

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF ANDERSON
MADISON COUNTY, INDIANA

January 1, 2011 to December 31, 2011



FILED
09/06/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	C. Karen Carpenter	01-01-11 to 12-31-11
	Sam J. Pellegrino	01-01-12 to 12-31-12
Mayor	Hon. M. Kris Ockomon	01-01-08 to 12-31-11
	Kevin S. Smith	01-01-12 to 12-31-15
President of the Common Council	Ollie H. Dixon	01-01-11 to 12-31-11
	Rodney Chamberlain	01-01-12 to 12-31-12
Chairman of the Board of Public Works	C. Gregory Graham	01-01-11 to 12-31-11
	Pete Heuer	01-01-12 to 12-31-12
Utility Finance Manager	Renisa D. Harry	01-01-11 to 12-31-12
Superintendent of Water Utility	Tom Brewer	01-01-11 to 12-31-12
Superintendent of Wastewater Utility	Nara Manor	01-01-11 to 12-31-12
Superintendent of Electric Utility	Bruce Boerner	01-01-11 to 12-31-11
	Thomas Donoho	01-01-12 to 12-31-12



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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, 2011. 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.

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, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated July 19, 2012, 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.

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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

July 19, 2012



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

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

We have audited the financial statement of the City of Anderson (City), for the year ended December 31, 2011, and have issued our report thereon dated July 19, 2012. 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 2011-1 to be material weaknesses.

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

Compliance and Other Matters

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

The 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, 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

July 19, 2012

FINANCIAL STATEMENT

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

CITY OF ANDERSON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 194,716	\$ 33,009,528	\$ 33,045,571	\$ 158,673
Motor Vehicle Highway	363,203	1,721,763	1,861,645	223,321
Local Road And Street	270,279	508,936	639,428	139,787
Park Non-Reverting Operating	9,075	345,103	340,742	13,436
Economic Development Food & Beverage	875,844	2,001,624	1,437,395	1,440,073
C.A.T.S.	47,487	2,680,322	2,721,481	6,328
Community Development	7,148	675,317	675,801	6,664
Clerk's Records Perpetuation	14,168	3,856	3,912	14,112
Unsafe Building	189	1,157	1,346	-
Parks And Recreation	47,381	1,066,338	1,094,891	18,828
User Fee	31,712	6,677	9,867	28,522
Rainy Day	95	-	-	95
Levy Excess	64,999	-	64,999	-
Slot Machine Wagering Fund	382,297	2,941,132	2,814,118	509,311
Police Pension	651,211	3,857,504	3,899,278	609,437
Fire Pension	443,058	4,786,207	4,862,287	366,978
Life Insurance Fund	-	12,136	11,880	256
City Court Account	350,030	1,036,466	1,086,535	299,961
Florentine Red B&I BNY Account	-	47,488	-	47,488
Police Station Sinking BNY Account	923,430	632,303	620,258	935,475
Fire Station Sinking USBank Account	186,542	222,099	408,641	-
Aviation Commission USBank Account	4,877	58,400	59,272	4,005
Airport AVFUEL Corp Account	413	421,440	401,820	20,033
Probation	212,842	222,154	295,783	139,213
Donations	115,177	765,537	835,474	45,240
Airport	34,104	724,295	574,671	183,728
Police Continuing Education	72,886	31,469	70,814	33,541
Airport Non-Reverting	4,815	72,326	70,565	6,576
Building Non-Reverting	320	25	-	345
Fire Building & Equipment	477,688	1,187,482	1,101,453	563,717
Operation Clean	1,456	13,159	14,159	456
Clean Air Non-Reverting	18,962	-	8,608	10,354
Tax Abatement	4,153	325	3,106	1,372
Administration Fees	18,373	24,310	11,014	31,669
Court Sup Pub Def Fees	6,787	9,110	11,070	4,827
Home	92,445	1,594,609	1,603,138	83,916
APD Man	111,363	199,751	139,490	171,624
APD Vin	1,427	-	-	1,427
Economic Development Revolving Loan	110,392	200,491	30,003	280,880
Redevelopment	118,403	26,730	10,345	134,788
Firefighters Exam Fee	6,930	-	3,000	3,930
EDA Flagship	266	-	-	266
Coit Bond & Interest	1,167	369,821	370,988	-
Coit Reserve	379,594	-	-	379,594
Sinking Fund	6,416	762,018	748,159	20,275
Sanitary District Sinking	107,482	1,179,922	1,285,148	2,256
Redevelopment TIF Reserve	1,590,096	650,000	400,000	1,840,096
Redev Bond & Interest Kroger	145,102	151,440	87,320	209,222
Loss Fund	466,693	1,295,671	1,719,723	42,641
Redevelopment Tif Levy	5,035,962	5,935,841	4,370,575	6,601,228
Redevelopment TIF Capital	453,671	-	-	453,671
Police Training Fund	32,554	28,317	55,631	5,240
Arc Lease/Rental	811,987	502,270	540,970	773,287
Redevelopment Bond & Interest	164,560	2,550,000	2,573,636	140,924
Insurance Escrow	1,744,933	13,514,070	13,242,069	2,016,934
Nestle TIF Capital	462,379	-	15,861	446,518
Airport Grant Fund	28,471	44,687	53,917	19,241
Court Due County	-	36,662	36,662	-
Wheel Tax Fund	319,862	1,065,308	1,179,317	205,853
Fire Fighting Training Fund	203	2,437	344	2,296

The notes to the financial statement 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, 2011
(Continued)

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
Public Safety Coit Fund	170,831	2,220,614	2,334,942	56,503
Nestle Taxable TIF Capital	465,498	1,784,316	-	2,249,814
Capital Improvements	569,421	653,782	751,827	471,376
Certified Tech Park Fund	70,316	172,030	-	242,346
Civil City Payroll	946,791	13,080,167	13,111,379	915,579
Electric Utility Operating	152,113	81,125,225	81,275,220	2,118
Electric Utility Bond And Interest	855,875	3,425,914	3,416,106	865,683
Electric Utility Customer Deposit	886,353	43,981	27,439	902,895
Electric Utility Construction	398,875	39	338,669	60,245
Electric Utility Depreciation	20,000	1,883,113	1,903,113	-
Electric Automatic Meter Reading	-	1,163,288	1,163,288	-
Electric Petty Cash	1,000	-	-	1,000
Electric Mail Permit Deposit	3,000	-	-	3,000
Electric Ups Deposit	152	-	-	152
Electric Garage Reserve	56,679	12,176	68,855	-
Electric Utility Fiber	410,605	244,665	506,632	148,638
Electric Utility Reserve CILT	1,922,379	888,526	1,529,255	1,281,650
Storm Water Utilit Operating	63,906	2,080,812	2,131,263	13,455
Stormwater Utility Depreciation	12,023	26,792	20,000	18,815
Storm Water Utility Mail Permit Deposit	3,000	-	-	3,000
Storm Construction Cash Fiscal Agent	1,281,825	2,425	16,421	1,267,829
Stormwater Bond & Interest	31,287	172,079	187,722	15,644
Storm Water Reserve CILT	500,000	250,000	250,000	500,000
Wastewater Construction 2011	-	20,970,001	229,679	20,740,322
Wastewater Utility Operating	4,107,284	24,110,020	20,404,888	7,812,416
Wastewater Utility Bond And Interest	1,357,918	4,933,560	2,921,970	3,369,508
Wastewater Utility Construction	5,153,976	153,141	4,447,788	859,329
Wastewater Depreciation	1,404,477	1,014,679	468,344	1,950,812
Wastewater Reserve CILT	1,607,816	1,007,876	1,007,816	1,607,876
Wastewater Petty Cash	1,000	-	-	1,000
Wastewater Mail Permit Deposit	3,000	-	-	3,000
Wastewater Replacement	423,566	440,082	200,000	663,648
Wastewater Automatic Meter Reading	41,721	664,649	565,095	141,275
Wastewater Utility Improvement	1,035,772	573,795	512,107	1,097,460
Wastewater Revolving Sewer Const	14,214	47,903	54,187	7,930
Wastewater 2009B Construction	2,262,208	2,893	1,349,788	915,313
Wastewater 2009 ARRA Stimulus	-	3,401,658	3,401,658	-
Wastewater SRF Retainage Fund	453,077	103,414	19,135	537,356
Wastewater 2010 Construction	-	1,504,705	1,504,705	-
Water Utility Operating	832,716	8,310,266	8,480,348	662,634
Water Utility Bond And Interest	-	399,740	399,740	-
Water Utility Customer Deposit	119,904	31,131	1,235	149,800
Water Utility Construction	1,783,555	2,605	707,320	1,078,840
Water Utility Depreciation	396,801	354,890	751,691	-
Water Utility Reserve CILT	323,331	215,565	215,554	323,342
Water Utility Petty Cash	1,000	-	-	1,000
Water Utility Mail Permit Deposit	3,000	-	-	3,000
Water Automatic Meter Reading	41,721	1,508,579	1,333,753	216,547
Water SRF Retainage Fund	151,085	65	-	151,150
Totals	<u>\$ 48,369,146</u>	<u>\$ 268,177,194</u>	<u>\$ 245,533,112</u>	<u>\$ 71,013,228</u>

