	881,610	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	8,395	8,395	1,846	14,058	8,608	1,265,926	11,240
Total receipts	131,943	299,530	45,260	591,494	612,392	2,147,536	11,240
Disbursements:							
Personal services	-	-	-	-	-	1,299,766	-
Supplies	-	-	-	-	-	123,213	-
Other services and charges	1,434,697	305,137	4,447	605,503	910,923	542,562	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	556,961	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	1,559,117	-	-	11,835
Total disbursements	1,434,697	305,137	4,447	2,721,581	910,923	1,965,541	11,835
Excess (deficiency) of receipts over disbursements	(1,302,754)	(5,607)	40,813	(2,130,087)	(298,531)	181,995	(595)
Cash and investments - ending	\$ 1,929,860	\$ 2,811,582	\$ 645,869	\$ 2,544,761	\$ 2,793,933	\$ 195,203	\$ 14,015

CITY OF BLOOMINGTON  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For The Year Ended December 31, 2012  
(Continued)

	Petty Cash Accounts-Utilities	Alternative Transportation	Downtown Cred	BMFC Showers	Police Station Lease	98 Street Bond II
Cash and investments - beginning	\$ 400	\$ 340,183	\$ 5,346,546	\$ 66,730	\$ 44,460	\$ (6,436)
Receipts:						
Taxes	-	-	-	-	-	833,318
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	(1)	609,000	-	26,600
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	770,930	16,057	451	120	645
Total receipts	-	770,930	16,056	609,451	120	860,563
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	116,966	-	-	-	-
Other services and charges	-	-	32,000	1,250	-	400
Debt service - principal and interest	-	-	-	627,500	-	880,613
Capital outlay	-	630,650	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	297,000	-	-	-	-
Total disbursements	-	1,044,616	32,000	628,750	-	881,013
Excess (deficiency) of receipts over disbursements	-	(273,686)	(15,944)	(19,299)	120	(20,450)
Cash and investments - ending	\$ 400	\$ 66,497	\$ 5,330,602	\$ 47,431	\$ 44,580	\$ (26,886)

CITY OF BLOOMINGTON  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For The Year Ended December 31, 2012  
(Continued)

	Golf Course Bond	BMFC 1998 Street Lease	Redevelopment District Bond 2000	Fire Station #2 Lease	2001 Parks Bond	Parks Land Acquisition
Cash and investments - beginning	\$ 3	\$ 33,785	\$ 313,394	\$ 9,464	\$ 108,679	\$ 997,074
Receipts:						
Taxes	-	-	-	-	433,064	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	11,000	-	-	16,894	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	273,846	1,115,009	253,529	190,892	12	2,985
Total receipts	273,846	1,126,009	253,529	190,892	449,970	2,985
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	400	1,250	500	-	400	7,641
Debt service - principal and interest	269,480	1,158,500	255,180	189,000	492,083	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	269,880	1,159,750	255,680	189,000	492,483	7,641
Excess (deficiency) of receipts over disbursements	3,966	(33,741)	(2,151)	1,892	(42,513)	(4,656)
Cash and investments - ending	\$ 3,969	\$ 44	\$ 311,243	\$ 11,356	\$ 66,166	\$ 992,418

CITY OF BLOOMINGTON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Cumulative Capital Improvement Rate	Fire Capital	Industrail Development	Vehicle Replacement	Risk Management	Fleet Maintenance
Cash and investments - beginning	\$ 1,401,743	\$ 130,264	\$ 2,265,780	\$ 542,361	\$ 61,622	\$ 380,928
Receipts:						
Taxes	219,918	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	10,592	-	-	-	-	-
Charges for services	-	-	-	-	721,832	2,192,865
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	78	375	6,801	250,098	383	53,126
Total receipts	230,588	375	6,801	250,098	722,215	2,245,991
Disbursements:						
Personal services	-	-	-	-	282,976	546,838
Supplies	-	121,772	-	-	27,170	1,232,818
Other services and charges	235,168	-	-	-	317,164	122,854
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	616,636	-	-	440,894	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	190,000	-	-	-	-	-
Total disbursements	1,041,804	121,772	-	440,894	627,310	1,902,510
Excess (deficiency) of receipts over disbursements	(811,216)	(121,397)	6,801	(190,796)	94,905	343,481
Cash and investments - ending	\$ 590,527	\$ 8,867	\$ 2,272,581	\$ 351,565	\$ 156,527	\$ 724,409

CITY OF BLOOMINGTON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Rosehill Trust	Payroll	Health Insurance	Insurance Voluntary Trust	Unemployment Comp	Storm Water Utility-Operating
Cash and investments - beginning	\$ 53,552	\$ 1,115,502	\$ 46,811	\$ 67,653	\$ 61,097	\$ 516,134
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	7,678,493	98,600	76,776	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	1,448,946
Other receipts	150	10,708,527	1,691,508	871,974	-	95,537
Total receipts	150	10,708,527	9,370,001	970,574	76,776	1,544,483
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	11,778,246	8,990,160	882,605	98,570	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	144,604
Utility operating expenses	-	-	-	-	-	693,235
Other disbursements	-	-	-	-	-	768,888
Total disbursements	-	11,778,246	8,990,160	882,605	98,570	1,606,727
Excess (deficiency) of receipts over disbursements	150	(1,069,719)	379,841	87,969	(21,794)	(62,244)
Cash and investments - ending	\$ 53,702	\$ 45,783	\$ 426,652	\$ 155,622	\$ 39,303	\$ 453,890



CITY OF BLOOMINGTON  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For The Year Ended December 31, 2012  
(Continued)

	Storm Water Utility-Construction	Utility Payroll	Wastewater Utility-Operating	Wastewater Util-Bond And Interest	Wastewater Utility-Construction	Wastewater Utility-Debt Reserve
Cash and investments - beginning	\$ 3,248,396	\$ -	\$ 142,327	\$ 1,325	\$ -	\$ 1,501,182
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	18,658,067	-	-	-
Other receipts	5,300	78,775	3,754,667	5,542,026	10,308,131	11,355,465
Total receipts	5,300	78,775	22,412,734	5,542,026	10,308,131	11,355,465
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	3,155,199	-	1,386,796	-	971,646	-
Utility operating expenses	-	-	12,587,010	-	153,113	-
Other disbursements	-	78,775	7,479,692	5,486,984	6,009,621	6,400,587
Total disbursements	3,155,199	78,775	21,453,498	5,486,984	7,134,380	6,400,587
Excess (deficiency) of receipts over disbursements	(3,149,899)	-	959,236	55,042	3,173,751	4,954,878
Cash and investments - ending	\$ 98,497	\$ -	\$ 1,101,563	\$ 56,367	\$ 3,173,751	\$ 6,456,060

