

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

ANNUAL FINANCIAL REPORT

2010

CITY OF ANDERSON

MADISON COUNTY, INDIANA



FILED
07/20/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	5-6
Financial Statement(s): Statement(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	8-9
Notes to Financial Statement(s).....	10-16
Supplementary Information: Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	18-37
Schedule of Long-Term Debt	38
Audit Result(s) and Comment(s): Internal Controls Over Financial Transactions and Reporting	39-41
Internal Controls Over the Park Department	41
Missing Funds Investigation	42
Golf Course Manager Cart Commissions.....	42-43
Internal Controls Over Football Program.....	43-44
Pool Receipts.....	44-45
Public Works Project	45
Capital Asset Records	45
Missing Funds Investigation	46
Supplemental Audit of Federal Awards: Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	48-49
Schedule of Expenditures of Federal Awards	50-52
Note(s) to Schedule of Expenditures of Federal Awards	53
Schedule of Findings and Questioned Costs	54-62
Auditee Prepared Schedule(s): Summary Schedule of Prior Audit Findings	63
Corrective Action Plan.....	64
Exit Conference.....	65

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	C. Karen Carpenter	01-01-10 to 12-31-11
Mayor	M. Kris Ockomon	01-01-08 to 12-31-11
President of the Board of Public Works	C. Gregory Graham	01-01-10 to 12-31-11
President of the Common Council	David Eicks Ollie H. Dixon	01-01-10 to 12-31-10 01-01-11 to 12-31-11
Utility Finance Manager	Renisa D. Harry	01-01-10 to 12-31-11
Superintendent of Water Utility	Tom Brewer	01-01-10 to 12-31-11
Superintendent of Wastewater Utility	Nara Manor	01-01-10 to 12-31-11
Superintendent of Electric Utility	Bruce Boerner	01-01-10 to 12-31-11



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statement of the City of Anderson (City), for the year ended December 31, 2010. The financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on the 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 includes consideration of internal control over financial reporting as a basis for designing 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 over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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, 2010, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated June 27, 2011, 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 and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

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 has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statement. The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement. The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Long-Term Debt 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.

This report is intended solely for the information and use of the City's management, Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 27, 2011



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

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

We have audited the financial statement of the City of Anderson (City), for the year ended December 31, 2010, and have issued our report thereon dated June 27, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been 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 item 2010-1 to be material weaknesses.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The City's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, Common Council, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 27, 2011

FINANCIAL STATEMENT(S)

CITY OF ANDERSON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 3,694,504	\$ 50,473,783	\$ 53,973,571	\$ 194,716
Motor Vehicle Highway	556,729	2,373,369	2,566,895	363,203
Local Road And Street	241,497	634,869	606,087	270,279
Park Nonreverting Operating	77,104	546,164	614,193	9,075
Probation	265,172	259,893	312,223	212,842
Grants & Donations	334,335	1,081,505	1,300,663	115,177
Econ Dev Food & Beverage	423,389	2,891,343	2,438,888	875,844
C.A.T.S.	276,252	2,173,794	2,402,559	47,487
Community Development	(1,360)	1,204,337	1,195,829	7,148
Clerk's Records Perpetuation	16,530	4,765	7,127	14,168
Unsafe Building	40,571	3,645	44,027	189
Parks And Recreation	370,746	2,557,852	2,881,217	47,381
User Fee	31,756	8,241	8,285	31,712
Rainy Day	39,236	670,659	709,800	95
Levy Excess	-	64,999	-	64,999
Slot Machine Wagering Fund	204,810	3,091,993	2,914,506	382,297
Airport	241,357	1,353,425	1,560,678	34,104
Police Continuing Ed	68,937	38,059	34,110	72,886
Airport Non-Reverting	2,521	70,247	67,953	4,815
Bldg Non-Reverting	145	175	-	320
Fire Bldg & Equipmt	413,066	1,068,628	1,004,006	477,688
Operation Clean	13,928	12,939	25,411	1,456
Clean Air Non-Reverting	35,924	-	16,962	18,962
Tax Abatement	5,068	4,221	5,136	4,153
Administration Fees	10,504	28,811	20,942	18,373
Court Sup Pub Def Fees	8,833	11,110	13,156	6,787
Home	199,371	3,839,029	3,945,955	92,445
Apd Man	77,305	160,437	126,379	111,363
Apd Vin	1,427	-	-	1,427
E D Revolving Loan	122,739	177,653	190,000	110,392
Redevelopment	26,561	115,131	23,289	118,403
Sanitary District	-	-	-	-
Firefighters Exam Fee	4,330	3,600	1,000	6,930
Eda Flagship	271	394,646	394,651	266
Coit Bond & Interest	1,567	369,400	369,800	1,167
Coit Reserve	379,594	350,000	350,000	379,594
Sinking Fund	181,409	1,410,513	1,585,506	6,416
Sanitary District Sinking	530,124	2,291,708	2,714,350	107,482
Redevelopment Tif Reserve	1,840,096	1,800,000	2,050,000	1,590,096
Redev Bond & Int-Kroger	23,174	208,078	86,150	145,102
Loss Fund	363,624	1,011,840	908,771	466,693
Redevelopment Tif Levy	189,253	12,563,344	7,716,635	5,035,962
Redevelopment Tif Capital	453,671	-	-	453,671
Sanitary District Construction	-	-	-	-
Police Training Fund	13,540	33,207	14,193	32,554
Arc Lease/Rental	8,922	911,516	108,451	811,987
Redevelopment Bond & Interest	47,862	2,485,030	2,368,332	164,560
Insurance Escrow	2,566,758	14,010,868	14,832,673	1,744,953
Nestle Tif Capital	582,788	-	120,409	462,379
Airport Grant Fund	-	129,077	100,606	28,471
Court Due County	-	44,755	44,755	-
Wheel Tax Fund	58,117	1,092,301	830,556	319,862
Fire Fighting Training Fund	1,626	2,098	3,521	203
Public Safety Coit Fund	-	1,701,365	1,530,534	170,831
Nestle Taxable Tif Capital	-	465,498	-	465,498
Capital Improvements	431,512	841,161	703,252	569,421
Certified Tech Park Fund	316	140,000	70,000	70,316
Police Pension	1,241,667	2,871,296	3,461,752	651,211
Fire Pension	1,344,944	3,454,403	4,356,289	443,058
Civil City Payroll	963,670	12,713,320	12,730,199	946,791

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

CITY OF ANDERSON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010
(Continued)

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Barrett Law Fund	41,437	174,015	215,452	-
City Court Clerk	404,454	1,242,588	1,297,012	350,030
Police Sinking Fund	916,694	636,059	629,323	923,430
Fire Sinking Fund	182,017	121,525	117,000	186,542
Water Utility Operating	830,319	8,135,189	8,132,792	832,716
Water Utility Bond And Interest	-	398,028	398,028	-
Water Utility Customer Deposit	124,749	45,713	50,558	119,904
Water Utility Construction	3,500,380	2,577	1,719,402	1,783,555
Water Utility Depreciation	17,671	701,973	322,843	396,801
Water Utility Reserve Cilt	115,000	423,885	215,554	323,331
Water Utility Petty Cash	1,000	-	-	1,000
Water Utility Mail Permit Deposit	3,000	-	-	3,000
Water Utility Meter Refund	4,000	-	4,000	-
Water Utility Nsf	7,000	-	7,000	-
Water Utility Automatic Meter Reading	35,102	868,693	862,074	41,721
Water Utility Cash Fiscal Agent	293,092	-	293,092	-
Water Utility SRF Retainage Fund	-	212,678	61,593	151,085
Wastewater Utility Operating	3,392,085	25,364,034	24,648,835	4,107,284
Wastewater Utility Bond And Interest	483,643	3,625,165	3,673,438	435,370
Wastewater Utility Debt Service Reserve	-	922,548	-	922,548
Wastewater Utility Construction	10,540,043	15,724	5,401,791	5,153,976
Wastewater Depreciation	810,843	2,876,062	2,282,428	1,404,477
Wastewater Reserve Cilt	278,439	2,089,851	760,474	1,607,816
Wastewater Petty Cash	1,000	-	-	1,000
Wastewater Mail Permit Deposit	3,000	-	-	3,000
Wastewater Meter Refund	3,000	-	3,000	-
Wastewater Nsf	7,000	-	7,000	-
Wastewater Replacement	164,135	293,569	34,138	423,566
Wastewater Automatic Meter Reading	28,720	428,038	415,037	41,721
Wastewater Utility Improvement	32,718	2,100,367	1,097,313	1,035,772
Wastewater Revolving Sewer Construction	16,570	65,625	67,981	14,214
Wastewater 2009 ARRA Stimulus	-	6,728,358	6,728,358	-
Wastewater SRF Retainage Fund	-	453,077	-	453,077
Wastewater 2010 Construction	-	126,459	126,459	-
Wastewater 2009B Construction	4,772,625	7,702	2,518,119	2,262,208
Electric Utility Operating	648,494	78,050,321	78,546,702	152,113
Electric Utility Bond And Interest	1,079,375	3,203,475	3,426,975	855,875
Electric Utility Customer Deposit	852,958	315,838	282,443	886,353
Electric Utility Construction	393,624	5,989	738	398,875
Electric Utility Depreciation	159,297	1,443,460	1,582,757	20,000
Electric Utility Automatic Meter Reading	14,935	1,061,833	1,076,768	-
Electric Utility Petty Cash	1,000	-	-	1,000
Electric Utility Mail Permit Deposit	3,000	-	-	3,000
Electric Utility Nsf	7,000	-	7,000	-
Electric Utility Ups Deposit	152	-	-	152
Electric Utility Meter Refund	8,000	-	8,000	-
Electric Utility Garage Reserve	35,125	35,364	13,810	56,679
Electric Utility Fiber	475,311	156,820	221,526	410,605
Electric Utility Reserve-Cilt	310,825	2,723,112	1,111,558	1,922,379
Electric Utility Cash Fiscal Agent	84,486	-	84,486	-
Electric Utility Cash W/Leasing Agent Roam	-	455,762	455,762	-
Storm Water Utility Operating	143,435	2,272,698	2,352,227	63,906
Storm Water Utility Depreciation	378,154	83,869	450,000	12,023
Storm Water Utility Mail Permit Deposit	3,000	-	-	3,000
Storm Water Utility Construction Cash W/ Fiscal Agent	1,500,332	4,954	223,461	1,281,825
Storm Water Utility Bond & Interest	31,287	187,723	187,723	31,287
Storm Water Utility Reserve Cilt	-	500,000	-	500,000
Totals	<u>\$ 52,167,318</u>	<u>\$ 284,780,820</u>	<u>\$ 288,584,262</u>	<u>\$ 48,363,876</u>

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

CITY OF ANDERSON
NOTES TO FINANCIAL STATEMENT(S)

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(s) present(s) the financial information for the City (primary government), and does not include financial information for any of the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the City (primary government).