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

CITY OF ANDERSON
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting

The financial statement 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 statement. The aggregate receipts may include the following sources:

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

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

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

CITY OF ANDERSON
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

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

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

E. Disbursements

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

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

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

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

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

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

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

CITY OF ANDERSON
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

CITY OF ANDERSON
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

CITY OF ANDERSON
NOTES TO FINANCIAL STATEMENT
(Continued)

B. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

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

C. 1937 Firefighters' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

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

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

Plan Description

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

CITY OF ANDERSON
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

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

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

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

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Local Road And Street	Park Non-Reverting Operating	Economic Development Food & Beverage	C.A.T.S.	Community Development
Cash and investments - beginning	\$ 194,716	\$ 363,203	\$ 270,279	\$ 9,075	\$ 875,844	\$ 47,487	\$ 7,148
Receipts:							
Taxes	14,156,840	-	-	-	1,165,628	-	-
Licenses and permits	236,073	94,145	-	-	-	-	-
Intergovernmental	11,872,300	1,622,349	508,042	16,500	-	2,007,801	647,286
Charges for services	3,192,868	4,079	-	184,404	-	178,447	-
Fines and forfeits	65,860	-	-	55,004	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	3,485,587	1,190	894	89,195	835,996	494,074	28,031
Total receipts	33,009,528	1,721,763	508,936	345,103	2,001,624	2,680,322	675,317
Disbursements:							
Personal services	20,971,098	1,426,330	-	149,481	63,213	1,824,512	211,881
Supplies	516,694	214,465	409,823	49,201	91	269,955	2,580
Other services and charges	5,423,067	206,580	54,998	66,122	191,019	164,024	460,903
Debt service - principal and interest	271,754	-	-	-	-	-	-
Capital outlay	102,738	14,270	174,607	14,333	-	127,170	437
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	5,760,220	-	-	61,605	1,183,072	335,820	-
Total disbursements	33,045,571	1,861,645	639,428	340,742	1,437,395	2,721,481	675,801
Excess (deficiency) of receipts over disbursements	(36,043)	(139,882)	(130,492)	4,361	564,229	(41,159)	(484)
Cash and investments - ending	\$ 158,673	\$ 223,321	\$ 139,787	\$ 13,436	\$ 1,440,073	\$ 6,328	\$ 6,664

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Clerk's Records Perpetuation	Unsafe Building	Parks And Recreation	User Fee	Rainy Day	Levy Excess	Slot Machine Wagering Fund
Cash and investments - beginning	\$ 14,168	\$ 189	\$ 47,381	\$ 31,712	\$ 95	\$ 64,999	\$ 382,297
Receipts:							
Taxes	-	-	659,983	-	-	-	-
Licenses and permits	-	-	695	-	-	-	-
Intergovernmental	-	-	70,136	-	-	-	2,941,132
Charges for services	-	-	33,820	6,677	-	-	-
Fines and forfeits	3,856	917	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	240	301,704	-	-	-	-
Total receipts	<u>3,856</u>	<u>1,157</u>	<u>1,066,338</u>	<u>6,677</u>	<u>-</u>	<u>-</u>	<u>2,941,132</u>
Disbursements:							
Personal services	-	-	466,513	-	-	-	1,670,041
Supplies	1,285	-	37,117	-	-	-	63,257
Other services and charges	1,960	1,346	272,667	9,867	-	-	1,018,247
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	667	-	18,594	-	-	-	62,405
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	300,000	-	-	64,999	168
Total disbursements	<u>3,912</u>	<u>1,346</u>	<u>1,094,891</u>	<u>9,867</u>	<u>-</u>	<u>64,999</u>	<u>2,814,118</u>
Excess (deficiency) of receipts over disbursements	<u>(56)</u>	<u>(189)</u>	<u>(28,553)</u>	<u>(3,190)</u>	<u>-</u>	<u>(64,999)</u>	<u>127,014</u>
Cash and investments - ending	<u>\$ 14,112</u>	<u>\$ -</u>	<u>\$ 18,828</u>	<u>\$ 28,522</u>	<u>\$ 95</u>	<u>\$ -</u>	<u>\$ 509,311</u>

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Police Pension	Fire Pension	Life Insurance Fund	City Court Account	Florentine Red B&I BNY Account	Police Station Sinking BNY Account
Cash and investments - beginning	\$ 651,211	\$ 443,058	\$ -	\$ 350,030	\$ -	\$ 923,430
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	1,036,466	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	3,857,504	4,786,207	12,136	-	47,488	632,303
Total receipts	3,857,504	4,786,207	12,136	1,036,466	47,488	632,303
Disbursements:						
Personal services	3,096,622	3,657,934	-	-	-	-
Supplies	-	90	-	-	-	-
Other services and charges	2,250	4,263	11,880	1,086,535	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	800,406	1,200,000	-	-	-	620,258
Total disbursements	3,899,278	4,862,287	11,880	1,086,535	-	620,258
Excess (deficiency) of receipts over disbursements	(41,774)	(76,080)	256	(50,069)	47,488	12,045
Cash and investments - ending	\$ 609,437	\$ 366,978	\$ 256	\$ 299,961	\$ 47,488	\$ 935,475

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Fire Station Sinking USBank Account	Aviation Commission USBank Account	Airport AVFUEL Corp Account	Probation	Donations	Airport
Cash and investments - beginning	\$ 186,542	\$ 4,877	\$ 413	\$ 212,842	\$ 115,177	\$ 34,104
Receipts:						
Taxes	-	-	-	-	-	411,582
Licenses and permits	-	-	-	-	10,835	-
Intergovernmental	-	-	-	-	691,769	45,871
Charges for services	-	-	-	-	1,650	185,519
Fines and forfeits	-	-	-	221,999	8,260	20
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	222,099	58,400	421,440	155	53,023	81,303
Total receipts	222,099	58,400	421,440	222,154	765,537	724,295
Disbursements:						
Personal services	-	-	-	253,144	60,131	121,791
Supplies	-	-	-	2,314	-	11,156
Other services and charges	-	-	-	36,611	775,343	321,659
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	3,714	-	120,065
Utility operating expenses	-	-	-	-	-	-
Other disbursements	408,641	59,272	401,820	-	-	-
Total disbursements	408,641	59,272	401,820	295,783	835,474	574,671
Excess (deficiency) of receipts over disbursements	(186,542)	(872)	19,620	(73,629)	(69,937)	149,624
Cash and investments - ending	\$ -	\$ 4,005	\$ 20,033	\$ 139,213	\$ 45,240	\$ 183,728

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Police Continuing Education	Airport Non-Reverting	Building Non-Reverting	Fire Building & Equipment	Operation Clean	Clean Air Non-Reverting
Cash and investments - beginning	\$ 72,886	\$ 4,815	\$ 320	\$ 477,688	\$ 1,456	\$ 18,962
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	14,860	-	-	-	-	-
Intergovernmental	885	-	-	-	-	-
Charges for services	15,724	22,796	-	1,187,030	-	-
Fines and forfeits	-	-	25	-	13,159	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	49,530	-	452	-	-
Total receipts	<u>31,469</u>	<u>72,326</u>	<u>25</u>	<u>1,187,482</u>	<u>13,159</u>	<u>-</u>
Disbursements:						
Personal services	-	23,561	-	-	-	-
Supplies	10,814	27,501	-	204,223	-	-
Other services and charges	35,000	3,950	-	13,745	14,159	8,608
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	25,000	15,553	-	224,731	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	658,754	-	-
Total disbursements	<u>70,814</u>	<u>70,565</u>	<u>-</u>	<u>1,101,453</u>	<u>14,159</u>	<u>8,608</u>
Excess (deficiency) of receipts over disbursements	<u>(39,345)</u>	<u>1,761</u>	<u>25</u>	<u>86,029</u>	<u>(1,000)</u>	<u>(8,608)</u>
Cash and investments - ending	<u>\$ 33,541</u>	<u>\$ 6,576</u>	<u>\$ 345</u>	<u>\$ 563,717</u>	<u>\$ 456</u>	<u>\$ 10,354</u>

