

B42638

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, 2012 to December 31, 2012



FILED
09/19/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Sam J. Pellegrino	01-01-12 to 08-16-13
	(Vacant)	08-17-13 to 08-18-13
	Jason C. Fenwick	08-19-13 to 12-31-13
Mayor	Kevin S. Smith	01-01-12 to 12-31-15
Chairman of the Board of Public Works	Pete Heuer	01-01-12 to 12-31-13
President of the Common Council	Rodney Chamberlain	01-01-12 to 12-31-12
	David W. Eicks	01-01-13 to 12-31-13
Utility Finance Manager	Renisa Harry	01-01-12 to 12-31-13
Superintendent of Water Utility	Tom Brewer	01-01-12 to 12-31-13
Superintendent of Wastewater Utility	Nara Manor	01-01-12 to 12-31-13
Superintendent of Electric Utility	Thomas Donoho	01-01-12 to 12-31-13



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 12, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

Other Information

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



Bruce Hartman
State Examiner

August 12, 2013



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the City of Anderson (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated August 12, 2013, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1 to be material weaknesses.

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

Compliance and Other Matters

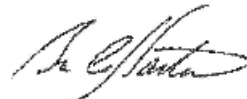
As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1.

City of Anderson's Response to Findings

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

Purpose of This Report

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



Bruce Hartman
State Examiner

August 12, 2013

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FINANCIAL STATEMENT

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

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

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 158,673	\$ 36,253,559	\$ 31,239,874	\$ 5,172,358
Motor Vehicle Highway	223,321	1,621,642	1,664,781	180,182
Local Road And Street	139,787	501,928	468,156	173,559
Park Nonreverting Operating	13,436	278,119	248,738	42,817
Econ Dev Food & Beverage	1,440,073	1,796,049	1,225,553	2,010,569
C.A.T.S.	6,328	2,525,005	2,455,596	75,737
Community Development	6,664	268,790	272,950	2,504
Clerk's Records Perpetuation	14,112	3,090	3,345	13,857
Unsafe Building	-	18,591	-	18,591
Parks And Recreation	18,828	1,372,825	1,135,972	255,681
User Fee	28,522	5,031	4,959	28,594
Rainy Day	95	-	-	95
Slot Machine Wagering Fund	509,311	2,915,870	2,955,332	469,849
Police Pension	609,437	3,656,734	3,923,908	342,263
Fire Pension	366,978	4,570,403	4,935,912	1,469
Life Insurance Fund	256	81,806	67,834	14,228
City Court Account	299,961	829,262	875,246	253,977
Florentine Red B&I BNY Account	47,488	240,795	254,650	33,633
Police Station Sinking BNY Account	935,475	621,019	1,556,494	-
Aviation Commission USBank Account	4,005	59,400	63,405	-
Airport AVFuel Corp Account	20,033	436,910	438,804	18,139
NSP State	-	62,720	-	62,720
NSP Federal	-	65,841	-	65,841
Brownfield	-	8,094	-	8,094
Health Ins Ancillary Fund	-	191,496	105,388	86,108
Police Station Refinance BNY Account	-	6,759,226	628,827	6,130,399
Probation	139,213	167,660	261,200	45,673
Donations	45,240	253,640	213,822	85,058
Airport	183,728	557,768	551,561	189,935
Police Continuing Ed	33,541	41,134	44,612	30,063
Airport Non-Reverting	6,576	45,113	46,058	5,631
Bldg Non-Reverting	345	50	-	395
Fire Bldg & Equipt	563,717	1,218,025	1,020,410	761,332
Operation Clean	456	30,482	23,840	7,098
Clean Air Non-Reverting	10,354	-	10,354	-
Tax Abatement	1,372	775	149	1,998
Administration Fees	31,669	26,130	38,648	19,151
Court Sup Pub Def Fees	4,827	8,460	11,748	1,539
Home	83,916	878,210	959,398	2,728
Apd Man	171,624	113,812	147,904	137,532
Apd Vin	1,427	-	-	1,427
E D Revolving Loan	280,880	85,998	39,997	326,881
Redevelopment	134,788	42,405	7,428	169,765
Firefighters Exam Fee	3,930	-	-	3,930
Eda Flagship	266	-	-	266
Coit Reserve	379,594	-	379,594	-
Sinking Fund	20,275	502,561	522,836	-
Sanitary District Sinking	2,256	583,786	420,210	165,832
Redevelopment Tif Reserve	1,840,096	-	358,708	1,481,388
Redev Bond & Int-Kroger	209,222	170,816	88,310	291,728
Loss Fund	42,641	1,433,195	1,279,842	195,994
Redevelopment Tif Levy	6,601,228	8,634,521	7,536,860	7,698,889
Redevelopment Tif Capital	453,671	-	453,671	-
Police Training Fund	5,240	42,342	256	47,326
Arc Lease/Rental	773,287	1,185	405,924	368,548
Redevelopment Bond & Interest	140,924	4,070,667	2,647,135	1,564,456
Insurance Escrow	2,016,934	13,532,782	13,104,873	2,444,843