CITY OF BLOOMINGTON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Water O&M	Water Utility-Bond And Interest	Water Utility-Construction	Water Hydrant Deposit	Water Utility-Debt Reserve	Totals
Cash and investments - beginning	\$ 2,023,065	\$ 3,954	\$ 30,851,857	\$ 25,350	\$ 5,639,459	\$ 100,750,769
Receipts:						
Taxes	-	-	-	-	-	31,888,521
Licenses and permits	-	-	-	-	-	182,711
Intergovernmental	-	-	-	-	-	20,063,090
Charges for services	-	-	-	-	-	21,996,538
Fines and forfeits	-	-	-	-	-	168,835
Utility fees	15,859,352	-	-	-	-	35,966,365
Other receipts	2,287,325	5,819,177	168,971	24,250	248,859	62,134,814
Total receipts	18,146,677	5,819,177	168,971	24,250	248,859	172,400,874
Disbursements:						
Personal services	-	-	-	-	-	38,472,979
Supplies	-	-	-	-	-	4,829,724
Other services and charges	-	-	-	-	-	42,964,718
Debt service - principal and interest	-	-	-	-	-	5,977,585
Capital outlay	5,122,536	-	19,848,325	-	-	33,945,133
Utility operating expenses	8,550,622	-	-	-	-	21,983,980
Other disbursements	5,819,549	5,818,589	4,634	18,250	246,605	45,630,626
Total disbursements	19,492,707	5,818,589	19,852,959	18,250	246,605	193,804,745
Excess (deficiency) of receipts over disbursements	(1,346,030)	588	(19,683,988)	6,000	2,254	(21,403,871)
Cash and investments - ending	\$ 677,035	\$ 4,542	\$ 11,167,869	\$ 31,350	\$ 5,641,713	\$ 79,346,898

CITY OF BLOOMINGTON  
SCHEDULE OF PAYABLES AND RECEIVABLES  
December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Storm Water	\$ 117,175	\$ 118,407
Wastewater	284,190	705,719
Water	3,103,605	838,238
Governmental activities	<u>1,464,573</u>	<u>7,030,154</u>
Totals	<u>\$ 4,969,543</u>	<u>\$ 8,692,518</u>

CITY OF BLOOMINGTON  
SCHEDULE OF LEASES AND DEBT  
December 31, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Bank of New York	508 BMFC Showers Lease	\$ 627,500	01-15-99	01-15-21
Bank of New York	513 BMFC Street Lease	1,158,500	01-15-99	01-15-17
Deutsche Bank	2010 Vehicles F610	297,623	03-01-10	08-15-13
Fifth Third Bank	2008 Golf Cart	25,905	08-01-08	02-01-12
GE Capital 1025787-1013314A4	2011 Color Copier F601	5,292	04-28-11	03-28-16
GE Capital 1025787-1019797A1	2010 Police Copiers (4) F101-14	4,080	12-14-10	12-13-15
GE Capital 1025787-1019797ML	2010 Copier (8) F601	25,020	06-29-10	06-01-15
IKON	2077 Police Copiers F101-14	321	02-15-07	01-15-12
Mercury LLC	7th & Morton F452	492,042	12-01-03	11-01-33
Old National Bank	515 BMFC Fire Station #2 Lease	189,000	02-01-02	02-01-15
Sun Trust Equipment	2010 Mater Equipment F610 & F200	101,682	04-20-11	02-15-15
Walnut LLC	7th & Walnunt F452	311,794	03-01-10	02-01-31
Total governmental activities		<u>3,238,759</u>		
Wastewater:				
Old National Bank	Lease of Vactor	47,750	08-18-09	08-18-13
PNC Bank	Dillman WWTP Energy Savings	291,138	04-15-04	10-15-13
US BANCORP	Admin color copier	2,567	01-04-12	01-04-15
Total Wastewater		<u>341,455</u>		
Total of annual lease payments		<u>\$ 3,580,214</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	511 1998 Street Bond II	\$ 4,035,000	\$ 870,503
General obligation bonds	512 Golf Course Bond	1,660,000	268,105
General obligation bonds	514 Redevelopment District Bond	705,000	253,460
General obligation bonds	516 2001 Parks Bond	2,110,000	488,333
General obligation bonds	201 TLRC Bond	6,425,000	499,035
Revenue bonds	517 2011 Downtown Redevelopment Bond	13,220,000	1,054,349
Total governmental activities		<u>28,155,000</u>	<u>3,433,785</u>
Wastewater:			
Revenue bonds	Sewage Works Refunding Revenue Bonds of 2003	12,690,000	1,302,033
Revenue bonds	Sewage Works Revenue Bonds of 2006 Series A-1	5,240,000	249,487
Revenue bonds	Sewage Works Revenue Bonds of 2006 Series A-2	1,420,000	403,538
Revenue bonds	Sewage Works Refunding Revenue Bonds of 2012 Series A	6,665,000	577,625
Revenue bonds	Sewage Works Revenue Bonds of 2012 Series B	6,000,000	106,818
Revenue bonds	Sewage Works Revenue Bonds of 2012 Series C	5,000,000	161,637
Notes and loans payable	2000 SRF (3 330 000)	2,028,000	259,854
Notes and loans payable	2000 SRF (8 000 000)	4,872,000	625,169
Notes and loans payable	2000 SRF (4 577 000)	2,386,000	301,772
Notes and loans payable	2004 SRF (5 800 000)	4,451,000	401,763
Notes and loans payable	2006 SRF (3 552 000)	2,868,938	243,587
Notes and loans payable	2006 SRD (7 288 000)	5,886,491	499,792
Total Wastewater		<u>59,507,429</u>	<u>5,133,075</u>
Water:			
Revenue bonds	Waterworks Refunding Revenue Bonds of 2003	3,475,000	528,600
Revenue bonds	Waterworks Revenue Bond of 2006	4,275,000	412,415
Revenue bonds	Waterworks Revenue Bond of 2011 Series B	35,630,000	1,997,775
Notes and loans payable	2000 SRF (10 850 000)	7,633,000	1,075,447
Notes and loans payable	2003 SRF (4 215 000)	2,599,000	294,051
Notes and loans payable	2003 SRF (7 885 000)	5,611,000	551,144
Notes and loans payable	2011 SRF (6 045 000)	5,915,000	484,141
Total Water		<u>65,138,000</u>	<u>5,343,573</u>
Totals		<u>\$ 152,800,429</u>	<u>\$ 13,910,433</u>

CITY OF BLOOMINGTON  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2012

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.