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Tax Abatement	Administration Fees	Court Sup Pub Def Fees	Home	APD Man	APD Vin
Cash and investments - beginning	\$ 4,153	\$ 18,373	\$ 6,787	\$ 92,445	\$ 111,363	\$ 1,427
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	720	-	1,576,604	115,776	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	325	23,590	9,110	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	-	18,005	83,975	-
Total receipts	<u>325</u>	<u>24,310</u>	<u>9,110</u>	<u>1,594,609</u>	<u>199,751</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	234,231	18,455	-
Supplies	-	-	-	39,626	-	-
Other services and charges	3,106	11,014	11,070	989,550	121,035	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	339,731	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>3,106</u>	<u>11,014</u>	<u>11,070</u>	<u>1,603,138</u>	<u>139,490</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(2,781)</u>	<u>13,296</u>	<u>(1,960)</u>	<u>(8,529)</u>	<u>60,261</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1,372</u>	<u>\$ 31,669</u>	<u>\$ 4,827</u>	<u>\$ 83,916</u>	<u>\$ 171,624</u>	<u>\$ 1,427</u>

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Economic Development Revolving Loan	Redevelopment	Firefighters Exam Fee	EDA Flagship	Coit Bond & Interest	Coit Reserve
Cash and investments - beginning	\$ 110,392	\$ 118,403	\$ 6,930	\$ 266	\$ 1,167	\$ 379,594
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	369,821	-
Charges for services	-	25,100	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	200,491	1,630	-	-	-	-
Total receipts	<u>200,491</u>	<u>26,730</u>	<u>-</u>	<u>-</u>	<u>369,821</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	30,003	10,345	3,000	-	400	-
Debt service - principal and interest	-	-	-	-	370,588	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>30,003</u>	<u>10,345</u>	<u>3,000</u>	<u>-</u>	<u>370,988</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>170,488</u>	<u>16,385</u>	<u>(3,000)</u>	<u>-</u>	<u>(1,167)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 280,880</u>	<u>\$ 134,788</u>	<u>\$ 3,930</u>	<u>\$ 266</u>	<u>\$ -</u>	<u>\$ 379,594</u>

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Sinking Fund	Sanitary District Sinking	Redevelopment TIF Reserve	Redev Bond & Interest Kroger	Loss Fund	Redevelopment Tif Levy
Cash and investments - beginning	\$ 6,416	\$ 107,482	\$ 1,590,096	\$ 145,102	\$ 466,693	\$ 5,035,962
Receipts:						
Taxes	546,969	660,084	-	151,440	-	3,687,447
Licenses and permits	-	-	-	-	-	-
Intergovernmental	65,049	79,838	-	-	-	28,145
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	150,000	440,000	650,000	-	1,295,671	2,220,249
Total receipts	<u>762,018</u>	<u>1,179,922</u>	<u>650,000</u>	<u>151,440</u>	<u>1,295,671</u>	<u>5,935,841</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	4,875	1,050	-	-	-	-
Debt service - principal and interest	693,284	894,098	-	87,320	-	-
Capital outlay	-	-	-	-	-	2,370,575
Utility operating expenses	-	-	-	-	-	-
Other disbursements	50,000	390,000	400,000	-	1,719,723	2,000,000
Total disbursements	<u>748,159</u>	<u>1,285,148</u>	<u>400,000</u>	<u>87,320</u>	<u>1,719,723</u>	<u>4,370,575</u>
Excess (deficiency) of receipts over disbursements	<u>13,859</u>	<u>(105,226)</u>	<u>250,000</u>	<u>64,120</u>	<u>(424,052)</u>	<u>1,565,266</u>
Cash and investments - ending	<u>\$ 20,275</u>	<u>\$ 2,256</u>	<u>\$ 1,840,096</u>	<u>\$ 209,222</u>	<u>\$ 42,641</u>	<u>\$ 6,601,228</u>

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Redevelopment TIF Capital	Police Training Fund	Arc Lease/Rental	Redevelopment Bond & Interest	Insurance Escrow	Nestle TIF Capital
Cash and investments - beginning	\$ 453,671	\$ 32,554	\$ 811,987	\$ 164,560	\$ 1,744,933	\$ 462,379
Receipts:						
Taxes	-	-	-	2,550,000	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	6,544	-	-	-	-
Charges for services	-	21,660	2,270	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	113	500,000	-	13,514,070	-
Total receipts	-	28,317	502,270	2,550,000	13,514,070	-
Disbursements:						
Personal services	-	-	-	-	46,812	-
Supplies	-	-	-	-	-	-
Other services and charges	-	55,631	40,970	4,290	13,189,062	15,861
Debt service - principal and interest	-	-	-	2,521,868	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	500,000	47,478	6,195	-
Total disbursements	-	55,631	540,970	2,573,636	13,242,069	15,861
Excess (deficiency) of receipts over disbursements	-	(27,314)	(38,700)	(23,636)	272,001	(15,861)
Cash and investments - ending	\$ 453,671	\$ 5,240	\$ 773,287	\$ 140,924	\$ 2,016,934	\$ 446,518

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Airport Grant Fund	Court Due County	Wheel Tax Fund	Fire Fighting Training Fund	Public Safety Coit Fund	Nestle Taxable TIF Capital
Cash and investments - beginning	\$ 28,471	\$ -	\$ 319,862	\$ 203	\$ 170,831	\$ 465,498
Receipts:						
Taxes	-	-	1,065,308	-	2,220,293	1,784,316
Licenses and permits	-	-	-	-	-	-
Intergovernmental	44,687	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	36,662	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	-	2,437	321	-
Total receipts	44,687	36,662	1,065,308	2,437	2,220,614	1,784,316
Disbursements:						
Personal services	-	-	-	-	2,304,068	-
Supplies	-	-	379,317	-	3,545	-
Other services and charges	-	36,662	-	157	27,329	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	53,917	-	800,000	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	187	-	-
Total disbursements	53,917	36,662	1,179,317	344	2,334,942	-
Excess (deficiency) of receipts over disbursements	(9,230)	-	(114,009)	2,093	(114,328)	1,784,316
Cash and investments - ending	\$ 19,241	\$ -	\$ 205,853	\$ 2,296	\$ 56,503	\$ 2,249,814

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Capital Improvements	Certified Tech Park Fund	Civil City Payroll	Electric Utility Operating	Electric Utility Bond And Interest	Electric Utility Customer Deposit
Cash and investments - beginning	\$ 569,421	\$ 70,316	\$ 946,791	\$ 152,113	\$ 855,875	\$ 886,353
Receipts:						
Taxes	12,753	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	490,879	-	-	-	-	-
Charges for services	-	172,030	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	72,497,451	-	-
Penalties	-	-	-	286,575	-	-
Other receipts	150,150	-	13,080,167	8,341,199	3,425,914	43,981
Total receipts	<u>653,782</u>	<u>172,030</u>	<u>13,080,167</u>	<u>81,125,225</u>	<u>3,425,914</u>	<u>43,981</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	182,122	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	3,416,106	-
Capital outlay	140,577	-	-	1,165,065	-	-
Utility operating expenses	-	-	-	67,745,320	-	-
Other disbursements	429,128	-	13,111,379	12,364,835	-	27,439
Total disbursements	<u>751,827</u>	<u>-</u>	<u>13,111,379</u>	<u>81,275,220</u>	<u>3,416,106</u>	<u>27,439</u>
Excess (deficiency) of receipts over disbursements	<u>(98,045)</u>	<u>172,030</u>	<u>(31,212)</u>	<u>(149,995)</u>	<u>9,808</u>	<u>16,542</u>
Cash and investments - ending	<u>\$ 471,376</u>	<u>\$ 242,346</u>	<u>\$ 915,579</u>	<u>\$ 2,118</u>	<u>\$ 865,683</u>	<u>\$ 902,895</u>