B. Basis of Accounting

The financial statements are 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 statements. The aggregate receipts may include, but are not limited to, 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.

CITY OF ANDERSON
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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, 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 statements. The aggregate disbursements may include, but are not limited to, 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.

CITY OF ANDERSON
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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

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 ANDERSON
NOTES TO FINANCIAL STATEMENT(S)
(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 statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement and replacement items purchased.

Note 6. Pension Plan(s)

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 PERF 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.

PERF 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:

CITY OF ANDERSON
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

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 Public Employees' Retirement Fund 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 Public Employees' Retirement Fund as provided under Indiana Code 5-10.3-11.

CITY OF ANDERSON
NOTES TO FINANCIAL STATEMENT(S)
(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 Employees' Retirement Plan (PERF) 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.

PERF 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:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy

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

Note 7. Restatements and Reclassifications

For the year ended December 31, 2010, certain changes have been made to the financial statement to more appropriately reflect financial activity of the City. The following schedule presents a summary of restated beginning balances:

CITY OF ANDERSON
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Fund	Balance as Reported December 31, 2009	Fund Reclassification	Balance as Restated January 1, 2010
General	\$ 3,697,013	\$ (2,509)	\$ 3,694,504
Airport	241,857	(500)	241,357
Probation	282,543	(17,371)	265,172
Parks and Recreation	371,276	(530)	370,746
Park Nonreverting Operating	77,204	(100)	77,104
Community Development	(490)	(870)	(1,360)
Fire Bldg & Equipt	413,666	(600)	413,066
Administration Fees	12,489	(1,985)	10,504
Court Sup Pub Def Fees	9,553	(720)	8,833
Clerk's Records Perpetuation	16,926	(396)	16,530
C.A.T.S.	277,223	(971)	276,252
Insurance Escrow	53,339	(6,947)	46,392
Court Due County	3,688	(3,688)	-
User Fee	32,415	(659)	31,756

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City of Anderson's Annual Report(s) can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS

	General	Motor Vehicle Highway	Local Road And Street	Park Nonreverting Operating	Probation	Grants & Donations
Cash and investments - beginning	\$ 3,694,504	\$ 556,729	\$ 241,497	\$ 77,104	\$ 265,172	\$ 334,335
Receipts:						
Taxes	19,807,329	-	-	-	-	-
Licenses and permits	251,958	-	-	-	-	-
Intergovernmental	9,572,858	1,606,066	525,669	-	-	1,005,890
Charges for services	5,039,822	3,629	109,200	334,707	-	47,459
Fines and forfeits	85,109	-	-	-	259,767	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	15,716,707	763,674	-	211,457	126	28,156
Total receipts	<u>50,473,783</u>	<u>2,373,369</u>	<u>634,869</u>	<u>546,164</u>	<u>259,893</u>	<u>1,081,505</u>
Disbursements:						
Personal services	20,844,842	1,441,552	-	340,607	259,360	65,897
Supplies	437,246	197,593	346,717	56,644	1,638	-
Other services and charges	7,345,974	196,236	94,999	63,369	47,513	11,924
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	187,821	381,514	164,371	40,813	3,712	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	25,157,688	350,000	-	112,760	-	1,222,842
Total disbursements	<u>53,973,571</u>	<u>2,566,895</u>	<u>606,087</u>	<u>614,193</u>	<u>312,223</u>	<u>1,300,663</u>
Excess (deficiency) of receipts over disbursements	<u>(3,499,788)</u>	<u>(193,526)</u>	<u>28,782</u>	<u>(68,029)</u>	<u>(52,330)</u>	<u>(219,158)</u>
Cash and investments - ending	<u>\$ 194,716</u>	<u>\$ 363,203</u>	<u>\$ 270,279</u>	<u>\$ 9,075</u>	<u>\$ 212,842</u>	<u>\$ 115,177</u>

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 (Continued)

	Econ Dev Food & Beverage	C.A.T.S.	Community Development	Clerk's Records Perpetuation	Unsafe Building	Parks And Recreation
Cash and investments - beginning	\$ 423,389	\$ 276,252	\$ (1,360)	\$ 16,530	\$ 40,571	\$ 370,746
Receipts:						
Taxes	1,163,407	-	-	-	-	1,216,860
Licenses and permits	-	-	-	-	-	625
Intergovernmental	-	2,001,232	1,186,546	-	-	113,950
Charges for services	-	162,737	-	-	-	29,512
Fines and forfeits	-	-	-	4,765	3,345	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	1,727,936	9,825	17,791	-	300	1,196,905
Total receipts	<u>2,891,343</u>	<u>2,173,794</u>	<u>1,204,337</u>	<u>4,765</u>	<u>3,645</u>	<u>2,557,852</u>
Disbursements:						
Personal services	64,344	1,802,924	213,471	-	-	480,519
Supplies	-	223,895	2,460	799	-	30,352
Other services and charges	1,024,623	166,680	957,051	5,807	-	212,499
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	99,921	209,060	22,847	521	-	22,051
Utility operating expenses	-	-	-	-	-	-
Other disbursements	1,250,000	-	-	-	44,027	2,135,796
Total disbursements	<u>2,438,888</u>	<u>2,402,559</u>	<u>1,195,829</u>	<u>7,127</u>	<u>44,027</u>	<u>2,881,217</u>
Excess (deficiency) of receipts over disbursements	<u>452,455</u>	<u>(228,765)</u>	<u>8,508</u>	<u>(2,362)</u>	<u>(40,382)</u>	<u>(323,365)</u>
Cash and investments - ending	<u>\$ 875,844</u>	<u>\$ 47,487</u>	<u>\$ 7,148</u>	<u>\$ 14,168</u>	<u>\$ 189</u>	<u>\$ 47,381</u>

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 (Continued)

	User Fee	Rainy Day	Levy Excess	Slot Machine Wagering Fund	Airport	Police Continuing Ed
Cash and investments - beginning	\$ 31,756	\$ 39,236	\$ -	\$ 204,810	\$ 241,357	\$ 68,937
Receipts:						
Taxes	-	-	64,999	-	618,356	-
Licenses and permits	-	-	-	-	-	19,300
Intergovernmental	-	170,659	-	2,791,993	86,157	-
Charges for services	8,241	-	-	-	30,000	18,759
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	500,000	-	300,000	618,912	-
Total receipts	<u>8,241</u>	<u>670,659</u>	<u>64,999</u>	<u>3,091,993</u>	<u>1,353,425</u>	<u>38,059</u>
Disbursements:						
Personal services	-	-	-	1,786,619	163,438	-
Supplies	-	-	-	55,819	20,440	5,226
Other services and charges	-	-	-	658,641	259,905	24,543
Debt service - principal and interest	-	459,800	-	-	-	-
Capital outlay	-	-	-	113,427	183,196	4,281
Utility operating expenses	-	-	-	-	-	-
Other disbursements	8,285	250,000	-	300,000	933,699	60
Total disbursements	<u>8,285</u>	<u>709,800</u>	<u>-</u>	<u>2,914,506</u>	<u>1,560,678</u>	<u>34,110</u>
Excess (deficiency) of receipts over disbursements	<u>(44)</u>	<u>(39,141)</u>	<u>64,999</u>	<u>177,487</u>	<u>(207,253)</u>	<u>3,949</u>
Cash and investments - ending	<u>\$ 31,712</u>	<u>\$ 95</u>	<u>\$ 64,999</u>	<u>\$ 382,297</u>	<u>\$ 34,104</u>	<u>\$ 72,886</u>

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 (Continued)

	<u>Airport Non-Reverting</u>	<u>Bldg Non-Reverting</u>	<u>Fire Bldg & Equip</u>	<u>Operation Clean</u>	<u>Clean Air Non-Reverting</u>	<u>Tax Abatement</u>
Cash and investments - beginning	\$ 2,521	\$ 145	\$ 413,066	\$ 13,928	\$ 35,924	\$ 5,068
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	575
Intergovernmental	-	-	-	-	-	-
Charges for services	26,280	175	1,068,608	-	-	-
Fines and forfeits	-	-	-	12,939	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	<u>43,967</u>	<u>-</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>3,646</u>
Total receipts	<u>70,247</u>	<u>175</u>	<u>1,068,628</u>	<u>12,939</u>	<u>-</u>	<u>4,221</u>
Disbursements:						
Personal services	27,780	-	-	-	-	-
Supplies	28,546	-	144,947	-	449	-
Other services and charges	701	-	28,311	-	16,513	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	10,789	-	344,362	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	<u>137</u>	<u>-</u>	<u>486,386</u>	<u>25,411</u>	<u>-</u>	<u>5,136</u>
Total disbursements	<u>67,953</u>	<u>-</u>	<u>1,004,006</u>	<u>25,411</u>	<u>16,962</u>	<u>5,136</u>
Excess (deficiency) of receipts over disbursements	<u>2,294</u>	<u>175</u>	<u>64,622</u>	<u>(12,472)</u>	<u>(16,962)</u>	<u>(915)</u>
Cash and investments - ending	<u>\$ 4,815</u>	<u>\$ 320</u>	<u>\$ 477,688</u>	<u>\$ 1,456</u>	<u>\$ 18,962</u>	<u>\$ 4,153</u>