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 137,027,091
Infrastructure	38,800,717
Buildings	56,147,672
Improvements other than buildings	31,539,830
Machinery, equipment, and vehicles	21,059,182
Construction in progress	<u>5,287,276</u>
Total governmental activities	<u>289,861,768</u>
Storm Water:	
Infrastructure	13,463,247
Machinery, equipment, and vehicles	54,049
Construction in progress	<u>3,917,362</u>
Total Storm Water	<u>17,434,658</u>
Wastewater:	
Land	1,029,932
Infrastructure	115,628,330
Buildings	6,783,370
Machinery, equipment, and vehicles	31,002,591
Construction in progress	<u>1,632,558</u>
Total Wastewater	<u>156,076,781</u>
Water:	
Land	1,437,571
Infrastructure	44,403,435
Buildings	28,301,579
Machinery, equipment, and vehicles	24,846,107
Construction in progress	<u>26,907,699</u>
Total Water	<u>125,896,391</u>
Total capital assets	<u><u>\$ 589,269,598</u></u>

CITY OF BLOOMINGTON  
AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS OVER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REPORTING***

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). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following material errors: Capitalization Grants for Drinking Water State Revolving Fund was overstated by 920,838. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***INTERNAL CONTROLS***

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient:

We noted several deficiencies in the internal control system of the City of Bloomington related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statements and then determining how those identified risks should be managed. The City has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements. During the audit we noted that the City did not include all money held in its name on the financial report.
2. Record balances were not fully reconciled to depository balances during the audit period. Monthly reconciliements performed consisted of verifying source documents (receipts and checks) to deposits and checks clearing depositories each month, for each of the City's checking and money market checking accounts, and to the transactions and balances recorded in the City's records.

During 2012, the City prepared separate bank reconciliements for six of these accounts and then combined them all into one bank reconciliation. Four of these bank accounts reconciled to the record balances of the applicable funds at December 31, 2012. These funds were HOME, CDBG, Rental Rehab, and Escrow. Discrepancies between the reconciled

CITY OF BLOOMINGTON  
AUDIT RESULTS AND COMMENTS  
(Continued)

amounts and the transactions and balances of the remaining bank accounts were investigated; however, the City could not determine the exact cause of the discrepancies. Undetected posting errors and bank errors could result in materially inaccurate financial statements and could allow fraud to occur and go undetected.

Bank reconcilements presented for audit indicate that there is not proper management oversight or approval of monthly bank reconcilements being performed. Additionally, monthly bank reconcilements are not being presented to the Common Council to allow them to properly monitor and assess the quality of the City's system of internal controls.

3. The City's payroll processing was handled primarily by one staff person within the Controller's office. As a result of implementation of a new financial software system, there have been improvements to internal controls, since the various City departments are more involved in the payroll process. However, internal controls over payroll related areas are still lacking. The payroll staff person in the Controller's office issues payments for employee benefits and related payroll expenses, and the Deputy Controller posts those payments to the various funds. It is difficult to determine with the new system who is approving these payroll posts. Also, we have found that employees' supervisors are not consistently approving employee time sheets. There were similar findings in the prior audit reports for 2009, 2010, and 2011.
4. During the audit of 2012 transactions, some payments for the planning department were posted as negative receipts.
5. A duplicate posting was noted in the accounts receivable/revenue accounts for the Utilities November 2012 billing cycle. Due to the City reporting on the cash basis, this did not affect the financial statement; however, there is a lack of controls to prevent duplicate postings from occurring.
6. Receipts were not issued for cash, checks, or EFT transactions at the utilities with the exception of customer payments on their accounts.
7. Utility payments received through the ePayment process could not be traced to the bank statements by the total amount reported as being collected. This was due to timing differences between the City's financial system, the bank, and the ePayment processing company. There is no supporting documentation that supports what is reported as being deposited to the bank.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***BANK ACCOUNT RECONCILIATIONS***

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliation did not balance. The variance between the fund balances to the bank balance was immaterial.

CITY OF BLOOMINGTON  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

**OVERDRAWN CASH BALANCES**

The financial statements presented in this report include the following funds with overdrawn cash balances at December 31, 2012:

Fund	Amount Overdrawn
Local Road and Street	\$ 197,524
Parks & Rec General	226,362
Cumulative Capital Development	17,702
CDBG	18,469
HOME	35,308
98 Street Bond II	26,886

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**APPROPRIATIONS**

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Excess Amount Expended
BMFC Showers	\$ 5,382
BMFC 1998 Street Lease	10,850
98 Street Bond II	400

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

**RECEIPT ISSUANCE**

We conducted a test designed to verify that receipts issued were properly recorded to the City of Bloomington Utilities' records at the time the transactions occurred. Our test of this procedure found that, while cash collections were posted to the records, no receipts had been issued.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)



SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE CITY OF BLOOMINGTON, MONROE COUNTY, INDIANA

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

We have audited the City of Bloomington'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 each of its major federal programs for the year ended December 31, 2012. The City's major federal programs are 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 each of the City's major federal programs 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 each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each 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 each of its major federal programs for the year ended December 31, 2012.

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

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A - 133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2012-03, 2012-04, 2012-05, and 2012-06. Our opinion on each major federal program is not modified with respect to these matters.

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

***Report on Internal Control Over Compliance***

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2012-03, 2012-04, and 2012-06 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2012-05, to be significant deficiencies.

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

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

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



Bruce Hartman  
State Examiner

July 3, 2013

#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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 BLOOMINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2012

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. Department of Agriculture</u>				
Child Nutrition Cluster				
Summer Food Service Program for Children	IDOE	10.559	CNP-SF-75305	\$ 15,405
Summer Food Service Program for Children				
Total - Child Nutrition Cluster				15,405
Specialty Crop Block Grant Program - Farm Bill	IDOE	10.170	12-25-B-1227	500
Bloomington Community Farmers' Market				
Total - Department of Agriculture				15,905
<u>U.S. Department of Housing and Urban Development</u>				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	Direct Grant	14.218	B-10-MC-180013	911,911
CDBG		14.218	B-11-MC-180013	16,485
CDBG				
Total - Community Development Block Grants/Entitlement Grants				928,396
Total - CDBG - Entitlement Grants Cluster				928,396
Housing Counseling Assistance Program	Direct Grant			
Housing Counseling		14.169	HC10-0421-137	11,549
Housing Counseling		14.169	HC12-0421-142	16,494
Total - Housing Counseling Assistance Program				28,043
Shelter Plus Care	Direct Grant			
Shelter Plus Care		14.238	IN0048C5H021003	15,561
Shelter Plus Care		14.238	IN0048C5H021104	21,806
Total - Shelter Plus Care				37,367
HOME Investment Partnerships Program	Direct Grant			
HOME		14.239	M-10-MC-18-0200	698,252
HOME		14.239	M-11-MC-18-0200	197,308
OME Investment Partnerships Program				895,560
Total - Department of Housing and Urban Development				1,889,366
<u>U.S. Department of Justice</u>				
JAG Program Cluster				
Edward Byrne Memorial Justice Assistance Grant Program	ICJI	16.738	2009-DJ-BX-0049	5,196
2012 JAG Grant				
ARRA Edward Byrne Memorial Justice Assistance Grant	Direct Grant			
(JAG) Program/Grants to Units of Local Government		16.804	2009-SB-B9-1635	3,045
2009 Recovery Act JAG Grant/Mobile Data Upgrade				
Total - JAG Program Cluster				8,241
Missing Children's Assistance	ISP			
2010 Internet Crimes Against Children Grant		16.543	2008-MC-CX-K006 (10)	6,126
2011 Internet Crimes Against Children Grant		16.543	2011-MC-CX-K005	4,240
Total - Missing Children's Assistance				10,366
Total - Department of Justice				18,607