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Electric Utility Construction	Electric Utility Depreciation	Electric Automatic Meter Reading	Electric Petty Cash	Electric Mail Permit Deposit	Electric Ups Deposit
Cash and investments - beginning	\$ 398,875	\$ 20,000	\$ -	\$ 1,000	\$ 3,000	\$ 152
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	39	1,883,113	1,163,288	-	-	-
Total receipts	<u>39</u>	<u>1,883,113</u>	<u>1,163,288</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	1,163,288	-	-	-
Capital outlay	-	359,587	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	338,669	1,543,526	-	-	-	-
Total disbursements	<u>338,669</u>	<u>1,903,113</u>	<u>1,163,288</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(338,630)</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 60,245</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 3,000</u>	<u>\$ 152</u>

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Electric Garage Reserve	Electric Utility Fiber	Electric Utility Reserve CILT	Storm Water Utilit Operating	Stormwater Utility Depreciation	Storm Water Utility Mail Permit Deposit
Cash and investments - beginning	\$ 56,679	\$ 410,605	\$ 1,922,379	\$ 63,906	\$ 12,023	\$ 3,000
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	244,665	-	2,049,617	-	-
Penalties	-	-	-	4,290	-	-
Other receipts	12,176	-	888,526	26,905	26,792	-
Total receipts	12,176	244,665	888,526	2,080,812	26,792	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	429,277	-	-
Capital outlay	-	337,842	-	-	-	-
Utility operating expenses	14,855	-	-	1,253,163	-	-
Other disbursements	54,000	168,790	1,529,255	448,823	20,000	-
Total disbursements	68,855	506,632	1,529,255	2,131,263	20,000	-
Excess (deficiency) of receipts over disbursements	(56,679)	(261,967)	(640,729)	(50,451)	6,792	-
Cash and investments - ending	\$ -	\$ 148,638	\$ 1,281,650	\$ 13,455	\$ 18,815	\$ 3,000

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Storm Construction Cash Fiscal Agent	Stormwater Bond & Interest	Storm Water Reserve CILT	Wastewater Construction 2011	Wastewater Utility Operating	Wastewater Utility Bond And Interest
Cash and investments - beginning	\$ 1,281,825	\$ 31,287	\$ 500,000	\$ -	\$ 4,107,284	\$ 1,357,918
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	20,022,001	-
Penalties	-	-	-	-	233,562	-
Other receipts	2,425	172,079	250,000	20,970,001	3,854,457	4,933,560
Total receipts	<u>2,425</u>	<u>172,079</u>	<u>250,000</u>	<u>20,970,001</u>	<u>24,110,020</u>	<u>4,933,560</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	187,722	-	-	-	2,921,970
Capital outlay	16,421	-	-	229,679	132,684	-
Utility operating expenses	-	-	-	-	10,621,846	-
Other disbursements	-	-	250,000	-	9,650,358	-
Total disbursements	<u>16,421</u>	<u>187,722</u>	<u>250,000</u>	<u>229,679</u>	<u>20,404,888</u>	<u>2,921,970</u>
Excess (deficiency) of receipts over disbursements	<u>(13,996)</u>	<u>(15,643)</u>	<u>-</u>	<u>20,740,322</u>	<u>3,705,132</u>	<u>2,011,590</u>
Cash and investments - ending	<u>\$ 1,267,829</u>	<u>\$ 15,644</u>	<u>\$ 500,000</u>	<u>\$ 20,740,322</u>	<u>\$ 7,812,416</u>	<u>\$ 3,369,508</u>

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Wastewater Utility Construction	Wastewater Depreciation	Wastewater Reserve CILT	Wastewater Petty Cash	Wastewater Mail Permit Deposit	Wastewater Replacement
Cash and investments - beginning	\$ 5,153,976	\$ 1,404,477	\$ 1,607,816	\$ 1,000	\$ 3,000	\$ 423,566
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	153,141	1,014,679	1,007,876	-	-	440,082
Total receipts	153,141	1,014,679	1,007,876	-	-	440,082
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	4,447,788	468,344	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	1,007,816	-	-	200,000
Total disbursements	4,447,788	468,344	1,007,816	-	-	200,000
Excess (deficiency) of receipts over disbursements	(4,294,647)	546,335	60	-	-	240,082
Cash and investments - ending	\$ 859,329	\$ 1,950,812	\$ 1,607,876	\$ 1,000	\$ 3,000	\$ 663,648

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Wastewater Automatic Meter Reading	Wastewater Utility Improvement	Wastewater Revolving Sewer Const	Wastewater 2009B Construction	Wastewater 2009 ARRA Stimulus	Wastewater SRF Retainage Fund
Cash and investments - beginning	\$ 41,721	\$ 1,035,772	\$ 14,214	\$ 2,262,208	\$ -	\$ 453,077
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	47,903	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	664,649	573,795	-	2,893	3,401,658	103,414
Total receipts	<u>664,649</u>	<u>573,795</u>	<u>47,903</u>	<u>2,893</u>	<u>3,401,658</u>	<u>103,414</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	512,107	-	1,349,788	3,401,658	-
Utility operating expenses	565,095	-	54,187	-	-	19,135
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>565,095</u>	<u>512,107</u>	<u>54,187</u>	<u>1,349,788</u>	<u>3,401,658</u>	<u>19,135</u>
Excess (deficiency) of receipts over disbursements	<u>99,554</u>	<u>61,688</u>	<u>(6,284)</u>	<u>(1,346,895)</u>	<u>-</u>	<u>84,279</u>
Cash and investments - ending	<u>\$ 141,275</u>	<u>\$ 1,097,460</u>	<u>\$ 7,930</u>	<u>\$ 915,313</u>	<u>\$ -</u>	<u>\$ 537,356</u>

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Wastewater 2010 Construction	Water Utility Operating	Water Utility Bond And Interest	Water Utility Customer Deposit	Water Utility Construction	Water Utility Depreciation
Cash and investments - beginning	\$ -	\$ 832,716	\$ -	\$ 119,904	\$ 1,783,555	\$ 396,801
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	7,372,351	-	-	-	-
Penalties	-	48,543	-	-	-	-
Other receipts	1,504,705	889,372	399,740	31,131	2,605	354,890
Total receipts	<u>1,504,705</u>	<u>8,310,266</u>	<u>399,740</u>	<u>31,131</u>	<u>2,605</u>	<u>354,890</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	399,740	-	-	-
Capital outlay	1,504,705	54,785	-	-	707,320	201,708
Utility operating expenses	-	6,884,591	-	-	-	-
Other disbursements	-	1,540,972	-	1,235	-	549,983
Total disbursements	<u>1,504,705</u>	<u>8,480,348</u>	<u>399,740</u>	<u>1,235</u>	<u>707,320</u>	<u>751,691</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(170,082)</u>	<u>-</u>	<u>29,896</u>	<u>(704,715)</u>	<u>(396,801)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 662,634</u>	<u>\$ -</u>	<u>\$ 149,800</u>	<u>\$ 1,078,840</u>	<u>\$ -</u>

CITY OF ANDERSON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Water Utility Reserve CILT	Water Utility Petty Cash	Water Utility Mail Permit Deposit	Water Automatic Meter Reading	Water SRF Retainage Fund	Totals
Cash and investments - beginning	\$ 323,331	\$ 1,000	\$ 3,000	\$ 41,721	\$ 151,085	\$ 48,369,146
Receipts:						
Taxes	-	-	-	-	-	29,072,643
Licenses and permits	-	-	-	-	-	356,608
Intergovernmental	-	-	-	-	-	23,202,134
Charges for services	-	-	-	-	-	5,234,074
Fines and forfeits	-	-	-	-	-	1,475,253
Utility fees	-	-	-	565,095	-	102,799,083
Penalties	-	-	-	-	-	572,970
Other receipts	215,565	-	-	943,484	65	105,464,429
Total receipts	215,565	-	-	1,508,579	65	268,177,194
Disbursements:						
Personal services	-	-	-	-	-	36,599,818
Supplies	-	-	-	-	-	2,243,054
Other services and charges	-	-	-	-	-	24,922,335
Debt service - principal and interest	-	-	-	1,255,767	-	14,612,782
Capital outlay	-	-	-	-	-	19,498,565
Utility operating expenses	-	-	-	-	-	87,158,192
Other disbursements	215,554	-	-	77,986	-	60,498,366
Total disbursements	215,554	-	-	1,333,753	-	245,533,112
Excess (deficiency) of receipts over disbursements	11	-	-	174,826	65	22,644,082
Cash and investments - ending	\$ 323,342	\$ 1,000	\$ 3,000	\$ 216,547	\$ 151,150	\$ 71,013,228