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 (Continued)

	Administration Fees	Court Sup Pub Def Fees	Home	Apd Man	Apd Vin	ED Revolving Loan
Cash and investments - beginning	\$ 10,504	\$ 8,833	\$ 199,371	\$ 77,305	\$ 1,427	\$ 122,739
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	625	-	3,607,894	129,886	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	28,186	11,110	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	231,135	30,551	-	177,653
Total receipts	<u>28,811</u>	<u>11,110</u>	<u>3,839,029</u>	<u>160,437</u>	<u>-</u>	<u>177,653</u>
Disbursements:						
Personal services	-	-	225,457	35,633	-	-
Supplies	-	-	73,291	-	-	-
Other services and charges	-	-	606,198	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	2,636,637	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	20,942	13,156	404,372	90,746	-	190,000
Total disbursements	<u>20,942</u>	<u>13,156</u>	<u>3,945,955</u>	<u>126,379</u>	<u>-</u>	<u>190,000</u>
Excess (deficiency) of receipts over disbursements	<u>7,869</u>	<u>(2,046)</u>	<u>(106,926)</u>	<u>34,058</u>	<u>-</u>	<u>(12,347)</u>
Cash and investments - ending	<u>\$ 18,373</u>	<u>\$ 6,787</u>	<u>\$ 92,445</u>	<u>\$ 111,363</u>	<u>\$ 1,427</u>	<u>\$ 110,392</u>

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 (Continued)

	<u>Redevelopment</u>	<u>Sanitary District</u>	<u>Firefighters Exam Fee</u>	<u>Eda Flagship</u>	<u>Coit Bond & Interest</u>	<u>Coit Reserve</u>
Cash and investments - beginning	\$ 26,561	\$ -	\$ 4,330	\$ 271	\$ 1,567	\$ 379,594
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	394,651	369,400	-
Charges for services	-	-	3,600	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	115,131	-	-	(5)	-	350,000
Total receipts	<u>115,131</u>	<u>-</u>	<u>3,600</u>	<u>394,646</u>	<u>369,400</u>	<u>350,000</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	23,289	-	-	-	400	-
Debt service - principal and interest	-	-	-	-	369,400	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	1,000	394,651	-	350,000
Total disbursements	<u>23,289</u>	<u>-</u>	<u>1,000</u>	<u>394,651</u>	<u>369,800</u>	<u>350,000</u>
Excess (deficiency) of receipts over disbursements	<u>91,842</u>	<u>-</u>	<u>2,600</u>	<u>(5)</u>	<u>(400)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 118,403</u>	<u>\$ -</u>	<u>\$ 6,930</u>	<u>\$ 266</u>	<u>\$ 1,167</u>	<u>\$ 379,594</u>

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 (Continued)

	Sinking Fund	Sanitary District Sinking	Redevelopment Tif Reserve	Redev Bond & Int-Kroger	Loss Fund	Redevelopment Tif Levy
Cash and investments - beginning	\$ 181,409	\$ 530,124	\$ 1,840,096	\$ 23,174	\$ 363,624	\$ 189,253
Receipts:						
Taxes	910,419	1,284,006	-	208,078	-	6,466,157
Licenses and permits	-	-	-	-	-	-
Intergovernmental	75,094	109,697	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	425,000	898,005	1,800,000	-	1,011,840	6,097,187
Total receipts	<u>1,410,513</u>	<u>2,291,708</u>	<u>1,800,000</u>	<u>208,078</u>	<u>1,011,840</u>	<u>12,563,344</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	2,950	800	-	-	558,448	-
Debt service - principal and interest	431,048	476,213	-	86,150	-	-
Capital outlay	-	-	-	-	-	4,516,635
Utility operating expenses	-	-	-	-	-	-
Other disbursements	1,151,508	2,237,337	2,050,000	-	350,323	3,200,000
Total disbursements	<u>1,585,506</u>	<u>2,714,350</u>	<u>2,050,000</u>	<u>86,150</u>	<u>908,771</u>	<u>7,716,635</u>
Excess (deficiency) of receipts over disbursements	<u>(174,993)</u>	<u>(422,642)</u>	<u>(250,000)</u>	<u>121,928</u>	<u>103,069</u>	<u>4,846,709</u>
Cash and investments - ending	<u>\$ 6,416</u>	<u>\$ 107,482</u>	<u>\$ 1,590,096</u>	<u>\$ 145,102</u>	<u>\$ 466,693</u>	<u>\$ 5,035,962</u>

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 (Continued)

	Redevelopment Tif Capital	Sanitary District Construction	Police Training Fund	Arc Lease/Rental	Redevelopment Bond & Interest	Insurance Escrow
Cash and investments - beginning	\$ 453,671	\$ -	\$ 13,540	\$ 8,922	\$ 47,862	\$ 2,566,758
Receipts:						
Taxes	-	-	-	-	2,485,000	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	32,980	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	227	911,516	30	14,010,868
Total receipts	-	-	33,207	911,516	2,485,030	14,010,868
Disbursements:						
Personal services	-	-	-	-	-	43,092
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	4,289	-
Debt service - principal and interest	-	-	-	-	2,364,043	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	14,193	108,451	-	14,789,581
Total disbursements	-	-	14,193	108,451	2,368,332	14,832,673
Excess (deficiency) of receipts over disbursements	-	-	19,014	803,065	116,698	(821,805)
Cash and investments - ending	\$ 453,671	\$ -	\$ 32,554	\$ 811,987	\$ 164,560	\$ 1,744,953

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 (Continued)

	Nestle Tif Capital	Airport Grant Fund	Court Due County	Wheel Tax Fund	Fire Fighting Training Fund	Public Safety Coit Fund
Cash and investments - beginning	\$ 582,788	\$ -	\$ -	\$ 58,117	\$ 1,626	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	129,077	-	1,092,301	-	1,701,365
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	44,755	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	-	-	2,098	-
Total receipts	<u>-</u>	<u>129,077</u>	<u>44,755</u>	<u>1,092,301</u>	<u>2,098</u>	<u>1,701,365</u>
Disbursements:						
Personal services	-	-	-	-	-	1,500,550
Supplies	-	-	-	280,556	-	832
Other services and charges	120,409	-	-	-	-	29,152
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	100,606	-	550,000	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	44,755	-	3,521	-
Total disbursements	<u>120,409</u>	<u>100,606</u>	<u>44,755</u>	<u>830,556</u>	<u>3,521</u>	<u>1,530,534</u>
Excess (deficiency) of receipts over disbursements	<u>(120,409)</u>	<u>28,471</u>	<u>-</u>	<u>261,745</u>	<u>(1,423)</u>	<u>170,831</u>
Cash and investments - ending	<u>\$ 462,379</u>	<u>\$ 28,471</u>	<u>\$ -</u>	<u>\$ 319,862</u>	<u>\$ 203</u>	<u>\$ 170,831</u>

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 (Continued)

	Nestle Taxable Tif Capital	Capital Improvements	Certified Tech Park Fund	Police Pension	Fire Pension	Civil City Payroll
Cash and investments - beginning	\$ -	\$ 431,512	\$ 316	\$ 1,241,667	\$ 1,344,944	\$ 963,670
Receipts:						
Taxes	465,498	-	-	250,000	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	341,161	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	500,000	140,000	2,621,296	3,454,403	12,713,320
Total receipts	<u>465,498</u>	<u>841,161</u>	<u>140,000</u>	<u>2,871,296</u>	<u>3,454,403</u>	<u>12,713,320</u>
Disbursements:						
Personal services	-	-	-	3,211,752	3,906,289	-
Supplies	-	-	-	-	-	-
Other services and charges	-	213,846	-	250,000	450,000	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	159,406	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	330,000	70,000	-	-	12,730,199
Total disbursements	<u>-</u>	<u>703,252</u>	<u>70,000</u>	<u>3,461,752</u>	<u>4,356,289</u>	<u>12,730,199</u>
Excess (deficiency) of receipts over disbursements	<u>465,498</u>	<u>137,909</u>	<u>70,000</u>	<u>(590,456)</u>	<u>(901,886)</u>	<u>(16,879)</u>
Cash and investments - ending	<u>\$ 465,498</u>	<u>\$ 569,421</u>	<u>\$ 70,316</u>	<u>\$ 651,211</u>	<u>\$ 443,058</u>	<u>\$ 946,791</u>

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 (Continued)

	Barrett Law Fund	City Court Clerk	Fire Sinking	Police Sinking	Water Utility Operating	Water Utility Bond And Interest
Cash and investments - beginning	\$ 41,437	\$ 404,454	\$ 182,017	\$ 916,694	\$ 830,319	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	7,361,206	-
Penalties	-	-	-	-	-	-
Other receipts	<u>174,015</u>	<u>1,242,588</u>	<u>121,525</u>	<u>636,059</u>	<u>773,983</u>	<u>398,028</u>
Total receipts	<u>174,015</u>	<u>1,242,588</u>	<u>121,525</u>	<u>636,059</u>	<u>8,135,189</u>	<u>398,028</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	398,028
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	5,980,655	-
Other disbursements	<u>215,452</u>	<u>1,297,012</u>	<u>117,000</u>	<u>629,323</u>	<u>2,152,137</u>	<u>-</u>
Total disbursements	<u>215,452</u>	<u>1,297,012</u>	<u>117,000</u>	<u>629,323</u>	<u>8,132,792</u>	<u>398,028</u>
Excess (deficiency) of receipts over disbursements	<u>(41,437)</u>	<u>(54,424)</u>	<u>4,525</u>	<u>6,736</u>	<u>2,397</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 350,030</u>	<u>\$ 186,542</u>	<u>\$ 923,430</u>	<u>\$ 832,716</u>	<u>\$ -</u>