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

CITY OF BLOOMINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2012  
(Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. Department of Transportation</u>				
Highway Planning and Construction Cluster				
Highway Planning and Construction	INDOT			
S. Rogers Right of Way Services		20.205	EDS #A249-10-32024	10,223
2011 BMCMPPO UPWP Billings		20.205	0011801786 (INDOT PO	294,208
2012 BMCMPPO UPWP Billings		20.205	0013802156 (INDOT PO	40,819
Sare & Rogers Roundabout Construction		20.205	DES #0900213	78,429
17th & Arlington Design		20.205	DES #0900216	34,772
Tapp & Rockport Design		20.205	DES #0901730 ST1029	20,671
Total - Highway Planning and Construction				479,122
Total - Highway Planning and Construction Cluster				479,122
Highway Safety Cluster				
State and Community Highway Safety	ICJI			
2011-12 Big City/Big County Enforcement Program		20.600	PT-12-11-04-29	17,573
Alcohol Impaired Driving Countermeasures Incentive Grants I	ICJI			
2010-11 DUI Taskforce		20.601	K8-11-03-03-23	10,917
2011-12 DUI Taskforce		20.601	K8-12-03-03-24	10,518
Total - Alcohol Impaired Driving Countermeasures Incentive Grants				21,435
Total - Highway Safety Cluster				39,008
Total - Department of Transportation				518,130
<u>U.S. Environmental Protection Agency</u>				
Capitalization Grants for Clean Water State Revolving Funds	IFA			
2006 Series C SRF		66.458	WW0644535	32,894
Capitalization Grants for Drinking Water State Revolving Funds	IFA			
2011 Series A SRF		66.468	DW12025304	920,837
Total - Environmental Protection Agency				953,731
<u>U.S. Department of Energy</u>				
ARRA Energy Efficiency Conservation Block Grant Program	Direct Grant			
EECBG Grant for the City of Bloomington IN		81.128	DE-SC0001977	14,801
Total - Department of Energy				14,801
<u>U.S. Department of Education</u>				
Twenty-First Century Community Learning Centers	Monroe County Community School Corp.			
School Age Care - 21st Century Community Learning Center Grant		84.287	-	4,455
Twenty-First Century Community Learning Centers	Monroe County Community School Corp.			
School Age Care - 21st Century Community Learning Center Grant		84.287	-	24,167
Total - Department of Education				28,622
<u>U.S. Department of Homeland Security</u>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	INDHS			
May 2011 Storm Damage		97.036	FEMA 1997 DR IN	6,302
Assistance to Firefighters Grant	Direct Grant			
2012 Assistance to Firefighters Grant (AFG)		97.044	EMW-2011-FO-09066	34,960
Total - Department of Homeland Security				41,262
Total federal awards expended				\$ 3,480,424

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

CITY OF BLOOMINGTON  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Bloomington (City) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

**Note 2. Subrecipients**

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2012:

Program Title	Federal CFDA Number	2012
Community Development Block Grant/Entitlement Grants	14.218	\$ 381,993
HOME Investment Partnerships Program	14.239	50,904



CITY OF BLOOMINGTON  
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; Unqualified 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 programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	yes
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.239	CDBG/Entitlement Grants Cluster HOME Investment Partnerships Program

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 2012-01 - INTERNAL CONTROLS OVER PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

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

During the audit of the SEFA, we noted the following material errors: Capitalization Grants for Drinking Water State Revolving Fund was overstated by 920,838. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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 section .310."

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

"(b) 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."

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

**FINDING 2012-02 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

We noted several deficiencies in the internal control system of the City of Bloomington related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statements and then determining how those identified risks should be managed. The City has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements. During the audit we noted that the City did not include all money held in its name on the financial report.
2. Record balances were not fully reconciled to depository balances during the audit period. Monthly reconcilements performed consisted of verifying source documents (receipts and checks) to deposits and checks clearing depositories each month, for each of the City's checking and money market checking accounts, and to the transactions and balances recorded in the City's records.

During 2012, the City prepared separate bank reconcilements for six of these accounts and then combined them all into one bank reconciliation. Four of these bank accounts reconciled to the record balances of the applicable funds at December 31, 2012. These funds were HOME, CDBG, Rental Rehab, and Escrow. Discrepancies between the reconciled amounts and the transactions and balances of the remaining bank accounts were investigated; however, the City could not determine the exact cause of the discrepancies. Undetected posting errors and bank errors could result in materially inaccurate financial statements and could allow fraud to occur and go undetected.

Bank reconcilements presented for audit indicate that there is not proper management oversight or approval of monthly bank reconcilements being performed. Additionally, monthly bank reconcilements are not being presented to the Common Council to allow them to properly monitor and assess the quality of the City's system of internal controls.

3. The City's payroll processing was handled primarily by one staff person within the Controller's office. As a result of implementation of a new financial software system, there have been improvements to internal controls, since the various City departments are more involved in the payroll process. However, internal controls over payroll related areas are still lacking. The payroll staff person in the Controller's office issues payments for employee benefits and related payroll expenses, and the Deputy Controller posts those payments to the various funds. It is difficult to determine with the new system who is approving these payroll posts. Also, we have found that employees' supervisors are not consistently approving employee time sheets. There were similar findings in the prior audit reports for 2009, 2010, and 2011.
4. During the audit of 2012 transactions, some payments for the planning department were posted as negative receipts.
5. A duplicate posting was noted in the accounts receivable/revenue accounts for the Utilities November 2012 billing cycle. Due to the City reporting on the cash basis, this did not affect the financial statement; however, there is a lack of controls to prevent duplicate postings from occurring.

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

6. Receipts were not issued for cash, checks, or EFT transactions at the utilities with the exception of customer payments on their accounts.
7. Utility payments received through the ePayment process could not be traced to the bank statements by the total amount reported as being collected. This was due to timing differences between the City's financial system, the bank, and the ePayment processing company. There is no supporting documentation that supports what is reported as being deposited to the bank.