CITY OF ANDERSON
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2011

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ 2,298,846	\$ 6,612,477
Electric	10,102,072	6,610,622
Storm Water	27,276	213,292
Wastewater	1,332,505	4,197,632
Water	<u>526,036</u>	<u>978,357</u>
Totals	<u>\$ 14,286,735</u>	<u>\$ 18,612,380</u>

CITY OF ANDERSON
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
CITY OF ANDERSON/AIRPORT	2001 ISUZU JET REFUELER TRUCK	\$ 10,789	04-28-09	12-01-14
CITY OF ANDERSON/AIRPORT	AIRPORT HANGER	53,495	12-15-00	06-15-21
CITY OF ANDERSON/COMMUNITY DEVELOPMENT	PURCHASE 2009 FORD ESCAPE XLT	3,275	07-02-09	02-29-12
CITY OF ANDERSON/ENGINEERING	PURCHASE BUCKET TRUCK FOR TRAFFIC SIGNAL WORK	12,500	06-23-09	02-01-14
CITY OF ANDERSON/FIRE DEPARTMENT	NEW TRAINING CENTER	162,240	01-14-08	08-15-14
CITY OF ANDERSON/PARK	51 GOLF CARTS/EZ BEVERAGE CART	29,875	04-11-08	02-15-13
CITY OF ANDERSON/PARK	PLAYGROUND EQUIPMENT	27,044	02-24-05	12-01-14
CITY OF ANDERSON/POLICE DEPT	10 POLICE CARS	54,261	04-17-09	08-15-10
CITY OF ANDERSON/POLICE DEPT	5 POLICE CARS	40,053	10-29-11	10-27-14
CITY OF ANDERSON/POLICE DEPT	2010 DODGE CHARGER	5,490	10-21-10	06-01-12
CITY OF ANDERSON/POLICE DEPT	PURCHASE 2008 FORD EXPLORER	4,576	04-11-08	05-15-12
CITY OF ANDERSON/AIRPORT	1995 JET REFUELER TRUCK	<u>9,528</u>	02-14-11	12-31-12
Total governmental activities		<u>413,126</u>		
Electric:				
CHASE	AUTO METER READING	853,069	03-29-08	03-29-18
NATIONAL CITY BANK	ROAM AUTOMATED STREET LIGHTS	<u>122,701</u>	01-07-10	01-01-14
Total Electric		<u>975,770</u>		
Water:				
CHASE	AUTO METER READING	<u>1,565,990</u>	02-25-08	02-25-23
Total of annual lease payments		<u>\$ 2,954,886</u>		

Type	Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	UPGRADE COMMUNICATION CENTER	\$ 355,000	\$ 370,798
General obligation bonds	PROPERTY ACQUISITION (PENDLETON)	4,485,000	527,868
General obligation bonds	2004 SANITARY DISTRICT BONDS(STORM & SURFACE WTR)	7,380,000	740,830
General obligation bonds	AIRPORT TERMINAL BUILDING & HANGER	55,000	59,400
General obligation bonds	1998 IMPROVEMENTS/SHADYSIDE PARK	305,000	318,725
General obligation bonds	2003 IMPROVEMENTS/URBAN PARK 12TH & MERIDIAN ST	1,150,000	179,820
Revenue bonds	2002 BUILD NEW POLICE STATION	5,725,000	610,146
Revenue bonds	2006A TAXABLE ECONOMIC DEV REVENUE BONDS(NESTLE)	7,999,372	-
Revenue bonds	ACQUISITION & BUILD (2003 KROGER)	906,000	88,310
Revenue bonds	IMPROVEMENTS (ENTERPRISE)	1,945,000	250,363
Revenue bonds	PROPERTY ACQUISITION (FLORENTINE DISTRICT)	660,000	254,650
Revenue bonds	IMPROVEMENTS (NESTLE 2009)	9,915,000	1,002,825
Notes and loans payable	Series 2011 BANs	-	-
Total governmental activities		<u>40,880,372</u>	<u>4,032,937</u>
Electric:			
Revenue bonds	2003 UPGRADE ELECTRIC UTILITY	7,660,000	797,375
Revenue bonds	2008B ELECTRIC INFRASTRUCTURE IMP. FLAGSHIP	<u>1,010,000</u>	<u>1,066,055</u>
Total Electric		<u>8,670,000</u>	<u>1,863,430</u>
Storm Water:			
Notes and loans payable	WHITE RIVER LEVEE PROJECT	<u>1,243,239</u>	<u>187,722</u>
Wastewater:			
Revenue bonds	SERIES 1998 INFRASTRUCTURE IMPROVEMENTS	1,230,000	206,200
Revenue bonds	SERIES 2002 ACQUISITION/BUILD	7,775,000	907,139
Revenue bonds	SERIES 2007 INFRASTRUCTURE IMPROVEMENTS	13,900,000	995,856
Revenue bonds	SERIES 2009A(SRF) LTCP PHASE 1	5,295,000	362,314
Revenue bonds	SERIES 2009B(SRF) CSO LTCP PHASE 1	4,565,000	402,104
Revenue bonds	SERIES 2010(SRF) TELVISING & SLUDGE INFRASTRUCTURE	2,355,000	152,100
Revenue bonds	SERIES 2011(SRF) LTCP PHASE II	<u>20,970,000</u>	<u>1,511,446</u>
Total Wastewater		<u>56,090,000</u>	<u>4,537,159</u>
Water:			
Revenue bonds	INFRASTRUCTURE IMPROVEMENTS/2007 WATERWORKS	<u>4,360,000</u>	<u>396,028</u>
Totals		<u>\$ 111,243,611</u>	<u>\$ 11,388,074</u>

CITY OF ANDERSON
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

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

	Ending Balance
Governmental activities:	
Land	\$ 7,408,879
Infrastructure	69,066,922
Buildings	27,849,637
Improvements other than buildings	1,778,615
Machinery, equipment and vehicles	21,772,204
Construction in progress	2,071,669
Total governmental activities	129,947,926
Electric:	
Land	131,859
Buildings	2,864,370
Improvements other than buildings	63,107,065
Machinery, equipment and vehicles	31,685,959
Construction in progress	1,170,991
Total Electric	98,960,244
Storm Water:	
Improvements other than buildings	21,093,900
Machinery, equipment and vehicles	91,176
Construction in progress	239,883
Total Storm Water	21,424,959
Wastewater:	
Land	656,265
Buildings	37,788,836
Improvements other than buildings	32,997,983
Machinery, equipment and vehicles	23,220,928
Construction in progress	21,290,255
Total Wastewater	115,954,267
Water:	
Land	500,390
Buildings	4,055,166
Improvements other than buildings	27,458,045
Machinery, equipment and vehicles	15,732,222
Construction in progress	46,238
Total Water	47,792,061
Total capital assets	\$ 414,079,457

CITY OF ANDERSON
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING OF FEDERAL AWARDS

Proper internal controls were not in place over the accounting of federal grant receipts and disbursements and other federal information used for reporting on the Schedule of Expenditures of Federal Awards (SEFA). The following deficiencies were noted:

1. The City did not establish proper control procedures to identify and record federal grant receipts and disbursements in the financial records. Grants were not recorded in separate funds which would allow for the transactions to be specifically identified to those individual grants. Grants were receipted into various funds with other sources of receipts and other grants. Grant receipts were usually, but not always, recorded into separate receipt 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. Disbursements were not classified into separate subcategories that would correspond to a specific grant. Therefore, the comingling of grant receipts into funds with other sources made it difficult to determine the disbursements that were related to specific grants. The City relied on electronic spreadsheets maintained by the grants manager and other department personnel for each grant to determine the amount of federal disbursements reported on the SEFA. The spreadsheets were 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.
2. The City did not have controls in place to verify that information reported on the SEFA agreed with the financial records to ensure the SEFA was accurate and complete. Information reported on the SEFA was based on various sources. Some information reported on the SEFA was based on excel spreadsheets maintained for each grant and other information was based on receipt or disbursement activity in the financial records for specific funds that contained grant monies. However, no procedures were in place to compare external grant information with the activity in the financial records to ensure that only federal grant activity was reported on the SEFA. As a result, several amounts reported on the SEFA included activity that was not from federal sources and some federal grant activity was not included on the SEFA.
3. The City did not have controls in place to identify federal awards and specific information related to those awards. Procedures were not established for maintaining grant documents and files. Some documentation was maintained by the grants manager and other documentation was maintained by department personnel. As a result, some original documentation, such as grant applications, award letters, grant agreements, etc., was not readily available for audit. In several instances, state and federal agencies were contacted by the City to obtain additional information, such as CFDA#, grant name, award number, stimulus (ARRA) funding, and period of availability.