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 (Continued)

	Water Utility Customer Deposit	Water Utility Construction	Water Utility Depreciation	Water Utility Reserve Cilt	Water Utility Petty Cash	Water Utility Mail Permit Deposit
Cash and investments - beginning	\$ 124,749	\$ 3,500,380	\$ 17,671	\$ 115,000	\$ 1,000	\$ 3,000
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	45,713	2,577	701,973	423,885	-	-
Total receipts	45,713	2,577	701,973	423,885	-	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	1,719,402	315,513	-	-	-
Utility operating expenses	11,721	-	-	-	-	-
Other disbursements	38,837	-	7,330	215,554	-	-
Total disbursements	50,558	1,719,402	322,843	215,554	-	-
Excess (deficiency) of receipts over disbursements	(4,845)	(1,716,825)	379,130	208,331	-	-
Cash and investments - ending	\$ 119,904	\$ 1,783,555	\$ 396,801	\$ 323,331	\$ 1,000	\$ 3,000

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 (Continued)

	Water Utility Meter Refund	Water Utility Nsf	Water Utility Automatic Meter Reading	Water Utility Cash Fiscal Agent	Water Utility SRF Retainage Fund	Wastewater Utility Operating
Cash and investments - beginning	\$ 4,000	\$ 7,000	\$ 35,102	\$ 293,092	\$ -	\$ 3,392,085
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	1,379,733
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	17,874,329
Penalties	-	-	-	-	-	-
Other receipts	-	-	868,693	-	212,678	6,109,972
Total receipts	-	-	868,693	-	212,678	25,364,034
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	801,900	-	-	-
Capital outlay	-	-	-	-	-	89,743
Utility operating expenses	-	-	-	-	-	9,982,388
Other disbursements	4,000	7,000	60,174	293,092	61,593	14,576,704
Total disbursements	4,000	7,000	862,074	293,092	61,593	24,648,835
Excess (deficiency) of receipts over disbursements	(4,000)	(7,000)	6,619	(293,092)	151,085	715,199
Cash and investments - ending	\$ -	\$ -	\$ 41,721	\$ -	\$ 151,085	\$ 4,107,284

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 (Continued)

	Wastewater Utility Bond And Interest	Wastewater Utility Debt Service Reserve	Wastewater Utility Construction	Wastewater Utility Depreciation	Wastewater Utility Reserve Cilt	Wastewater Utility Petty Cash
Cash and investments - beginning	\$ 483,643	\$ -	\$ 10,540,043	\$ 810,843	\$ 278,439	\$ 1,000
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	<u>3,625,165</u>	<u>922,548</u>	<u>15,724</u>	<u>2,876,062</u>	<u>2,089,851</u>	<u>-</u>
Total receipts	<u>3,625,165</u>	<u>922,548</u>	<u>15,724</u>	<u>2,876,062</u>	<u>2,089,851</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	2,856,004	-	-	-	-	-
Capital outlay	-	-	-	647,317	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	<u>817,434</u>	<u>-</u>	<u>5,401,791</u>	<u>1,635,111</u>	<u>760,474</u>	<u>-</u>
Total disbursements	<u>3,673,438</u>	<u>-</u>	<u>5,401,791</u>	<u>2,282,428</u>	<u>760,474</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(48,273)</u>	<u>922,548</u>	<u>(5,386,067)</u>	<u>593,634</u>	<u>1,329,377</u>	<u>-</u>
Cash and investments - ending	<u>\$ 435,370</u>	<u>\$ 922,548</u>	<u>\$ 5,153,976</u>	<u>\$ 1,404,477</u>	<u>\$ 1,607,816</u>	<u>\$ 1,000</u>

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 (Continued)

	Wastewater Utility Mail Permit Deposit	Wastewater Utility Meter Refund	Wastewater Utility Nsf	Wastewater Utility Replacement	Wastewater Utility Automatic Meter Reading	Wastewater Utility Improvement
Cash and investments - beginning	\$ 3,000	\$ 3,000	\$ 7,000	\$ 164,135	\$ 28,720	\$ 32,718
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	-	293,569	428,038	2,100,367
Total receipts	-	-	-	293,569	428,038	2,100,367
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	3,000	-	-	-	-
Other disbursements	-	-	7,000	34,138	415,037	1,097,313
Total disbursements	-	3,000	7,000	34,138	415,037	1,097,313
Excess (deficiency) of receipts over disbursements	-	(3,000)	(7,000)	259,431	13,001	1,003,054
Cash and investments - ending	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 423,566</u>	<u>\$ 41,721</u>	<u>\$ 1,035,772</u>

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 (Continued)

	Wastewater Utility Revolving Sewer Construction	Wastewater Utility 2009 ARRA Stimulus	Wastewater Utility SRF Retainage Fund	Wastewater Utility 2010 Construction	Wastewater Utility 2009B Construction	Electric Utility Operating
Cash and investments - beginning	\$ 16,570	\$ -	\$ -	\$ -	\$ 4,772,625	\$ 648,494
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	73,315,788
Penalties	-	-	-	-	-	331,917
Other receipts	<u>65,625</u>	<u>6,728,358</u>	<u>453,077</u>	<u>126,459</u>	<u>7,702</u>	<u>4,402,616</u>
Total receipts	<u>65,625</u>	<u>6,728,358</u>	<u>453,077</u>	<u>126,459</u>	<u>7,702</u>	<u>78,050,321</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	67,981	6,728,358	-	-	2,518,119	240,002
Utility operating expenses	-	-	-	-	-	65,212,435
Other disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,459</u>	<u>-</u>	<u>13,094,265</u>
Total disbursements	<u>67,981</u>	<u>6,728,358</u>	<u>-</u>	<u>126,459</u>	<u>2,518,119</u>	<u>78,546,702</u>
Excess (deficiency) of receipts over disbursements	<u>(2,356)</u>	<u>-</u>	<u>453,077</u>	<u>-</u>	<u>(2,510,417)</u>	<u>(496,381)</u>
Cash and investments - ending	<u>\$ 14,214</u>	<u>\$ -</u>	<u>\$ 453,077</u>	<u>\$ -</u>	<u>\$ 2,262,208</u>	<u>\$ 152,113</u>

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 (Continued)

	Electric Utility Bond And Interest	Electric Utility Customer Deposit	Electric Utility Construction	Electric Utility Depreciation	Electric Utility Automatic Meter Reading	Electric Utility Petty Cash
Cash and investments - beginning	\$ 1,079,375	\$ 852,958	\$ 393,624	\$ 159,297	\$ 14,935	\$ 1,000
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	<u>3,203,475</u>	<u>315,838</u>	<u>5,989</u>	<u>1,443,460</u>	<u>1,061,833</u>	<u>-</u>
Total receipts	<u>3,203,475</u>	<u>315,838</u>	<u>5,989</u>	<u>1,443,460</u>	<u>1,061,833</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	3,426,975	-	-	-	1,051,165	-
Capital outlay	-	-	738	298,533	-	-
Utility operating expenses	-	5,934	-	-	-	-
Other disbursements	<u>-</u>	<u>276,509</u>	<u>-</u>	<u>1,284,224</u>	<u>25,603</u>	<u>-</u>
Total disbursements	<u>3,426,975</u>	<u>282,443</u>	<u>738</u>	<u>1,582,757</u>	<u>1,076,768</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(223,500)</u>	<u>33,395</u>	<u>5,251</u>	<u>(139,297)</u>	<u>(14,935)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 855,875</u>	<u>\$ 886,353</u>	<u>\$ 398,875</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 1,000</u>

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 (Continued)

	Electric Utility Mail Permit Deposit	Electric Utility Nsf	Electric Utility Ups Deposit	Electric Utility Meter Refund	Electric Utility Garage Reserve	Electric Utility Fiber
Cash and investments - beginning	\$ 3,000	\$ 7,000	\$ 152	\$ 8,000	\$ 35,125	\$ 475,311
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	-	-	35,364	156,820
Total receipts	-	-	-	-	35,364	156,820
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	7,000	-	8,000	13,810	221,526
Total disbursements	-	7,000	-	8,000	13,810	221,526
Excess (deficiency) of receipts over disbursements	-	(7,000)	-	(8,000)	21,554	(64,706)
Cash and investments - ending	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 152</u>	<u>\$ -</u>	<u>\$ 56,679</u>	<u>\$ 410,605</u>

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 (Continued)

	Electric Utility Reserve-Ciit	Electric Utility Cash Fiscal Agent	Electric Utility Cash W/Leasing Agent Roam	Stormwater Utility Operating	Storm Water Utility Depreciation
Cash and investments - beginning	\$ 310,825	\$ 84,486	\$ -	\$ 143,435	\$ 378,154
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	2,052,617	-
Penalties	-	-	-	-	-
Other receipts	2,723,112	-	455,762	220,081	83,869
Total receipts	2,723,112	-	455,762	2,272,698	83,869
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	84,486	455,762	84,948	-
Utility operating expenses	-	-	-	1,260,387	-
Other disbursements	1,111,558	-	-	1,006,892	450,000
Total disbursements	1,111,558	84,486	455,762	2,352,227	450,000
Excess (deficiency) of receipts over disbursements	1,611,554	(84,486)	-	(79,529)	(366,131)
Cash and investments - ending	\$ 1,922,379	\$ -	\$ -	\$ 63,906	\$ 12,023

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 (Continued)