We recommended the City establish and implement effective controls over the bank reconciliation, payroll processes, disbursements, utility billing, and utility receipts.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***Section III – Federal Award Findings and Questioned Costs***

**FINDING 2012-03 – INTERNAL CONTROLS OVER SUSPENSION AND DEBARMENT**

Federal Agency: U.S. Department of Housing and Urban Development  
Federal Program: HOME Investment Partnerships Program, Community Development Block  
Grants/Entitlement Grants Cluster  
CFDA Number: 14.239, 14.218  
Federal Award Number and Year (or Other Identifying Number): M-10-MC-18-0200 and M-11-MC-18-0200 (HOME); B-10-MC-18-0013 (CDBG)  
Pass-Through Entity: N/A Direct Grants

Management of the City has not established an effective internal control system over compliance for suspension and debarment. The failure to establish an effective internal control system places the City at risk of material noncompliance.

The City did not have written procedure to ensure that its contractors were not excluded, disqualified, or otherwise ineligible from Federal procurement and nonprocurement programs at the time of contract execution or during the period of project work. There was no written policy stating how a contractor's eligibility is verified and what documentation will be maintained to prove this. No documentation was provided for audit to show that the City had determined contractor's eligibility.

CFR 92.508 Recordkeeping states in part:

". . . a. *General.* Each participating jurisdiction must establish and maintain sufficient records to enable HUD to determine whether the participating jurisdiction has met the requirements of this part. At a minimum, the following records are needed: . . . 7. Records concerning other Federal requirements. (viii.) Records demonstrating compliance with debarment and suspension requirements in 2 CFR 2424."

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

24 CFR 85.35 states in part:

"Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party that is debarred or suspended or is otherwise excluded from or ineligible for participation in federal assistance programs subject to 2 CFR part 2424."

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

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

The lack of control allows for the potential of a suspended or disbarred vendor doing business with the City and being paid from federal funds, which could result in the loss of federal funds to the City.

We recommended the City design and implement controls to prevent the potential of a disbarred or suspended vendor from being paid from federal funds.

***FINDING 2012-04 – INTERNAL CONTROLS OVER PROGRAM INCOME***

Federal Agency: U.S. Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/Entitlement Grants;  
HOME Investment Partnerships Program

CFDA Number: 14.218/14.239

Federal Award Number and Year (or Other Identifying Number): B-10-MC-18-0013 (CDBG);  
M-10-MC-18-0200 (HOME)

Management of the City has not established an effective internal control system over compliance for program income. The failure to establish an effective internal control system places the City at risk of material noncompliance.

The U.S. Department of Housing and Urban Development provided funding to the City for their CDBG and HOME programs. Program Income received as a result of these programs is allowed and must be treated as additional funds of each program and is subject to all program rules and requirements of each program. On July 23, 2012, a loan recipient of the CDBG program paid off their loan, resulting in \$21,388 in program income. This amount was incorrectly receipted into the HOME Fund on the City's accounts and was not caught. The Department then used this program income amount as a basis for requesting a drawdown of federal money from the IDIS system; thereby drawing down the incorrect amount for both CDBG and HOME programs. This could result in improper use of program income due to the nature of each program.

24 CFR Section 570.504 states in part:

"(a) Recording program income. The receipt and expenditure of program income as defined in § 570.500(a) shall be recorded as part of the financial transactions of the grant program.

(b) Disposition of program income received by recipients.

- (1) Program income received before grant closeout may be retained by the recipient if the income is treated as additional CDBG funds subject to all applicable requirements governing the use of CDBG funds.

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

- (2) If the recipient chooses to retain program income, that program income shall be disposed of as follows:
- (i) Program income in the form of repayments to, or interest earned on, a revolving fund as defined in § 570.500(b) shall be substantially disbursed from the fund before additional cash withdrawals are made from the U.S. Treasury for the same activity.
  - (ii) Substantially all other program income shall be disbursed for eligible activities before additional cash withdrawals are made from the U.S. Treasury."

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

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

By not properly accounting for program income on the financial system, improper use of federal funds could occur, which could result in the loss of future federal funding.

We recommended the City correct the error on the financial system of the City and the federal IDIS system. We further recommended additional internal control procedures be implemented to detect potential errors before federal funding is requested through IDIS.

***FINDING 2012-05 – INTERNAL CONTROLS OVER SUBRECIPIENT MONITORING***

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program: Community Development Block Grants/Entitlement Grants

CFDA Number: 14.218

Federal Award Number and Year (or Other Identifying Number): B-10-MC-18-0013; B-11-MC-18-0013

Management of the City has not established an effective internal control system over compliance for subrecipient monitoring. The failure to establish an effective internal control system places the City at risk of material noncompliance.

The City did not notify all subrecipients of all information relating to the grant, including CFDA title and number, award name and number, and award year. As a result, the City was not in compliance with monitoring requirements for this grant.

OMB Circular A-133\_\_\_.400(d) states in part:

"Pass-through entity responsibilities. A pass-through entity shall perform the following for the Federal awards it makes:

- (1) Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R & D, and name of Federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award."

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

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

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

We recommend the City establish controls over subrecipient monitoring and communicate to their subrecipients the proper CFDA title and number and the Federal Award name and number, and award year.

***FINDING 2012-06 - INTERNAL CONTROLS OVER ALLOWABLE COSTS/COST PRINCIPLES***

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program: Community Development Block Grants/Entitlement Grants;  
HOME Investment Partnerships Program

CFDA Number: 14.218; 14.239

Federal Award Number and Year (or Other Identifying Number): B-10-MC-18-0013 (CDBG);  
M-10-MC-18-0200 (HOME)

Management of the City has not established an effective internal control system over compliance for allowable costs/cost principles. The failure to establish an effective internal control system places the City at risk of material noncompliance.

The City was required to maintain time and effort reports on all full and part time employees paid from the grants. Each employee maintains the proper activity reports; however, there was no documentation available to show approval by a responsible official.

OMB circular A 87, Attachment B, item 8(h), states in part:

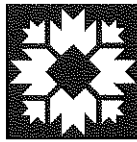
"(1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit."

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

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

Noncompliance of the grant agreement or the compliance requirements related to allowable costs/cost principles could result in the loss of federal funds to the City.

We recommended that the City establish controls to ensure all grant requirements are complied with.



**City of Bloomington  
Office of the Controller**

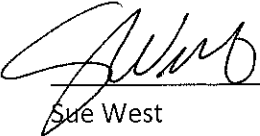
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FINDING 2011-2-CASH MANAGEMENT**

Federal Agency: U.S. Department of Energy  
Federal Program: ARRA Energy Efficiency and Conservation Block Grant Program  
CFDA Number: 81.128

**Status of Finding:**

After the issue was identified, the City was able to change the timing of its draws to more closely coincide with the payments in August of 2011. All federal grants of this nature have been based on reimbursements, causing the federal draws to be executed shortly after payments are made.