We believe the deficiencies in controls over the accounting of federal receipts and disbursements and other federal information noted above constitute material weaknesses. As a result of the weaknesses noted above, the original SEFA presented for audit was materially incorrect and required adjustments. The adjustments decreased total federal expenditures in the amount of \$1,317,694. In addition to the adjustments in expenditure amounts, some grant names, CFDA numbers, award numbers, stimulus (ARRA) funding, and pass-through information also required adjustments. The City requested and approved the adjustments to the SEFA. A similar comment appeared in prior Report B38902.

CITY OF ANDERSON
AUDIT RESULTS AND COMMENTS
(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 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)

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)

SUPPLEMENTAL REPORTING - CAPITAL ASSETS

The City did not have adequate controls in place to ensure that information reported on the Supplemental Schedule of Capital Assets, which is part of the Annual Report, was accurate. We reviewed the schedule for accuracy by comparing information reported on the schedule to the capital asset records of the City. In performing those procedures, it was noted that the original Capital Assets Schedule submitted with the Annual Report contained numerous errors. Capital assets reported on the schedule were understated for the City by \$6,563,498; overstated for the water utility by \$20,287,778; and understated for the wastewater utility by \$29,350. Amounts reported in the schedule were obtained from electronic files and asset information from the financial accounting software. The information was entered by a designated person, but was not reviewed or verified before submission. Some of the errors included data entry errors, calculation errors, and use of wrong ending balances. After discussion with City officials, adjustments to the schedule were requested and the adjusted Capital Asset Schedule was reviewed and approved by City officials. The City should have controls in place to review and verify information for accuracy prior to submitting final reports to ensure that accurate reports are filed.

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)

Indiana Code 5-11-1-4 states in part:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

EXPENDITURES OF UTILITY FUNDS FOR CITY USES

The Electric, Water, and Wastewater/Stormwater Utilities (Utilities) used operating funds to pay for expenses related to the City. Several instances were noted where the Utilities were paying for salaries and other expenses that were primarily, if not entirely, related to the City. The City has increasingly allocated more expenses to the Utilities based on the City's necessity for additional funding. Salaries and expenses

CITY OF ANDERSON
AUDIT RESULTS AND COMMENTS
(Continued)

were allocated to the Utilities without reasonable justifications or proration. The City allocated percentages or amounts to the Utilities as a whole and then allocated specific percentages or amounts to each utility individually. During 2011, disbursements were budgeted for the following purposes and paid from the Utilities' operating funds. These expenses were not directly related to operations of the Utilities and there were no reasonable justifications for the allocations.

- Maintenance Department - All maintenance salaries and expenses for the City building were paid for by the Utilities. Some Utility offices are located in the City building in which the Utilities pay rent, but do not occupy a substantial portion of the building.
- City Operations - The Utilities pay for 50 percent of all utility service bills, 50 percent of copy center expenses, 100 percent of elevator expenses, some City promotional expenses and some office supplies.
- City Clerk's Office - One employee was paid 49 percent from Utilities and performs no function related to the Utilities.
- Personnel and Insurance Department - One employee was paid 40 percent, four employees were paid 60 percent, and one part-time employee was paid 100 percent from Utilities. Additionally, 100 percent of all other expenses for this department were paid from the Utilities.
- Engineering Department - One employee was paid 50 percent, five employees were paid 66 percent, and one employee was paid 100 percent from the Wastewater/Stormwater Utility. No costs were prorated to the Electric or Water Utilities.
- Municipal Development - Four employees were paid 25 percent, one plumbing inspector was paid 40 percent, and one electrical inspector was paid 50 percent from the Utilities.
- Economic Development - Two employees were paid 50 percent from the Utilities.
- Loss Fund - The Utilities contribute 55 percent of the annual amount transferred to that fund. The fund is used for City and Utility insurance claims and settlements.
- City Council - City council member's salaries were paid 64 percent from the Utilities.
- Board of Works - Salaries ranging from 49 percent-55 percent were paid from Utilities.
- Legal - Salaries were paid 55 percent from Utilities.
- Mayor's office - Mayor was paid 60 percent and three other employees were paid salaries ranging from 49 percent-51 percent from Utilities.
- Controller's office - Controller was paid 60 percent, one employee was paid 49 percent, and three employees were paid 25 percent from Utilities.

Percentages or amounts allocated to the Utilities were not based on a proration of number of employees, area used, or time spent on Utilities versus the City.

Because of the extent of use of the Utilities' funds by the City and no reasonable basis to determine the amounts that should have been paid, the exact amount of disbursements that were not directly related or properly allocated to the Utilities could not be determined.

CITY OF ANDERSON
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 8-1.5-3-8 governing water and electric utilities states:

"(b) The rates and charges made by a municipality for a service rendered or to be rendered, either directly or in connection therewith, must be nondiscriminatory, reasonable, and just.

(c) 'Reasonable and just rates and charges for services' means rates and charges that produce sufficient revenue to:

- (1) pay all the legal and other necessary expenses incident to the operation of the utility . . ."

IC 36-9-23-25 governing wastewater utilities states:

"(b) Just and equitable fees are the fees required to maintain the sewage works in sound physical and financial condition necessary to render adequate and efficient service. The fees must be sufficient to:

- (1) pay all expenses incident to the operation of the works . . ."

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. Furthermore, utility funds should not be used to pay for personal items. The cost of shared employees and equipment between a city or town and its utilities or between utilities should be prorated in a rational manner.

Establishment of a Cash Reserve Fund permits transfer of surplus utility funds to the city or town general fund. After appropriation, such transferred funds may then be used for any legal general fund purpose. (State Board of Accounts Uniform Compliance Guideline for Cities and Towns, Chapter 7)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties were not recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property. The wastewater utility only filed one lien during 2011. A similar comment appeared in prior Report B38902.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) a description of the premises, as shown by the records of the county auditor; and
 - (C) the amount of the delinquent fees, together with the penalty;

or

CITY OF ANDERSON
AUDIT RESULTS AND COMMENTS
(Continued)

- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent.
- (c) The officer shall record a copy of each list or each individual instrument with the county recorder. . . .
- (e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May . . ."

PUBLIC WORKS PROJECT

The City paid \$108,740 for the installation of new windows in the City building prior to July 1, 2011. Request for sealed bids was not published and bids were not received. A similar comment appeared in prior Report B38902.

Indiana Code 36-1-12-4(a) stated prior to its amendment, effective July 1, 2011, 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; or
- (2) at least fifty thousand dollars (\$50,000) in a political subdivision or an agency not described in subdivision (1)."

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. . . ."

GOLF COURSE MANAGER CART COMMISSIONS - PARK DEPARTMENT

Proper controls were not in place to ensure that golf cart commissions were properly calculated and paid to the golf course manager. Per the salary ordinance, a commission of 7.5 percent of after tax receipts 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 2011. Some daily cart commissions were not paid during 2011. The department did not have any formal procedures in place for issuing and monitoring payments to the golf course manager for cart commissions. As a result, cart commissions for three days in July, three days in August, all of December, and cart commissions for employees paying through payroll deductions during 2011 were not paid to the golf course manager. Due to the weaknesses in control procedures, the golf course manager was underpaid for 2011 golf cart commissions in the amount of \$478.34. As of June 19, 2012, this amount had not been paid to the golf course manager. A similar comment appeared in prior Report B38902.

CITY OF ANDERSON
 AUDIT RESULTS AND COMMENTS
 (Continued)

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)

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)

APPROPRIATIONS

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

Fund	Excess Amount Expended
Capital Improvements	\$ 63,419
Clean Air Non-Reverting	1,847

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

TEMPORARY TRANSFERS

Temporary loans were made in December of 2011 totaling \$1,785,000 to five depleted funds. The loans approved in December established a one year repayment period which would extend more than six months past the budget year. The following funds had outstanding temporary loans at year end:

Fund	Amount
General	\$ 1,400,000
Park	50,000
C.A.T.S.	135,000
Sinking	150,000
Sanitary District Sinking	50,000
Total	\$ 1,785,000

IC 36-1-8-4(a) states:

"The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a depleted fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met:

- (1) It must be necessary to borrow money to enhance the depleted fund that is in need of money for cash flow purposes.