	Storm Water Utility Mail Permit Deposit	Storm Water Utility Construction Cash W/ Fiscal Agent	Storm Water Utility Bond & Interest	Storm Water Utility Reserve Cilt	Totals
Cash and investments - beginning	\$ 3,000	\$ 1,500,332	\$ 31,287	\$ -	\$ 52,167,318
Receipts:					
Taxes	-	-	-	-	34,940,109
Licenses and permits	-	-	-	-	272,458
Intergovernmental	-	-	-	-	28,391,904
Charges for services	-	-	-	-	6,915,709
Fines and forfeits	-	-	-	-	449,976
Utility fees	-	-	-	-	100,603,940
Penalties	-	-	-	-	331,917
Other receipts	-	4,954	187,723	500,000	112,874,807
Total receipts	-	4,954	187,723	500,000	284,780,820
Disbursements:					
Personal services	-	-	-	-	36,414,126
Supplies	-	-	-	-	1,907,450
Other services and charges	-	-	-	-	13,375,070
Debt service - principal and interest	-	-	187,723	-	12,908,449
Capital outlay	-	223,461	-	-	23,226,333
Utility operating expenses	-	-	-	-	82,456,520
Other disbursements	-	-	-	-	118,296,314
Total disbursements	-	223,461	187,723	-	288,584,262
Excess (deficiency) of receipts over disbursements	-	(218,507)	-	500,000	(3,803,442)
Cash and investments - ending	\$ 3,000	\$ 1,281,825	\$ 31,287	\$ 500,000	\$ 48,363,876

CITY OF ANDERSON
SCHEDULE OF LONG-TERM DEBT
December 31, 2010

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
City:		
Capital leases:		
Airport Terminal & Hangar 1997	\$ 105,000	\$ 58,400
Airport Hangar 1992	404,477	53,495
Airport Dixie Chopper	3,889	4,077
Airport Mower	849	863
Airport Jet Refueler	39,203	10,789
Engineering Bucket Truck	44,638	12,500
Community Develop. Ford Escape	9,461	6,551
Fire Dept/Tower	559,415	162,240
Park Dept/Bleachers/Playground Equip	96,010	27,044
Park Dept/ Golf Carts	84,505	29,875
Police Dept/Ford Explorer	8,756	4,576
Police Dept/10 Police Cars	103,633	54,261
Bonds payable:		
General obligation bonds:		
Sanitary District Bonds of 1991	260,000	266,500
Sanitary District Bonds of 2004	7,790,000	740,351
Fire Station Mortgage Bonds of 1994	205,000	117,000
Park District Bonds 1998	590,000	311,550
Court Bonds	210,000	217,613
Park District Bonds of 2003	1,270,000	179,860
Revenue bonds:		
Redevelopment TIF Bonds 2002	4,805,000	530,220
Redevelop.TIF Revenue Bonds 2002	6,060,000	608,511
Redevelop.TIF Bonds 2004A	2,095,000	257,300
Redevelop.TIF Bonds 2004B	880,000	268,510
Redevelop.TIF Bonds 2009	10,240,000	844,338
Redevelop TIF Bonds/Kroger	938,000	87,320
COIT Bonds	695,000	370,588
Total City Debt	<u>\$ 37,497,836</u>	<u>\$ 5,224,330</u>
Water Utility:		
Capital leases:		
Automated Meter Reading	\$ 11,785,965	\$ 1,255,767
Revenue bonds:		
Water Works 2007	4,565,000	399,740
Total Water Utility	<u>16,350,965</u>	<u>1,655,507</u>
Wastewater Utility:		
Revenue bonds:		
Sewage Works Rev Bonds 1998	1,365,000	202,680
Sewage Works Rev Bonds 2002	8,305,000	908,339
Sewage Works Rev Bonds 2007	14,295,000	996,654
Sewage Works Rev Bonds 2009	4,725,000	401,983
Sewage Works State Rev Loan	5,530,000	362,743
Sewage Works State Rev Loan-2010	2,445,000	132,108
Total Wastewater Utility	<u>36,665,000</u>	<u>3,004,507</u>
Electric Utility:		
Capital leases:		
Automatic Meter Reading	8,076,021	1,163,288
Automated Street Light System	347,098	122,701
Revenue bonds:		
Electric Bonds 2003	8,130,000	792,650
Electric Bonds 2008B	3,330,000	2,500,755
Total Electric Utility	<u>19,883,119</u>	<u>4,579,394</u>
Stormwater Utility		
Notes and loans payable:		
White River Levee Project	<u>1,370,789</u>	<u>187,722</u>
Total Stormwater Utility	<u>1,370,789</u>	<u>187,722</u>
Total Debt	<u>\$ 111,767,709</u>	<u>\$ 14,651,460</u>

CITY OF ANDERSON
AUDIT RESULT(S) AND COMMENT(S)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted material weaknesses in the internal controls over financial transactions and reporting. Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. Proper controls were not in place to ensure that transactions and cash balances were recorded in the financial records and properly reported on the Statement of Receipts, Disbursements, and Cash and Investment Balances (financial statement) or the Schedule of Expenditures of Federal Awards (SEFA).

The City maintains cash in various bank and trust accounts. However, cash maintained in bank and trust accounts other than the City checking, Utilities checking, and a Total Monies on Deposit (TMOD) account, was not included in the financial records of the City. When monies were transferred to these other bank and trust accounts, disbursements were recorded in the financial records as "investments purchased" and the appropriate cash fund balance was decreased. The City maintains a separate electronic file of the "investments" purchased for most, but not all, monies moved from the checking accounts. Earnings on these other accounts are not recorded in the financial records until they are transferred into one of the checking accounts. Therefore, the fund balances in the financial accounting system only reflects the cash maintained in the City and Utilities checking and TMOD accounts. Most, but not all, of these other cash accounts were added to the appropriate fund on the annual report and financial statement at year end as "investments".

Construction, bond and interest, debt service reserve transactions and cash balances related to State Revolving Funds (SRF) were not entered into the records of the Water and Wastewater Utilities. Transactions and cash balances related to SRF activity were maintained in electronic files separate from the financial accounting system and were not reported accurately on the original financial statement. Transactions related to construction activity should have been reported in the financial statement as receipts and disbursements. Transfers from the utilities operating cash funds to the corresponding bond and interest and debt service funds were reported as disbursements rather than transfers and were not receipted back into the records in the appropriate funds. Also the bond and interest and debt service funds did not report cash balances to agree with the amounts held in the corresponding bank accounts.

As a result of the deficiencies in controls over the receipting, disbursing, recording, and accounting for the financial activities, the original financial statement presented was materially incorrect and required adjustments. The City requested and approved the adjustments to the financial statement which are detailed below:

CITY OF ANDERSON
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

Fund	Increase (Decrease) January 1, 2010 Cash Balance	Increase (Decrease) Receipts	Increase (Decrease) Disbursements	Increase (Decrease) December 31, 2010 Cash Balance
Grants & Donations	\$ 60,178	\$ (131,763)	\$ (71,585)	\$ -
Redevelopment Bond & Interest	47,448	30	-	47,478
Insurance Escrow	2,520,366	(895,103)	(117,290)	1,742,553
Civil City Payroll	-	(375)	-	(375)
City Court Clerk	404,454	1,242,588	1,297,012	350,030
Police Sinking Fund	916,694	636,058	629,323	923,429
Fire Sinking Fund	182,017	121,525	117,000	186,542
Water Utility Construction	(186,097)	-	(186,097)	-
Wastewater Utility Bond And Interest	60,642	-	(105,113)	165,755
Wastewater Utility Debt Service Reserve	-	922,548	-	922,548
Wastewater 2009 ARRA Stimulus	(10,377,252)	6,728,358	(23,396)	(3,625,498)
Wastewater 2010 Construction	-	(2,318,541)	-	(2,318,541)
ARRA Stimulus Construction Aid	(1,187,103)	-	(1,187,103)	-
Totals	<u>\$ (7,558,653)</u>	<u>\$ 6,305,325</u>	<u>\$ 352,751</u>	<u>\$ (1,606,079)</u>

Proper controls also were not in place to identify federal disbursements for reporting on the SEFA. The information reported in the SEFA was obtained from various sources maintained outside the financial records. The information was not verified to the financial records of the City for accuracy or completeness by the City. Additionally, the financial records did not properly classify federal receipts and disbursements. Grants were not recorded in separate funds specifically related to those individual grants. Grants were receipted into various funds with other sources of revenues and various other grants. Grant receipts were usually, but not always, recorded into separate subcategories within a fund and classified as state, federal, stimulus, or other specific sources. However some grant receipts were not recorded under these categories, but rather by project description and comingled with other grants used for that same project. Therefore the grant receipts were not properly classified as state, federal, or stimulus receipts. The comingling of grant receipts into funds with other sources also made it difficult to determine if federal disbursements reported on the SEFA were materially correct. Disbursements were not classified into subcategories that would correspond to the grant receipt. Therefore disbursements within each fund were comingled and recorded by the type of disbursement (salaries, supplies, etc). The City relies on electronic spreadsheets, maintained by personnel responsible for each grant, to determine the amount of federal disbursements for the SEFA. The spreadsheets are maintained independently of the financial accounting system and were not always reliable. Some spreadsheets contained immaterial variances, were incomplete, reported incorrect amounts, or classified grants in the wrong year.

As a result of the deficiencies in controls over federal receipts and disbursements, the original SEFA presented was materially incorrect and required adjustments increasing total federal disbursements in the amount of \$3,866,686. The City approved the adjustments to the SEFA.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF ANDERSON
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

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)

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)

INTERNAL CONTROLS OVER THE PARK DEPARTMENT

Controls for receipts and disbursements generated by the parks department were insufficient. Amounts received for various park activities, including golf, football, and special events, were not supported by adequate documentation to verify the completeness or validity of the amounts receipted.