 7/13/13  
Sue West date





**City of Bloomington  
Office of the Controller**

**CORRECTIVE ACTION PLAN**

**Section II – Financial Statement Findings**

**FINDING 2012-01 - INTERNAL CONTROLS OVER PREPARATION OF THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS**

**Contact Person(s):**

Sue West      [wests@bloomington.in.gov](mailto:wests@bloomington.in.gov)      812-349-3412  
Michael Horstman      [horstmam@bloomington.in.gov](mailto:horstmam@bloomington.in.gov)      812-349-3635

**Expected Completion Date: 12/31/13**

**Corrective action:**

The City of Bloomington Utilities has taken the necessary actions to correctly report only the federal dollars received as a pass-through grant from the Drinking Water State Revolving Fund. During the preparation of the schedule of expenditures of Federal Awards received for CY 2012, the state portion of dollars received was included in error. The SBA has instructed the City of Bloomington Utilities to contact the State funding source to verify each year the proper percentage to use in the computation for reporting the exact federal dollars received.

**FINDING 2012-02 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

**Contact Person(s):**

Sue West      [wests@bloomington.in.gov](mailto:wests@bloomington.in.gov)      812-349-3412  
Michael Horstman      [horstmam@bloomington.in.gov](mailto:horstmam@bloomington.in.gov)      812-349-3635

**Expected Completion Date: 12/31/13**

**Corrective action:**

1. The City's personnel are working to evaluate internal controls over financial reporting to determine weaknesses that could result in material misstatements of the City's financial statements. Once weaknesses have been determined, proper controls will be implemented. A copy of the new internal controls that are put in place will be provided to the auditors for the 2013 audit.

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**e-mail: [controller@bloomington.in.gov](mailto:controller@bloomington.in.gov)**

2. The City intends to reconcile each month of 2013 and present documentation to auditors at the beginning of the 2013 audit. H. J. Umbaugh & Associates are to provide bank reconciliations for the calendar years 2011 and 2012 as per the contract entered into with the City on July 12, 2012.
3. The City will review all internal controls around the processing of payroll and implement new procedures to ensure proper segregation of duties and approval of time sheets.
4. The City will review with the Planning Department the internal controls surrounding receipts.
5. After the conversion to the new accounting software system, a human error was made during the posting of the accounting information to the records. As noted, customer accounts were not affected, and we did reverse the posting in our records. It appears that this is a software issue, and we will work with the software vendor to determine if they have a solution or can develop a solution to eliminate the problem of double posting. The software system should not allow this to happen.
6. We noted that receipts are not currently being issued for certain items that go directly into our bank account. An example of this would be a wire transfer from a funding source. We will work with the City Controller's office on the proper procedures for receipts.
7. Utility payments from E-Suite could not be traced directly to the bank statements in total amounts. After the accounting software conversion we realized that this was an issue. We have adjusted cut-off times for payments and bank deposits, which have helped with the problem. On some days the payments can be traced directly to the bank statements in total amounts. We will work with the software vendor to determine if they have a solution or can develop a solution to this problem. All payments were applied to customer accounts and are being reconciled.

### **Section III – Federal Award Findings and Questioned Costs**

#### **FINDING 2012-03 - INTERNAL CONTROLS OVER SUSPENSION AND DEBARMENT**

Federal Agency: Department of Housing and Urban Development

Federal Program: HOME Investment Partnerships Program, CDBG Entitlement Grants Cluster

CFDA Number: 14.239, 14.218

Federal Award Number and Year (or Other Identifying Number): M-10-MC-18-0200 and M-11-MC-18-0200 (HOME); B-10-MC-18-0013 (CDBG)

Pass-Through Entity: N/A Direct Grants

The City of Bloomington Housing and Neighborhood Development Department (HAND) was audited between April 16-19, 2012 by HUD. HUD required HAND to document that a contractor was eligible to work on a federally funded project and create a policy and procedure outlining contractor eligibility.

Previous to this audit, HAND would check eligibility on the Excluded Parties List System, but not print out the sheets showing that our "search returned no results." Please see sample noted as Attachment A. Since that time, HAND has created a policy and procedure for this action as noted in Attachment B. On August 2, 2012, HUD responded to our Findings Response Letter noting that the find is resolved (please see Attachment C).

#### **FINDING 2012-04 – INTERNAL CONTROLS OVER PROGRAM INCOME**

Federal Agency: U.S. Department of Housing and Urban Development  
Federal program: CDBG Entitlement Grants Cluster; HOME Investment Partnerships Program  
CFDA Number: (CDBG) 14.218; (HOME) 14.239  
Federal Award Number and Year (or Other Identifying Number): (CDBG) B-10-MC-18-0013 for 2010; (HOME) M-10-MC-18-0200 for 2010.

HAND inadvertently deposited a payoff from a CDBG funded Owner-Occupied Rehab in to the HOME account and used that program income to cover HOME expenses. This mistake was not caught through our regular systems. HAND will correct this error by transferring funds from HOME to CDBG. We recently have receipted in enough HOME program income to cover this transfer. In order to keep errors like this from happening in the future, HAND will use the project accounting module in the city's financial system, New World, starting with FY 2013 (June 1<sup>st</sup> start date). As projects are attached to either the CDBG or HOME account, it will be easy to determine which fund is affected by both program income and expenditures. HAND has also requested TA from HUD on IDIS to train Doris Sims, Christina Finley and Lisa Abbott. Currently HAND only has two employees with IDIS knowledge/training and one of them is planning to retire at the end of the year. Ms. Finley handles the department's loan payments and this will grant her access to the system to be able to double-check that payments from loans in our portfolio are being deposited correctly. We are working on building redundancy into our systems.

#### **FINDING 2012-05 – INTERNAL CONTROLS OVER SUBRECIPIENT MONITORING**

Federal Agency: U.S. Department of Housing and Urban Development  
Federal Program: CDBG Entitlement Grants Cluster  
CFDA Number: 14.218  
Federal Award Number and Year (or Other Identifying Number): B-10-MC-18-0013; B-11-MC-18-0013

HAND's funding agreements note the fund title in their documents, i.e. CDBG or HOME, but did not identify the CFDA Number or the Federal Award Number. HAND has provided this requirement to the City Legal Department and they have modified HAND's agreement templates to include this information. Please see sample noted as Attachment D.

#### **FINDING 2012-06 – INTERNAL CONTROLS OVER ALLOWABLE COSTS/COST PRINCIPLES**

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program: CDBG Entitlement Grants Cluster; HOME Investment Partnerships Program

CFDA Number: (CDBG) 14.218; (HOME) 14.239

Federal Award Number and Year (or Other Identifying Number): (CDBG) B-10-MC-18-0013 for 2010;  
(HOME) M-10-MC-18-0200

This finding notes that the State Board of Accounts recommends that the City work with New World to allow someone to go back into the accounting system to determine who approved payroll. Please note that payroll must be approved by either Doris Sims or Lisa Abbott in order to be processed by the Controller's Office. Documenting this approval is apparently the issue. Until such time as the City can have changes made to the accounting system, we will document the approval of payroll by having the person who approved payroll sign the form (please see Attachment E) and file it with our department timesheets.