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, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
Nestle Tif Capital	446,518	-	-	446,518
Airport Grant Fund	19,241	602,524	607,661	14,104
Court Due County	-	29,172	29,172	-
Wheel Tax Fund	205,853	1,076,748	1,004,458	278,143
Fire Fighting Training Fund	2,296	13,174	14,774	696
Public Safety Coit Fund	56,503	2,418,017	2,067,762	406,758
Nestle Taxable Tif Capital	2,249,814	1,312,869	2,062,683	1,500,000
Capital Improvements	471,376	166,197	260,412	377,161
Certified Tech Park Fund	242,346	739,562	911,592	70,316
Civil City Payroll	915,579	12,598,931	13,429,688	84,822
Electric Utility Operating	2,118	83,347,463	82,417,870	931,711
Electric Utility Bond And Interest	865,683	2,389,333	2,398,809	856,207
Electric Utility Customer Deposit	902,895	41,218	6,140	937,973
Electric Utility Construction	60,245	-	34,897	25,348
Electric Utility Depreciation	-	1,699,885	1,699,885	-
Electric Utility Automatic Meter Reading	-	1,163,288	1,163,288	-
Electric Utility Petty Cash	1,000	-	-	1,000
Electric Utility Mail Permit Deposit	3,000	-	-	3,000
Electric Utility UPS Deposit	152	-	-	152
Electric Utility Garage Reserve	-	54,000	54,000	-
Electric Utility Fiber	148,638	375,625	314,913	209,350
Electric Utility Reserve - Cilt	1,281,650	1,495,184	1,495,248	1,281,586
Storm Water Utility Operating	13,455	2,126,135	2,127,116	12,474
Storm Water Utility Depreciation	18,815	48,096	640	66,271
Storm Water Utility Mail Permit Deposit	3,000	-	-	3,000
Storm Water Utility Constr Csh Fiscal Agent	1,267,829	1,703	1,200,025	69,507
Storm Water Utility Bond & Interest	15,644	203,367	187,722	31,289
Storm Water Utility Reserve Cilt	500,000	250,146	250,004	500,142
Wastewater Utility Construction 2011	20,740,322	471	11,752,937	8,987,856
Wastewater Utility Operating	7,812,416	23,040,686	22,431,293	8,421,809
Wastewater Utility Bond And Interest	3,369,508	6,291,575	6,480,527	3,180,556
Wastewater Utility Construction	859,329	6,532	475,299	390,562
Wastewater Utility Depreciation	1,950,812	1,028,939	487,271	2,492,480
Wastewater Utility Reserve Cilt	1,607,876	1,007,895	1,007,876	1,607,895
Wastewater Utility Petty Cash	1,000	-	-	1,000
Wastewater Utility Mail Permit Deposit	3,000	-	-	3,000
Wastewater Utility Replacement	663,648	340,049	20	1,003,677
Wastewater Utility Automatic Meter Reading	141,275	470,721	611,995	1
Wastewater Utility Improvement	1,097,460	1,103,919	586,857	1,614,522
Wastewater Utility Revolving Sewer Const	7,930	50,611	49,660	8,881
Wastewater Utility 2009B Construction	915,313	935	545,504	370,744
Wastewater Utility 2009 Arra Stimulus	-	177,650	177,650	-
Wastewater Utility Sfr Retainage Fund	537,356	869,393	436,980	969,769
Wastewater Utility 2010 Construction	-	190,599	190,599	-
Water Utility Operating	662,634	8,234,826	8,670,709	226,751
Water Utility Bond And Interest	-	396,028	396,028	-
Water Utility Customer Deposit	149,800	77,074	1,810	225,064
Water Utility Construction	1,078,840	96,179	106,788	1,068,231
Water Utility Depreciation	-	498,607	325,568	173,039
Water Utility Reserve Cilt	323,342	215,568	215,565	323,345
Water Utility Petty Cash	1,000	-	-	1,000
Water Utility Mail Permit Deposit	3,000	-	-	3,000
Water Utility Automatic Meter Reading	216,547	1,039,220	1,255,767	-
Water Utility Sfr Retainage Fund	151,150	16	151,166	-
Totals	<u>\$ 71,013,228</u>	<u>\$ 254,875,852</u>	<u>\$ 255,197,700</u>	<u>\$ 70,691,380</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 is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

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

C. Cash and Investments

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

D. Receipts

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

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

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

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

CITY OF 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.

Penalties which include fees received for late payments.

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

E. Disbursements

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

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

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

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

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

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

CITY OF ANDERSON
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

CITY OF ANDERSON
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

CITY OF ANDERSON
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

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

C. 1937 Firefighters' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

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

CITY OF ANDERSON
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Plan Description

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

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

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

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

Funding Policy

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

Note 7. Other Postemployment Benefits

The City provides to eligible retirees and their spouses the following benefits: medical, dental, and vision. These benefits pose a liability to the City for this year and in future years. Information regarding the benefits can be obtained by contacting the City.