The parks department used separate receipt books for "General", "Non-reverting", and "Football" collections. However, receipts were frequently written from the wrong receipt books and then "transferred" to the correct receipt books by issuing another receipt from the correct receipt book. These "transfers" were not always documented properly and did not indicate the receipt number of the replacement receipt. Therefore, some of the receipt "transfers" could not be verified. Additionally, three instances were noted where the amounts receipted were changed or did not agree with the amount of cash on hand. These instances are documented in the "Missing Funds Investigation (Park Department)" audit result and comment. Due to the condition of the receipts presented for the parks department, some receipts could not be verified to specific deposits. Deposits included receipts for multiple days and documentation was not available to determine which receipts were included in individual deposits.

Claims were not properly prepared and monitored to ensure that amounts submitted for payment were supported by adequate documentation. A payment to the golf course manager in the amount of \$614.94 for 2009 golf cart commissions for employee payroll deductions was paid without any supporting documentation. Other payments were made during the year to the golf course manager for golf cart commissions that did not clearly indicate the days included for payment. This is discussed in greater detail in the "Golf Course Manager Cart Commissions" audit result and comment below.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

CITY OF ANDERSON
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

MISSING FUNDS INVESTIGATION (Park Department)

Three instances of missing monies from park receipts were reported to the State Police by the City. The first instance reported a receipt issued on October 11, 2010, for \$2,109.85. On October 15, 2010, two park employees signed a note and attached it to the receipt stating that \$500 was missing from the collections and deposited \$1,609.85. The second instance reported a receipt issued on October 4, 2010, for \$1,595.75 and then voided. A new receipt was issued by a different park employee in the amount of \$1,495.75 which was \$100 less than the original receipt. No explanation for the variance was provided. The third instance reported involved receipts issued on September 30, 2010, for football admissions on September 28, 2010, in which the cash on hand did not agree with the amount reported as collections on the admissions report. The admissions report indicated \$642 was collected; however, only \$593 was on hand leaving a variance of \$49. Two receipts were issued on September 30, 2010, the first receipt was for \$593 and then another receipt was issued for \$49 when additional monies were remitted later that day. The State Police only investigated the \$500 of missing monies and were not able to acquire enough information to file any charges. Due to the lack of internal controls as discussed in the previous comment, we were unable to determine the person responsible for the cash collections in these specified instances during the course of our audit.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories: (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

Public funds shall be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

GOLF COURSE MANAGER CART COMMISSIONS (Park Department)

Proper controls were not in place to ensure that golf cart commissions were properly calculated and submitted for payment. Per the salary ordinance, a commission of 7.5% of after tax revenues for golf cart rentals was to be paid to the golf course manager in addition to regular salaries. However, golf cart rental commissions were not properly paid in 2010. The formula used by the golf course manager to calculate the commission was incorrect and equated to approximately 7.6 percent on 9-hole cart rentals and 7.68 percent on 18 hole cart rentals. The commissions were calculated by the golf course manager on the daily cash reports which were submitted to the park business administrator who prepared the claims. However, not all claims were submitted for payment during 2010. Claims for golf cart commissions were submitted on an irregular basis and didn't always contain enough information to determine which days were being paid. The claims were signed by the park department superintendent. Additionally, golf fees can be paid by City employees through a payroll deduction; there were no procedures or controls in place to ensure that the golf manager received the accurate commission fees from the passes paid through payroll deductions in during the year; therefore, the golf course manager had received no payment for these commissions during 2010.

CITY OF ANDERSON
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

Due to the weaknesses in control procedures, the golf course manager was over paid for 2010 golf cart commissions. After considering the overpayment for the error in the calculation of the commission on the daily cash reports, the underpayment for claims not submitted for payment, as well as the underpayment for commissions owed from the employee payroll deductions, the golf course manager was overpaid in the amount of \$380.89. The golf course manager made repayment of \$380.89 on May 11, 2011.

The golf cart commissions were paid through vendor payments, as opposed to through the payroll system, and were not included in the W-2; however, a 1099 was issued.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

INTERNAL CONTROLS OVER FOOTBALL PROGRAM (Park Department)

The Parks Department charged fees for youth football registrations, season passes, and admissions, and gave discounts for early payment of registration fees. The Park Board minutes did not indicate these fees were properly established or approved by the Park Board. Amounts used for testing were obtained from the Recreation Superintendent. According to the Recreation Superintendent, season passes for football were supposed to be sold for \$10; however, it was noted on several occasions that passes were sold for less than \$10.

The Parks Department used prenumbered wrist bands, ticket sale reports, and cash count reports for football admissions. However, multiple wristband series numbers were used and several wristband numbers were unaccounted for from one game to the next. The football game schedule for 2010 indicated that games were held on ten days. However, ticket sale reports were not presented for two days which may have accounted for some of the unaccounted for wristband numbers. Due to the lack of documentation, we could not determine if all wristbands were properly accounted for.

Cash count reports submitted with the football ticket sale reports indicated that payments were made to referees using cash from that day's admissions. However, only five of the ten cash count reports were presented for audit. Of the five reports presented, three of those indicated cash paid to referees totaling \$1,120. Referee payroll sheets were provided to support the \$1,120 paid to the referees through cash payments.

CITY OF ANDERSON
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

Receipts issued for football indicated that amounts collected were not deposited daily. Some football collections were held for up to seven days before depositing. Additionally, some receipts tested could not be verified to deposits because of the condition of receipts and lack of documentation to support the deposit amounts. However, a comparison of total receipts to total deposits for the year 2010 indicated that deposits exceeded receipts by \$72 for the football program.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Tickets, goods for sale, billings, and other collections are considered accountable items for which a corresponding deposit must be made in the bank accounts of the governmental unit.

The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payors. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Disbursements, other than proper petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-13-6-1(d) states in part: "A city . . . or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories: (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

Public funds shall be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

POOL RECEIPTS (Park Department)

Some receipts for the pool were deposited later than the next business day and were not always supported by adequate documentation. The pool was in operation 31 days in 2010. Of the 31 days of operation, 7 days of collections were not deposited timely. Additionally, cash register tapes were not presented for 4 days. Of the cash register tapes presented, another four tapes did not agree with the amounts receipted and deposited. In two of the instances, the amounts receipted and deposited were more than the amounts on the cash register tapes. In the other two instances, the totals on cash register tapes were significantly higher than average daily receipts and appeared to be inaccurate. However, the variances were not adequately identified and explained.

CITY OF ANDERSON
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories: (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

PUBLIC WORKS PROJECT

The City contracted with Anderson Glass and Mirror for the installation of energy efficient windows in fire station #1. The total amount paid to Anderson Glass and Mirror was \$139,418. There was no evidence presented for audit that sealed bids were requested or received.

Indiana Code 36-1-12-4(a) states in part:

"This section applies whenever the cost of a public work project will be: (1) at least seventy-five thousand dollars (\$75,000) in: (A) a consolidated city or second class city . . ."

Indiana Code 36-1-12-4(b) states in part:

"The board must comply with the following procedure: (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . . (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3). (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed. . . ."

CAPITAL ASSET RECORDS

We identified instances of capital assets purchased, constructed, and/or acquired in 2010 that were not included in the capital asset records. Two specific instances were noted: energy efficient windows were installed at fire station building #1 for \$139,418 and energy efficient street light structures and equipment were installed by the electric utility totaling \$212,000. After discussion with the officials, it was determined that additional capital assets also may not have been included. Additionally, a physical inventory of capital assets, excluding infrastructure, has not been performed in several years.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF ANDERSON
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

MISSING FUNDS INVESTIGATION (Street Department)

According to a City of Anderson Police report, "on 3/7/2008 an inquiry was launched into monies missing from the City of Anderson Street Department. According to sources, former street commissioner Nick Vores may have pocketed funds received from the Recycling Center, Inc., (Richmond, IN) as payment for scrap metal."

The report further states that Recycling Center, Inc., provided a dump trailer for the City of Anderson Street Department. When the dump trailer was near capacity, Recycling Center, Inc., would send a truck to exchange the dump trailer. The driver would provide the Street Department with a sequentially numbered ticket. Once the trailer had returned to Recycling Center, Inc., the load was weighed and calculated for payment. A Recycling Center official explained that he would then visit the Street Department and make receipted cash payment for the disposal service. He further explained that the payments were made directly to Nick Vores except on one occasion where he recalled leaving the cash and receipt with a secretary.

Per the police report, based on evidence obtained from Recycling Center, Inc., since 2005, Recycling Center, Inc., paid from \$3,964 to \$4,054 to the City of Anderson for disposal of scrap metal. The total amount of monies receipted by the City of Anderson Controller's Office since 2005 is \$1,678. The difference of \$2,286 to \$2,376 remains missing per the report.

On April 18, 2008, an Anderson Police Department officer prepared a probable cause affidavit for violation of IC 35-43-4-2, nine counts of theft, versus Nicholas M. Vores and forwarded it to the Madison County Prosecutor's office.

As of the date of this report, this matter is open and under review and investigation by the County Prosecutor's Office.

A similar comment appeared in prior reports, most recently Report B37236. The status of these proceedings will be reviewed by the State Board of Accounts during a subsequent audit of the City.

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Anderson (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2010. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements 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 2010-2, 2010-3, 2010-4, and 2010-5.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

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 significant deficiencies or material weaknesses and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance 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 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 item 2010-2 to be material weaknesses.