Sue West, City Controller

# EPLS

Excluded Parties List System

**Search Results Excluded By  
Firm, Entity, or Vessel : MV Residential Property Management  
as of 1-Jun-2012 2:10 PM EDT**

**Your search returned no results.**



- “qualifications checklist” are outlined below. If a non-profit developer would like to be a CHDO, they must fill out a CHDO application and submit it with all required documents.
- c. If the City of Bloomington accepts your proposal, a Letter of Commitment will be sent to the applicant. This Letter of Commitment only states that the City of Bloomington is interested in pursuing the project should it meet all of the requirement elements. This is not a notice to proceed and the City will not be held responsible for any work completed prior to the execution of the required agreements as defined in Section F below.

### **C. Selecting a contractor**

Any contractor selected to perform work under an agreement with HAND must be eligible as defined by the Excluded Parties List System (EPLS). Interested contractors can check their eligibility by going to <https://www.epls.gov/>. The City of Bloomington will check eligibility prior to the signing of any contract or agreement.

### **D. Environmental Review (Non-profit & For-Profit Developers)**

The City of Bloomington cannot commit or expend funds until environmental clearance has been achieved. Individual households' environmental will be completed in-house with the application. It is imperative that the environmental review process start as soon as possible. The length of time to complete an environmental review will depend on the type of project, the specific property and any potential testing times. In order to expedite the process, please note the following steps:

1. Identify the project type:
  - a. Define your HAND funding request – is it acquisition of land, construction money, infrastructure.
  - b. Is the project new construction, reconstruction, rehabilitation?
  - c. Provide number of units.
  - d. Will this project require Planning approval?
2. Define the scope of the project:
  - a. Provide a map of the area. This can be a GIS map.
  - b. Provide a legal description if possible or a copy of the Deed.
3. Other helpful information:
  - a. Provide copies of any other environmental studies that have been completed.
  - b. Provide copies of title work if available.

HAND will determine the level of review, submit documents to applicable agencies, review comments from those agencies, make the environmental determination and the appropriate public notice. Once the review is complete, HAND will complete the Environmental Review Record attached as Attachment L and can move forward with funding agreements and funding commitments.



## U.S. Department of Housing and Urban Development

Indianapolis Field Office  
 151 North Delaware Street  
 Indianapolis, IN 46204-2526  
 (317) 226-6303, Fax (317) 226-6317

Lisa Abbott, Director  
 Housing and Neighborhood Development Department  
 P.O. Box 100  
 Bloomington, IN 47402

AUG 09 2012

Dear Ms. Abbott:

SUBJECT: HOME Investment Partnerships (HOME) Program  
 Grant Number M-09/10-MC-18-0200  
 Fiscal Year 2012 HOME Monitoring Scheduling  
 April 16-19, 2012

This office is in receipt of the City of Bloomington's response dated June 15, 2012 to the outstanding monitoring findings made from the HOME on-site monitoring visit on April 16-19, 2012. The following describes the status of each of these findings.

**HOME INVESTMENT PARTNERSHIPS (HOME) PROGRAM**

***Finding #1***

The city must immediately begin keeping documentation in each HOME-assisted activity (property address) documenting that the environmental review is completed.

The Indianapolis Field Office would suggest using the Statutory Checklist located at <http://www.tdhca.state.tx.us/program-services/environmental/docs/07-EnvStatutoryCheck.pdf> or something similar. The city must submit documentation to demonstrate what will be utilized in individual activity files to document compliance that the city has performed the necessary environmental review and provide documentation this updated information has been included in your policies and procedures.

**City of Bloomington Response:**

The City of Bloomington has adopted the HUD Statutory Checklist to document that the city has gone through an individual property review on each property under the city's owner-occupied rehabilitation program. The trigger for the city to complete the individual site specific environmental review will be at

the time in which the homeowner applies for the rehabilitation assistance. Additionally, the city has added this process to its procedures manual.

Indianapolis Field Office Response:

The city submitted a completed Statutory Checklist for the property located at 919 West Kirkwood, Bloomington, Indiana as well as the revised portion of the city's Policies and Procures documenting the city's policy over the program. This finding is resolved.

***Finding #2***

The City of Bloomington must submit documentation that the contractor utilized on 919 W. Kirkwood is eligible. Additionally, the City of Bloomington must create a policy and procedure outlining contractor eligibility and documentation that will be maintained and submit a copy to this office.

City of Bloomington Response:

The City of Bloomington submitted documentation that the contractors who worked on 919 W. Kirkwood are eligible to participate in federally funded projects. In addition, the city has added the contractor eligibility process to its procedures manual.

Indianapolis Field Office Response:

The documentation submitted demonstrates eligibility of all contractors who worked on 919 W. Kirkwood. The City's Procedures Manual has been revised to include a section on selecting a contractor requiring prior to execution of a contract that all contractors are verified against the Excluded Parties List and documentation maintained in the file. This finding is resolved.

***Concern #1***

The city should add language to the final inspection that the home meets the applicable city property standards.

City of Bloomington Response:

The City submitted a Housing and Neighborhood Development Project Closeout and Inspection Form that is to be signed by the Contractor; HAND Staff Member, and Property Owner. This form documents that the home meets the Indiana Building Code or Indiana Residential Code and the homeowner states all work as been completed to his &/or her satisfaction.

Indianapolis Field Office Response:

The city submitted a copy of the form that was created that ensures at the completion of the rehabilitation that the individual property meets the Indiana Building Code or Indiana Residential Code.



**Finding #3**

The City must create a form to be utilized in all homeowner and homebuyer rehabilitation activities to demonstrate the method utilized under the lead based paint regulations and should include documentation that you reviewed the property for eligible exemptions. The Indianapolis Field Office provided resource materials to the city on April 23, 2012 to assist in the creation of this form. A copy of the form the city develops should be submitted to the Indianapolis Field Office.

**City of Bloomington Response:**

The City submitted a Lead Based Paint Form documenting all lead exemptions and also the lead approach that will be utilized. This form will be included in every home that receives some type of rehabilitation assistance.

**Indianapolis Field Office Response:**

The Lead Based Paint form submitted adequately documents compliance with the Lead Based Paint Rule at 24 CFR Part 35. This finding is resolved.

**Finding #4**

The City must revise the HOME contractor agreement and incorporate language as to the use of the HOME funds. This revised document should be submitted to the Indianapolis Field Office.

**City of Bloomington Response:**

The City of Bloomington revised the first page of both the HOME and CDBG Rehabilitation Contract and Contractor's Build and Proposal to reflect the source of funding for that contract.