CITY OF ANDERSON
AUDIT RESULTS AND COMMENTS
(Continued)

- (2) There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred.
- (3) The prescribed period must end during the budget year of the year in which the transfer occurs.
- (4) The amount transferred must be returned to the other fund at the end of the prescribed period.
- (5) Only revenues derived from the levying and collection of property taxes or special taxes or from operation of the political subdivision may be included in the amount transferred."

IC 36-1-8-4(b) provides that if the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
 - (A) A statement that the fiscal body has determined that an emergency exists.
 - (B) A brief description of the grounds for the emergency.
 - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the State Board of Accounts and the Department of Local Government Finance. [IC 36-1-8-4]

Funds advanced shall be derived from taxes on property, special taxes or any other revenue received from any operation of the municipal corporation.

Such temporary transfers should be effected by issuing a warrant and receipt for the amount of the transfer. The warrant should be endorsed and deposited in the depository account designated for the depleted fund. No appropriation is required either for the transfer or the repayment. Also, no interest should be charged on any such temporary transfer. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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, 2011. 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, 2011. 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 2011-2, 2011-3, and 2011-4.

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 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

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 items 2011-2 and 2011-4 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

July 19, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

CITY OF ANDERSON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2011

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 AGRICULTURE</u>			
Pass-Through Indiana Department of Natural Resources Cooperative Forestry Assistance Urban Forestry Grant	10.664	08-DG-11420004-208	15,000
Total for federal grantor agency			15,000
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct			
CDBG - Entitlement Grants Cluster Community Development Block Grants/Entitlement Grants	14.218	B-10-MC-18-0001 B-11-MC-18-0001	273,447 393,657
Total for cluster			667,104
HOME Investment Partnerships Program	14.239	M-10-MC-18-0209	601,353
Neighborhood Stabilization Program	14.264	B-08-MN-18-0001 B-11-MN-18-0001	26,382 296,635
Total for program			323,017
Pass-Through Indiana Housing & Community Development Authority CDBG State-Administered CDBG Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Neighborhood Stabilization Program	14.228	NSP1-009-025	396,690
Total for federal grantor agency			1,988,164
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct			
JAG Program Cluster Edward Byrne Memorial Justice Assistance Grant Program	16.738	10-DJ-BX-02863	27,932
Pass-Through Indiana Criminal Justice Institute Edward Byrne Memorial Justice Assistance Grant Program	16.738	10-DJ-028	53,104
Total for program			81,036
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	09-JRA-010	30,085
Total for cluster			111,121
Direct			
Community Capacity Development Office	16.595	2009-WS-QX-0155	145,923
Bulletproof Vest Partnership Program	16.607	FY 2010	885
Pass-Through Indiana Criminal Justice Institute Crime Victim Compensation MADD	16.576	FY 2010	1,845
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	09-DJ-014	12,019
ARRA - STOP Violence Against Women Formula Grants	16.588	09STR05	20,922
ARRA - Public Safety Partnership and Community Policing Grants	16.710	2009RKWX0349/IN04802	436,100
Total for federal grantor agency			728,815

The accompanying notes 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, 2011
(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			
Federal Transit - Formula Grants	20.507	IN-90-4620 IN-96-X020	920,580 <u>127,170</u>
Total for cluster			<u>1,047,750</u>
Airport Improvement Program	20.106	AIP 3-18-0001-20 AIP 3-18-0001-23 AIP 3-18-0001-25	6,745 33,090 <u>3,501</u>
Total for program			<u>43,336</u>
Paul S. Sarbanes Transit in the Parks	20.520	E-2008-BUSP-0763	<u>166,543</u>
Pass-Through Indiana Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	DES#0600127 DES#0600128 DES#0900588 DES#0500823 EDS#A249-10-321191	15,515 48,408 37,760 28,145 <u>44,646</u>
ARRA - Highway Planning and Construction	20.205	FY2011	<u>12,753</u>
Total for program			<u>187,227</u>
Recreational Trails Program	20.219	DES#1172469	<u>152,005</u>
Total for cluster			<u>339,232</u>
Airport Improvement Program	20.106	AIP 3-18-0001-20 AIP 3-18-0001-23	664 <u>687</u>
Total for program			<u>1,351</u>
Rail Line Relocation and Improvement	20.320	DES#0501049	<u>24,301</u>
Total for federal grantor agency			<u>1,622,513</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Direct			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-00E32401-1	<u>157,285</u>
Pass-Through Indiana Finance Authority			
Capitalization Grants for Clean Water State Revolving Funds	66.458	2W-00E73001-0 WW09204801 WW11094803	1,264,603 560,074 <u>87,819</u>
Total for program			<u>1,912,496</u>
Total for federal grantor agency			<u>2,069,781</u>
<u>U.S. DEPARTMENT OF ENERGY</u>			
Direct Grant			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	SC0001617	<u>119,590</u>

The accompanying notes 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, 2011
 (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</u>			
Direct Grant			
Assistance to Firefighters Grant	97.044	EMW-2010-FO-08240	<u>162,640</u>
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2009-FH-01120	<u>442,267</u>
Pass-Through Delaware County			
Homeland Security Cluster			
State Homeland Security Program (SHSP)	97.073	C44P1273A	29,581
Pass-Through Grant County			
State Homeland Security Program (SHSP)	97.073	C44P0202A	<u>41,546</u>
Total for cluster			<u>71,127</u>
Total for federal grantor agency			<u>676,034</u>
Total federal awards expended			<u>\$ 7,219,897</u>

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

CITY OF ANDERSON
NOTE 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 statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2011:

Program Title	Federal CFDA Number	2011
Community Capacity Development Office – Weed and Seed Grant	16.595	\$ <u>55,024</u>

CITY OF ANDERSON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
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
14.264	Neighborhood Stabilization Program
16.710	Public Safety Partnership and Community Policing Grants
--	Highway Planning and Construction Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.818	Brownfields Assessment and Cleanup Cooperative Agreements
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)

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

Auditee qualified as low-risk auditee?	no
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Section II – Financial Statement Findings

FINDING 2011-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING OF FEDERAL AWARDS

Proper internal controls were not in place over the accounting of federal grant receipts and disbursements and other federal information used for reporting on the Schedule of Expenditures of Federal Awards (SEFA). The following deficiencies were noted:

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

1. The City did not establish proper control procedures to identify and record federal grant receipts and disbursements in the financial records. Grants were not recorded in separate funds which would allow for the transactions to be specifically identified to those individual grants. Grants were receipted into various funds with other sources of receipts and other grants. Grant receipts were usually, but not always, recorded into separate receipt sub-categories 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. Disbursements were not classified into separate subcategories that would correspond to a specific grant. Therefore, the comingling of grant receipts into funds with other sources made it difficult to determine the disbursements that were related to specific grants. The City relied on electronic spreadsheets maintained by the grants manager and other department personnel for each grant to determine the amount of federal disbursements reported on the SEFA. The spreadsheets were 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.
2. The City did not have controls in place to verify that information reported on the SEFA agreed with the financial records to ensure the SEFA was accurate and complete. Information reported on the SEFA was based on various sources. Some information reported on the SEFA was based on excel spreadsheets maintained for each grant and other information was based on receipt or disbursement activity in the financial records for specific funds that contained grant monies. However, no procedures were in place to compare external grant information with the activity in the financial records to ensure that only federal grant activity was reported on the SEFA. As a result, several amounts reported on the SEFA included activity that was not from federal sources and some federal grant activity was not included on the SEFA.
3. The City did not have controls in place to identify federal awards and specific information related to those awards. Procedures were not established for maintaining grant documents and files. Some documentation was maintained by the grants manager and other documentation was maintained by department personnel. As a result, some original documentation, such as grant applications, award letters, grant agreements, etc., was not readily available for audit. In several instances, state and federal agencies were contacted by the City to obtain additional information, such as CFDA#, grant name, award number, stimulus (ARRA) funding, and period of availability.

We believe the deficiencies in controls over the accounting of federal receipts and disbursements and other federal information noted above constitute material weaknesses. As a result of the weaknesses noted above, the original SEFA presented for audit was materially incorrect and required adjustments. The adjustments decreased total federal expenditures in the amount of \$1,317,694. In addition to the adjustments in expenditure amounts, some grant names, CFDA numbers, award numbers, stimulus (ARRA) funding, and pass-through information also required adjustments. The City approved the proposed adjustments to the SEFA.

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.

CITY OF ANDERSON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(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)

The City should establish controls over federal receipts and disbursements and other federal information to ensure that the financial records of the City properly identify federal grant activity 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.