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 27, 2011

CITY OF ANDERSON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct			
CDBG - Entitlement and HUD Administered Small City Cluster Community Development Block Grants/Entitlement Grants	14.218	B-10-MC-18-0001	\$ 1,185,522
ARRA - Community Development Block Grant Entitlement Grants	14.253	B-10-MY-18-0001	<u>5,168</u>
Total for cluster			<u>1,190,690</u>
HOME Investment Partnerships Program	14.239	M-10-MC-18-0209	<u>101,473</u>
Community Development Block Grants/Economic Development Initiative (EDI)	14.246	BF-00E05001-0 BF-00E3241-0	100,448 <u>26,958</u>
Total for program			<u>127,406</u>
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	B-10-SP-IN-0068	<u>200,000</u>
ARRA - Neighborhood Stabilization Program	14.256	B-08-MN-18-0001	<u>1,086,446</u>
Pass-Through Indiana Housing & Community Development Authority Community Development Block Grants/State's Program and Non-Entitlement Grants Cluster State-Administered Small Cities Program Neighborhood Stabilization Program	14.228	NSP1-009-025	<u>2,307,171</u>
Total for federal grantor agency			<u>5,013,186</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct			
Community Capacity Development Office - Weed and Seed Grant	16.595	2009-WS-QX-0155	<u>190,915</u>
Bulletproof Vest Partnership Program	16.607	FY 2010	<u>5,389</u>
ARRA - Public Safety Partnership and Community Policing Grants COPS Hiring Recovery Program	16.710	2009 RKW XO 349	<u>312,075</u>
Edward Byrne Memorial Justice Assistance Grant Program (JAG)	16.738	08-DJ-BX-0690 09-DJ-BX-0935 10-DJ-BX-0263	229 31,155 <u>9,059</u>
Total for program			<u>40,443</u>
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG), Recovery Act - Grants to Units of Local Government Program/Grants to Units of Local Government	16.804	2009-SB-B9-2303	<u>71,670</u>
Pass-Through Indiana Criminal Justice Institute Crime Victim Assistance	16.575	09VA082	<u>15,458</u>
ARRA - Violence Against Women Formula Grants	16.588	09STR05	<u>27,799</u>
Edward Byrne Memorial Justice Assistance Grant Program (JAG)	16.738	09-DJ-014 07-DJ-104	52,718 <u>37,833</u>
Total for program			<u>90,551</u>
ARRA - Edward Byrne Memorial Justice Assistance Grant Program (JAG), Recovery Act Program/Grants to States and Territories	16.803	09-JRA-010	<u>31,835</u>
Total for federal grantor agency			<u>786,135</u>

The accompanying note(s) are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF ANDERSON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2010
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Direct			
Federal Transit Cluster	20.507		
Federal Transit - Formula Grants		FTA 1N-90-X592 IN-90-X020 IN-04-0036	100,568 1,385,737 <u>820</u>
Total for cluster			<u>1,487,125</u>
Airport Improvement Program	20.106		
		AIP 3-18-0001-22 AIP 3-18-0001-23 AIP 3-18-0001-24	16,131 19,114 <u>97,796</u>
Total for program			<u>133,041</u>
Pass-Through Indiana Department of Transportation			
Highway Planning and Construction Cluster			
Highway Research and Development Program	20.205	901738-901748	<u>101,168</u>
Pass-Through Madison County			
Highway Safety Cluster			
State and Community Highway Safety	20.600	PT-09-04-01-10	18,647
Alcohol Impaired Driving Countermeasures-Incentive Grants I	20.601	K8-2009-03-03-19	9,308
Safety Belt Performance Grants	20.609	K4-2009-08-01-12	<u>21,541</u>
Total for cluster			<u>49,496</u>
Pass-Through Indiana Department of Transportation			
Airport Improvement Program	20.106	AIP 3-18-0001-21	<u>8,502</u>
Total for federal grantor agency			<u>1,779,332</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority			
Capitalization Grants for Clean Water			
State Revolving Funds	66.458	2W-00E73001-0	645,292
ARRA - Capitalization Grants for Clean Water	66.458	2W-00E73001-0	<u>5,111,959</u>
State Revolving Funds			
Total for program			<u>5,757,251</u>
ARRA - Capitalization Grants for Drinking Water	66.468	2F-00E72901-0	<u>1,373,200</u>
State Revolving Funds			
Total for federal grantor agency			<u>7,130,451</u>
<u>U.S. DEPARTMENT OF ENERGY</u>			
Direct Grant			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	SC0001617	<u>352,277</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant			
Assistance to Firefighters Grant	97.044	FO0804982FFS001	<u>928</u>
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2009-FH-01120	<u>86,322</u>

The accompanying note(s) are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF ANDERSON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended December 31, 2010
 (Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOMELAND SECURITY (continued)</u>			
Pass-Through Indiana Department of Homeland Security Hazard Mitigation Grant	97.039	FEMA-DR-1662-IN	123,545
Emergency Management Performance Grants Program	97.042	C44P0258A	10,421
Total for federal grantor agency			221,216
Total federal awards expended			<u>\$ 15,282,597</u>

The accompanying note(s) are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF ANDERSON
NOTE(S) 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 Anderson (City) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. 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, 2010:

Program Title	Federal CFDA Number	2010
Community Capacity Development Office – Weed and Seed Grant	15.595	<u>\$ 116,211</u>

CITY OF ANDERSON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement(s):

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency identified?	no
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	no
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 Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
-	CDBG - Entitlement and HUD Administered Small City Cluster
-	Community Development Block Grants/State's Program and Non-Entitlement Grants Cluster
14.256	ARRA - Neighborhood Stabilization Program
66.458	ARRA - Capitalization Grants for Clean Water
66.468	ARRA - Capitalization Grants for Drinking Water
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)

Dollar threshold used to distinguish between Type A and Type B programs: \$458,478

Auditee qualified as low-risk auditee? no

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

Section II – Financial Statement Findings

FINDING 2010-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted material weaknesses in the internal controls over financial transactions and reporting. Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. Proper controls were not in place to ensure that transactions and cash balances were recorded in the financial records and properly reported on the Statement of Receipts, Disbursements, and Cash and Investment Balances (financial statement) or the Schedule of Expenditures of Federal Awards (SEFA).

The City maintains cash in various bank and trust accounts. However cash maintained in bank and trust accounts other than the City checking, Utilities checking, and a Total Monies on Deposit (TMOD) account, was not included in the financial records of the City. When monies were transferred to these other bank and trust accounts, disbursements were recorded in the financial records as "investments purchased" and the appropriate cash fund balance was decreased. The City maintains a separate electronic file of the "investments" purchased for most, but not all, monies moved from the checking accounts. Earnings on these other accounts are not recorded in the financial records until they are transferred into one of the checking accounts. Therefore, the fund balances in the financial accounting system only reflect the cash maintained in the City and Utilities checking and TMOD accounts. Most, but not all, of these other cash accounts were added to the appropriate fund on the annual report and financial statement at year end as "investments".

Construction, bond and interest, debt service reserve transactions and cash balances related to State Revolving Funds (SRF) were not entered into the records of the Water and Wastewater Utilities. Transactions and cash balances related to SRF activity were maintained in electronic files separate from the financial accounting system and were not reported accurately on the original financial statement. Transactions related to construction activity should have been reported in the financial statement as receipts and disbursements. Transfers from the utilities operating cash funds to the corresponding bond and interest and debt service funds were reported as disbursements rather than transfers and were not receipted back into the records in the appropriate funds. Also the bond and interest and debt service funds did not report cash balances to agree with the amounts held in the corresponding bank accounts.

As a result of the deficiencies in controls over the receipting, disbursing, recording, and accounting for the financial activities, the original financial statement presented was materially incorrect and required adjustments. The City requested and approved the adjustments to the financial statement which are detailed below:

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

Fund	Increase (Decrease) January 1, 2010 Cash Balance	Increase (Decrease) Receipts	Increase (Decrease) Disbursements	Increase (Decrease) December 31, 2010 Cash Balance
Grants & Donations	\$ 60,178	\$ (131,763)	\$ (71,585)	\$ -
Redevelopment Bond & Interest	47,448	30	-	47,478
Insurance Escrow	2,520,366	(895,103)	(117,290)	1,742,553
Civil City Payroll	-	(375)	-	(375)
City Court Clerk	404,454	1,242,588	1,297,012	350,030
Police Sinking Fund	916,694	636,058	629,323	923,429
Fire Sinking Fund	182,017	121,525	117,000	186,542
Water Utility Construction	(186,097)	-	(186,097)	-
Wastewater Utility Bond And Interest	60,642	-	(105,113)	165,755
Wastewater Utility Debt Service Reserve	-	922,548	-	922,548
Wastewater 2009 ARRA Stimulus	(10,377,252)	6,728,358	(23,396)	(3,625,498)
Wastewater 2010 Construction	-	(2,318,541)	-	(2,318,541)
ARRA Stimulus Construction Aid	(1,187,103)	-	(1,187,103)	-
Totals	<u>\$ (7,558,653)</u>	<u>\$ 6,305,325</u>	<u>\$ 352,751</u>	<u>\$ (1,606,079)</u>

Proper controls also were not in place to identify federal disbursements for reporting in the Schedule of Expenditures of Federal Awards (SEFA). The information reported in the SEFA obtained from various sources maintained outside the financial records of the City. The information was not verified to the financial records of the City for accuracy or completeness by the City. Additionally, the financial records did not properly classify federal receipts and disbursements. Grants were not recorded in separate funds specifically related to those individual grants. Grants were receipted into various funds with other sources of revenues and various other grants. Grant receipts were usually, but not always, recorded into separate subcategories within a fund and classified as state, federal, stimulus, or other specific sources. However, some grant receipts were not recorded under these categories, but rather by project description and comingled with other grants used for that same project. Therefore, the grant receipts were not properly classified as state, federal, or stimulus receipts. The comingling of grant receipts into funds with other sources also made it difficult to determine if federal disbursements reported on the SEFA were materially correct. Disbursements were not classified into subcategories that would correspond to the grant receipt. Therefore disbursements within each fund were comingled and recorded by the type of disbursement (salaries, supplies, etc). The City relies on electronic spreadsheets, maintained by personnel responsible for each grant, to determine the amount of federal disbursements for the SEFA. The spreadsheets are maintained independently of the financial accounting system and were not always reliable. Some spreadsheets contained immaterial variances, were incomplete, reported incorrect amounts, or classified grants in the wrong year.