**Indianapolis Field Office Response:**

The City of Bloomington submitted a draft contractor agreement that included the source of funding. This finding is resolved.

**Finding #5**

The city must revise their subrecipient agreement to include language regarding funding to religious organizations and A-133 Audit requirements.

**City of Bloomington Response:**


The City of Bloomington revised their funding agreements to include required language on religious organizations and A-133 audit requirements.

**Indianapolis Field Office Response:**

The city submitted revised agreements to our office which included language on religious organizations and A-133 audit requirements. This finding is resolved.

If you have any questions regarding the requested information, please contact Michelle L Kincaid, Community Planning and Development Representative, at (317)226-6303 ext. 6936.

Sincerely,



 John J. Dorgan  
Director  
Office of Community Planning  
and Development

cc: Honorable Mark Kruzan  
Mayor, City of Bloomington

**PARTNERSHIP AGREEMENT**  
**BETWEEN**  
**THE CITY OF BLOOMINGTON HOUSING AND NEIGHBORHOOD DEVELOPMENT**  
**DEPARTMENT**  
**AND**  
**HABITAT FOR HUMANITY OF MONROE COUNTY, INC.**

This Agreement, made this \_\_\_\_\_ day of \_\_\_\_\_, 2013, between the City of Bloomington Housing and Neighborhood Development Department ("HAND") and Habitat for Humanity of Monroe County, Inc. ("Agency"), on its own behalf, WITNESSETH:

WHEREAS, HAND has provided funding to the Agency to purchase the property located at 612 West 15<sup>th</sup> Street, Bloomington, Indiana, more particularly described as:

A part of Out Lot Number One Hundred Seventeen (117) North of the Second Addition to Maple Heights Addition to the City of Bloomington, Indiana, being a part of the Northeast quarter of Section Thirty-two (32), Township Nine (9) North, Range One (1) West, bounded and described as follows, to-wit: Commencing at the Southeast corner of said Out Lot One Hundred Seventeen (117) and running thence West over and along the South line of said lot Sixty (60) feet, thence North One Hundred and Thirty-two (132) feet, thence East Sixty (60) feet and to the East line of said lot, thence South One Hundred Thirty-two (132) feet to the place of beginning; and,

WHEREAS, the Agency intends to construct a single-family owner-occupied unit ("Project") on the Property, in accordance with Habitat's application to HAND for funding, and to transfer the Project to a HOME-eligible homebuyer, in accordance with HUD regulations and this Agreement; and,

WHEREAS, Grantee's CFDA title is HOME Investment Partnership Program CFDA # 14.239, its award name is HOME, its award year is \_\_\_\_\_, and its award number is \_\_\_\_\_; and

NOW, THEREFORE, the parties agree as follows:

**1. Use of HOME funds; Project Description; Sample Covenants; Schedule.** The HOME funds provided hereunder shall be used exclusively for purchase of the Property. The HOME funds provided shall not exceed \$89,000.00. Prior to receipt of any HOME funds, the Agency shall execute recordable covenants substantially similar to those attached hereto as Attachment A and incorporated herein by reference ("Covenants"). The Covenants will impose deed restrictions on the Property that will be recorded and run with the land and obligate Agency and any subsequent owners of the Property to comply with HOME program requirements. The Agency shall start construction within 12 months of the date the Covenants are recorded by HAND. Construction shall be completed within 18 months after it commences.

**2. Affordability Period; Transfer of Project from Agency to Homebuyer.**

a. The deed restrictions related to affordability and construction are described in the Covenants and shall continue for a period of sixteen (16) years from the date the Covenants are recorded. The period beginning on the date the Covenants are recorded and continuing for one year is the Construction Period. The period beginning the day after the Construction Period ends and continuing for fifteen (15) years is the Affordability Period. During the Construction Period and the Affordability Period the Agency and any subsequent owners of the Project are obligated to comply with the HOME income requirements as contained in 24 CFR 92.254 and any amendments thereto.

b. During the Affordability Period the Project shall be used as the principal residence of a HOME-eligible owner-occupant. Principal residency shall be verified at least annually by requiring the owner-occupant to submit an affidavit declaring the Project is his or her principal residence. HAND will send the request for affidavit to the owner-occupant.

c. The purchase price for the initial homebuyer of the Property shall be determined by the Agency based on the Agency's cost to construct the Project. The value of the Project shall not exceed the HUD 221(d)(3) limits after completion of construction. (HUD 221(d)(3) limits are established by the National Housing Act (12 U.S.C. 17151(d)(3) and (d)(4)).

d. Sale of the Project by Agency is contingent upon HAND receiving documentation that the homebuyer meets HAND's requirements as outlined by this Agreement.

I \_\_\_\_\_ hereby certify that I have examined the time record of each employee for this payroll and that each employee, to the best of my knowledge has performed the services for which the salaries or compensation is paid.

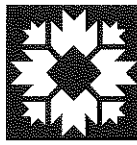
Payroll Period: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
Lisa Abbot, Director

CITY OF BLOOMINGTON  
EXIT CONFERENCE

The contents of this report were discussed on July 3, 2013, with Darryl Neher, President of the Common Council; Daniel Sherman, Attorney to the Common Council; Mark Kruzan, Mayor; Margie Rice, Corporation Council; Susan West, Controller; Donna Slater, Deputy Controller; Julie Roberts, Vice-President of the Utilities Service Board; Patrick Murphy, Utilities Director; and Michael Horstman, Utilities Finance Director. The Official Response has been made a part of this report and may be found on page 68.



**City of Bloomington  
Office of the Controller**

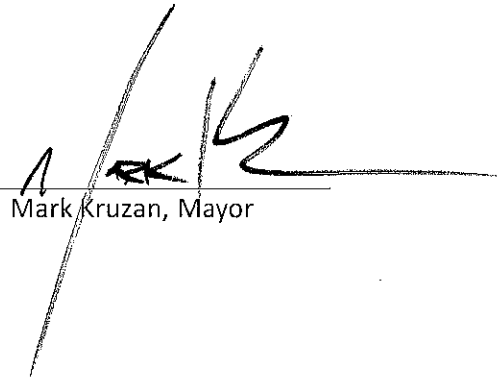
July 16, 2013

**Response to the 2012 City of Bloomington Audit Report**

The City of Bloomington Controller's Office is reviewing the internal controls for all facets of the City finances. This control document will be presented to the State Board of Accounts for review prior to the start of the 2013 Audit. It is anticipated by the City that this will resolve most of the issues listed in the Audit Results and Comments under the sections;

- Internal Control
- Overdrawn Cash Balances
- Appropriations
- Receipt Issuance

In addition, the City has hired in 2012 an outside firm to resolve the bank account reconciliations for the year ending December 31, 2012.

  
Mark Kruzan, Mayor  
Susan West, Controller