Section III – Federal Award Findings and Questioned Costs

FINDING 2011-2 – SPECIAL TESTS AND PROVISIONS

Federal Agency: U.S. Department of Justice
Federal Program: ARRA - Public Safety Partnership and Community Policing Grants
CFDA Number: 16.710
Federal Award Number and Year (or Other Identifying Number): 2009RKWX0349
Pass-through Entity: N/A

Federal Agency: U.S. Department of Transportation
Federal Program: ARRA - Highway Planning and Construction
CFDA Number: 20.205
Federal Award Number and Year (or Other Identifying Number): n/a
Pass-through Entity: Indiana Department of Transportation

The City did not have proper internal controls in place to ensure that stimulus (ARRA) funding was properly identified in their financial records or the original Schedule of Expenditures of Federal Awards (SEFA) presented for audit. The City recorded receipts and disbursements for grants that contained ARRA funding within the same fund as other local and grant receipts and disbursements and did not accurately identify them within those funds. Additionally, ARRA funding was not properly identified on the SEFA presented for audit and required adjustments by the City in order for ARRA funding to be properly reported. The proposed adjustments were approved by the City's management. This had been determined to be a material weakness.

2 CFR 176.210 states in part:

"The award term described in this section shall be used by agencies to clarify recipient responsibilities regarding tracking and documenting Recovery Act expenditures:

(a) . . . agree to maintain records that identify adequately the source and application of Recovery Act funds. . . .

(b) For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133, 'Audits of States, Local Governments, and Non-Profit Organizations,' recipients agree to separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (SF-SAC) required by OMB Circular A-133. . . ."

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

OMB Circular A-133, Subpart C, section .300 (b) states:

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

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 accurate report ARRA receipts and disbursements could result in denial, forfeiture, or repayment of federal awards.

FINDING 2011-3 - REPORTING

Federal Agency: U.S. Department of Homeland Security
Federal Program: Staffing for Adequate Emergency and Response (SAFER)
CFDA Number: 97.083
Federal Award Number and Year (or Other Identifying Number): EMW-2009-FH-01120
Pass-through Entity: N/A

As part of the grant agreement between the City and the U.S. Department of Homeland Security, the City is required to submit semi-annual reports to U.S. Department of Homeland Security. The City filed the reports as required, however the financial information in the reports filed was not accurate. The report requests cumulative amounts to be reported.

The first section of the report includes Cash Receipts (line a), Cash Disbursements (line b), and Cash On Hand (line c). The amount reported as Cash Receipts on the June 30 and December 31 reports was \$614,911, which was incorrect. Cash Disbursements for the June 30 report was \$355,288, which was incorrect and for the December 31 report was \$528,589 which was correct. Cash On Hand was calculated by subtracting Cash Disbursements from Cash Receipts and reported \$259,623 on the June 30 report and \$86,322 for the December 31 report which were both incorrect. This was a reimbursement grant, therefore Cash Receipts and Cash Disbursements should have reported the same amounts and Cash On Hand should have reported zero. Cash Receipts and Cash Disbursements should have been reported as \$258,966 on the June 30 report and as \$528,589 on the December 31 report. If these amounts were correctly reported then Cash On Hand would have been calculated and reported as zero.

The second section of the report includes Total Federal Funds Authorized (line d), Federal Share of Expenditures (line e), Federal Share of Unliquidated Obligations (line f), Total Federal share (line g), and Unobligated Balance of Federal Funds (line h). Lines g and h are calculated based on entries in lines d through f. Total Federal Funds Authorized and Federal Share of Expenditures were properly reported on both the June 30 and December 31 reports. Federal Share of Unliquidated Obligations should have included the remaining funding that had not been requested since all the grant funding had already been obligated to salaries. The June 30 report incorrectly reported this line as zero, however it was correctly reported on the December 31 report. Because the Federal Share of Unliquidated Obligations was incorrectly reported for the June 30 report, the amounts reported for Total Federal share and Unobligated Balance of Federal Funds were also incorrect.

The incorrect amounts submitted on the reports were not supported by the financial records and no explanation or documentation was provided to support the incorrect amounts reported.

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

44 CFR 13.20 (b)(1) states: "Accurate, current, and complete disclosure of the financial results of the financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

The City did not compliance with the reporting requirements for this program by filing inaccurate semi-annual reports. We recommended that officials prepare all required reports accurately to ensure compliance with federal requirements.

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

FINDING 2011-4 - CASH MANAGEMENT

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Neighborhood Stabilization Program
CFDA Number: 14.264
Federal Award Number and Year (or Other Identifying Number): B-11-MN-18-0001
Pass-through Entity: N/A

Federal Agency: U.S. Department of Transportation
Federal Program: Recreational Trails Program
CFDA Number: 20.219
Federal Award Number and Year (or Other Identifying Number): DES#1172469
Pass-through Entity: Indiana Department of Transportation

Internal controls over cash management were not properly designed to ensure that disbursements were made before reimbursements were received. Controls in place during the audit period, allowed for reimbursements to be requested prior to accounts payable vouchers being paid. As a result, 80 percent reimbursements tested for the Recreational Trails program and 66.7 percent reimbursements tested for the Neighborhood Stabilization Program were requested and received prior to disbursements being made. Disbursements for these reimbursements were made seven to fourteen days after reimbursements were received. This was considered to be a material weakness.

49 CFR 18.21 (d) states:

"Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. Grantees and subgrantees may also be paid by reimbursement for any construction grant. Except as otherwise specified in regulation, Federal agencies shall not use the percentage of completion method to pay construction grants. The grantee or subgrantee may use that method to pay its construction contractor, and if it does, the awarding agency's payments to the grantee or subgrantee will be based on the grantee's or subgrantee's actual rate of disbursement."

OMB Circular A-133, Subpart C, section .300 (b) states:

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

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

Controls over cash management should be designed and implemented to ensure that accounts payable vouchers are paid prior to requesting reimbursement from the grantor agency.

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



**City of Anderson
Controller's Office**

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Kevin Smith, Mayor

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Original SBA Audit Report Number: B38902
Fiscal Year 2010

Auditee Contact Person Sam Pellegrino
Title of Contact Person Controller
Phone Number (765) 648-6025

Date: March 14, 2012

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

All, but one account, is in our Munis system at this time. AV fuel will be added in 2012

FINDING 2010-2 - SEPARATE ACCOUNTING FOR ARRA

We have purchased the Grant's Program for Munis. Training commenced in February and will be completed in mid-June.

FINDING 2010-3 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

The windows are now on the City's Assets.

FINDING 2010-4 - PROCUREMENT

We have instructed all concerned, what needs to be done for future bid processing.

FINDING 2010-5 - DAVIS-BACON

We have the Davis-Bacon data that was needed from the contractors.

Signature,

Controller
City of Anderson



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Kevin S. Smith, Mayor

City of Anderson

Response to Findings and Questioned Costs

Federal Finding 2011-1 Internal Controls over Financial Transactions and Reporting of Federal Rewards.

1. The funds have been addressed into separate accounts.
2. The City has implemented a new software program. The training has been completed and the City employees are currently imputing data to prevent this error for 2012.
3. All department heads have been advised that all Grant requests applications, awards and etc. must be sent to the Controller's office.

Federal Finding 2011-2

ARRA funds will be separated into separate accounts. The remaining fund left from 2011, was a grant for CATS. That has since been spent in 2012. To repeat all future ARRA funds will be separated.

Federal Finding 2011-3

The error in the semiannual report as described in FEDERAL FUNDING 2011-3 was due to a misunderstanding of the instructions for completing the online forms from the SAFER Grant web site. This misunderstanding has been corrected. Tony Faison, the grant manager for the SAFER grant has approved all reports to date and we have had no other problems. Per Mark Keck from the Fire Department.

Federal Finding 2011-4 Cash Management

We have commenced, after this was brought to the Controller's office attention, disbursements are being made before reimbursements. Controller's office has communicated this to all department heads. Department Heads are not to request reimbursement until Controller's gives permission to do such.


Sam J. Pellegrino, Controller
City of Anderson

CITY OF ANDERSON
EXIT CONFERENCE

The contents of this report were discussed on July 19, 2012, with Sam J. Pellegrino, Controller; Kevin S. Smith, Mayor; David Eicks, City Council member; and Pete Heuer, Chairman of the Board of Public Works.

The contents of this report were discussed by phone on July 18, 2012, with C. Karen Carpenter, former Controller.