As a result of the weakness in controls over federal receipts and disbursements, the original SEFA presented was materially incorrect and required adjustments increasing total federal disbursements in the amount of \$3,866,686. The City requested and approved the adjustments to the SEFA.

Federal receipts and disbursements should be recorded within the financial records of the City in a manner that would specifically identify federal grants for compliance and reporting purposes.

Failure to account for and accurately report federal receipts and disbursements could result in denial, forfeiture, or repayment of federal awards.

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

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 objections, 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 2010-2 - SEPARATE ACCOUNTING FOR ARRA

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: ARRA - Community Development Block Grant
CFDA Number: 14.253
Federal Award Number and Year: B-10-MY-18-0001
Pass-Through Entity: N/A

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: ARRA - Neighborhood Stabilization Program
CFDA Number: 14.256
Federal Award Number and Year: B-08-MN-18-0001
Pass-Through Entity: N/A

We noted a material weakness in regards to compliance with ARRA special tests and provisions.

The City recorded ARRA receipts and disbursements in funds with other grant receipts and disbursements and did not identify them separately within those funds.

ARRA receipts and disbursements should be recorded within the financial records of the City in a manner that would specifically identify ARRA monies received and disbursed for compliance and reporting purposes.

Failure to account for and accurately report ARRA receipts and disbursements could result in denial, forfeiture, or repayment of federal awards.

As provided in 2 CFR section 176.210, Federal agencies must require recipients to:

- (1) agree to maintain records that identify adequately the source and application of ARRA awards;
- (2) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds; and

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

- (3) provide identification of ARRA awards in their Schedule of Expenditures of Federal Awards (SEFA) and Data Collection Form (SF-SAC) and require their subrecipients to provide similar identification in their SEFA and SF-SAC.

FINDING 2010-3 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: U.S. Department of Energy
Federal Program: ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)
CFDA Number: 81.128
Federal Award Number: SC0001617
Pass-Through Entity: N/A

The City of Anderson used grant monies from the Energy Efficiency and Conservation Block Grant Program (EECBG) to install energy efficient windows in the fire department building and energy efficient street lights for the light and power utility. The assets were not recorded in the capital asset records of the City.

The City should ensure that all assets purchased, constructed, or acquired are recorded in the City's capital asset records.

Failure to comply with federal program requirements could result in denial, forfeiture, or repayment of federal awards.

21 CFR 215.34 (f) states in part:

"The recipient's property management standards for equipment acquired with Federal funds and federally-owned equipment shall include all of the following:

- (1) Equipment records shall be maintained accurately and shall include the following information.
 - (i) A description of the equipment.
 - (ii) Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number.
 - (iii) Source of the equipment, including the award number.
 - (iv) Whether title vests in the recipient or the Federal Government.
 - (v) Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost.
 - (vi) Information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government).
 - (vii) Location and condition of the equipment and the date the information was reported.

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

- (viii) Unit acquisition cost.
 - (ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the Federal awarding agency for its share.
- (2) Equipment owned by the Federal Government shall be identified to indicate Federal ownership.
- (3) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment."

FINDING 2010-4 - PROCUREMENT

Federal Agency: U.S. Department of Energy
Federal Program: ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)
CFDA Number: 81.128
Federal Award Number: SC0001617
Pass-Through Entity: N/A

The City of Anderson used grant monies from the Energy Efficiency and Conservation Block Grant Program (EECBG) to install energy efficient windows in the fire department building. The total amount of the project was \$139,418. According to fire department officials, the City obtained quotes over the phone, but did not advertise or receive bids.

The City should ensure that they comply with all state and local laws and regulations concerning public works.

Failure to comply with federal program requirements could result in denial, forfeiture, or repayment of federal awards.

Local governments and Indian tribal governments which are not subrecipients of States will use their own procurement procedures provided that they conform to applicable Federal law and regulations and standards identified in the A-102 Common Rule.

Indiana Code 36-1-12-4 Procedure for projects in certain cities and towns states:

"(a) This section applies whenever the cost of a public work project will be:

- (1) at least seventy-five thousand dollars (\$75,000) in:
 - (A) a consolidated city or second class city;
 - (B) a county containing a consolidated city or second class city; or
 - (C) a regional water or sewage district established under IC 13-26; or

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

- (2) at least fifty thousand dollars (\$50,000) in a political subdivision or an agency not described in subdivision (1). . . .
- (b) The board must comply with the following procedure:
- (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. If the project involves the resurfacing (as defined by IC 8-14-2-1) of a road, street, or bridge, the specifications must show how the weight or volume of the materials will be accurately measured and verified.
 - (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3).
 - (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed.
 - (4) The notice must specify the place where the plans and specifications are on file and the date fixed for receiving bids.
 - (5) The period of time between the date of the first publication and the date of receiving bids shall be governed by the size of the contemplated project in the discretion of the board. The period of time between the date of the first publication and receiving bids may not be more than: (A) six (6) weeks if the estimated cost of the public works project is less than twenty-five million dollars (\$25,000,000); and (B) ten (10) weeks if the estimated cost of the public works project is at least twenty-five million dollars (\$25,000,000).
 - (6) If the cost of a project is one hundred thousand dollars (\$100,000) or more, the board shall require the bidder to submit a financial statement, a statement of experience, a proposed plan or plans for performing the public work, and the equipment that the bidder has available for the performance of the public work. The statement shall be submitted on forms prescribed by the state board of accounts.
 - (7) The board may not require a bidder to submit a bid before the meeting at which bids are to be received. The meeting for receiving bids must be open to the public. All bids received shall be opened publicly and read aloud at the time and place designated and not before.
 - (8) Except as provided in subsection (c), the board shall:
 - (A) award the contract for public work or improvements to the lowest responsible and responsive bidder; or
 - (B) reject all bids submitted.
 - (9) If the board awards the contract to a bidder other than the lowest bidder, the board must state in the minutes or memoranda, at the time the award is made, the factors used to determine which bidder is the lowest responsible and responsive bidder and to justify the award. The board shall keep a copy of the minutes or memoranda available for public inspection.

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

- (10) In determining whether a bidder is responsive, the board may consider the following factors:
- (A) whether the bidder has submitted a bid or quote that conforms in all material respects to the specifications.
 - (B) Whether the bidder has submitted a bid that complies specifically with the invitation to bid and the instructions to bidders.
 - (C) Whether the bidder has complied with all applicable statutes, ordinances, resolutions, or rules pertaining to the award of a public contract.
- (11) In determining whether a bidder is a responsible bidder, the board may consider the following factors:
- (A) The ability and capacity of the bidder to perform the work.
 - (B) The integrity, character, and reputation of the bidder.
 - (C) The competence and experience of the bidder.
- (12) The board shall require the bidder to submit an affidavit:
- (A) that the bidder has not entered into a combination or agreement:
 - (i) relative to the price to be bid by a person;
 - (ii) to prevent a person from bidding; or
 - (iii) to induce a person to refrain from bidding; and
 - (B) that the bidder's bid is made without reference to any other bid."

FINDING 2010-5 - DAVIS-BACON

Federal Agency: U.S. Department of Energy
Federal Program: ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)
CFDA Number: 81.128
Federal Award Number: SC0001617
Pass-Through Entity: N/A

The City used grant monies from the Energy Efficiency and Conservation Block Grant Program (EECBG) to install energy efficient windows in the fire department building. The contractor for the project did not provide adequate payroll information regarding wages paid to laborers engaged to perform the work on this project. The deputy fire chief inquired to the contractor about wages paid and the contractor stated that he was paying prevailing wage rates; however, actual certified payrolls were not reviewed by the City.

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

The City is responsible for ensuring that contractors being paid with federal funds are paying their laborers prevailing wages. The City should request proper certifications regarding each payroll from the contractor to ensure the contractor is complying with prevailing wages.

Failure to comply with federal program requirements could result in denial, forfeiture, or repayment of federal awards.

29 CFR 3.3 (b) states:

"Each contractor or subcontractor engaged in the construction, prosecution, completion, or repair of any public building or public work, or building or work financed in whole or in part by loans or grants from the United States, shall furnish each week a statement with respect to the wages paid each of its employees engaged on work covered by this part 3 and part 5 of this title during the preceding weekly payroll period. This statement shall be executed by the contractor or subcontractor or by an authorized officer or employee of the contractor or subcontractor who supervises the payment of wages, and shall be on the back of Form WH 347."

CITY OF ANDERSON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No items were reportable.



*City of Anderson
Controller's Office*

120 E. 8th St.
P.O. Box 2100
Anderson, Indiana 46018
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www.cityofanderson.com

Date: June 9, 2011
To: State Board of Accounts

Subject: Finding No.2010-1

The following corrective actions have been taken or are in the process:

All financial transactions will be reported in the cities financial software, which will also be reported on the federal awards schedule and the annual reports.

We have started the process of establishing those accounts in our financial software program.

Finding 2010-2

Procedures have been put into place in accounting of revenue and expense for all federal funds. More detail is added to the expense and revenue accounts until a grant and project tracking software system is purchased.

Finding 2010-3

Process has been established for purchases of Capital Assets. Payments will be held until recorded as a capital asset.

Finding 2010-4

City will comply with all state and local laws and regulations concerning public works projects as per IC 36-1-12-4.

Finding 2010-5

Procedures are in place to comply with the Davis-Bacon and certifications of such requirements will be attached with invoices or payments will be withheld.

C. Karen Carpenter

C. Karen Carpenter
City Controller

CITY OF ANDERSON
EXIT CONFERENCE

The contents of this report were discussed on June 27 2011, with C. Karen Carpenter, Controller; M. Kris Ockomon, Mayor; Renisa D. Harry, Utility Finance Manager; and Donna Davis, Common Council member. The officials concurred with our audit findings.