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SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

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

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

	General	Motor Vehicle Highway	Local Road And Street	Park Nonreverting Operating	Econ Dev Food & Beverage	C.A.T.S.	Community Development
Cash and investments - beginning	\$ 158,673	\$ 223,321	\$ 139,787	\$ 13,436	\$ 1,440,073	\$ 6,328	\$ 6,664
Receipts:							
Taxes	16,614,079	-	-	-	1,204,141	-	-
Licenses and permits	975,244	75,472	-	-	-	-	-
Intergovernmental	13,368,373	1,532,164	501,928	-	54,459	2,333,788	256,762
Charges for services	2,536,050	3,829	-	210,862	-	184,311	-
Fines and forfeits	53,302	-	-	35,429	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	2,706,511	10,177	-	31,828	537,449	6,906	12,028
Total receipts	<u>36,253,559</u>	<u>1,621,642</u>	<u>501,928</u>	<u>278,119</u>	<u>1,796,049</u>	<u>2,525,005</u>	<u>268,790</u>
Disbursements:							
Personal services	21,972,912	1,284,270	-	148,249	37,758	1,804,592	80,296
Supplies	496,039	161,160	395,835	31,187	-	312,680	1,392
Other services and charges	5,892,237	200,490	7,835	54,494	381,582	152,618	191,262
Debt service - principal and interest	557,211	-	-	-	68,445	-	-
Capital outlay	91,968	18,861	64,486	12,565	21,738	50,706	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	2,229,507	-	-	2,243	716,030	135,000	-
Total disbursements	<u>31,239,874</u>	<u>1,664,781</u>	<u>468,156</u>	<u>248,738</u>	<u>1,225,553</u>	<u>2,455,596</u>	<u>272,950</u>
Excess (deficiency) of receipts over disbursements	<u>5,013,685</u>	<u>(43,139)</u>	<u>33,772</u>	<u>29,381</u>	<u>570,496</u>	<u>69,409</u>	<u>(4,160)</u>
Cash and investments - ending	<u>\$ 5,172,358</u>	<u>\$ 180,182</u>	<u>\$ 173,559</u>	<u>\$ 42,817</u>	<u>\$ 2,010,569</u>	<u>\$ 75,737</u>	<u>\$ 2,504</u>

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

	Clerk's Records Perpetuation	Unsafe Building	Parks And Recreation	User Fee	Rainy Day	Slot Machine Wagering Fund	Police Pension
Cash and investments - beginning	\$ 14,112	\$ -	\$ 18,828	\$ 28,522	\$ 95	\$ 509,311	\$ 609,437
Receipts:							
Taxes	-	-	788,050	-	-	-	2,756,095
Licenses and permits	-	-	660	-	-	-	-
Intergovernmental	-	-	106,806	-	-	2,915,671	-
Charges for services	-	-	41,610	5,031	-	-	-
Fines and forfeits	3,090	18,460	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	131	435,699	-	-	199	900,639
Total receipts	<u>3,090</u>	<u>18,591</u>	<u>1,372,825</u>	<u>5,031</u>	<u>-</u>	<u>2,915,870</u>	<u>3,656,734</u>
Disbursements:							
Personal services	-	-	647,303	-	-	1,793,971	3,022,652
Supplies	1,158	-	44,819	-	-	41,993	-
Other services and charges	1,822	-	314,222	4,959	-	968,295	1,256
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	365	-	29,428	-	-	90,998	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	100,200	-	-	60,075	900,000
Total disbursements	<u>3,345</u>	<u>-</u>	<u>1,135,972</u>	<u>4,959</u>	<u>-</u>	<u>2,955,332</u>	<u>3,923,908</u>
Excess (deficiency) of receipts over disbursements	<u>(255)</u>	<u>18,591</u>	<u>236,853</u>	<u>72</u>	<u>-</u>	<u>(39,462)</u>	<u>(267,174)</u>
Cash and investments - ending	<u>\$ 13,857</u>	<u>\$ 18,591</u>	<u>\$ 255,681</u>	<u>\$ 28,594</u>	<u>\$ 95</u>	<u>\$ 469,849</u>	<u>\$ 342,263</u>

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

	Fire Pension	Life Insurance Fund	City Court Account	Florentine Red B&I BNY Account	Police Station Sinking BNY Account	Aviation Commission USBank Account	Airport AVFuel Corp Account
Cash and investments - beginning	\$ 366,978	\$ 256	\$ 299,961	\$ 47,488	\$ 935,475	\$ 4,005	\$ 20,033
Receipts:							
Taxes	3,120,403	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	829,262	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	1,450,000	81,806	-	240,795	621,019	59,400	436,910
Total receipts	<u>4,570,403</u>	<u>81,806</u>	<u>829,262</u>	<u>240,795</u>	<u>621,019</u>	<u>59,400</u>	<u>436,910</u>
Disbursements:							
Personal services	3,484,634	-	-	-	-	-	-
Supplies	128	-	-	-	-	-	-
Other services and charges	1,150	67,834	875,246	-	-	-	438,804
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1,450,000	-	-	254,650	1,556,494	63,405	-
Total disbursements	<u>4,935,912</u>	<u>67,834</u>	<u>875,246</u>	<u>254,650</u>	<u>1,556,494</u>	<u>63,405</u>	<u>438,804</u>
Excess (deficiency) of receipts over disbursements	<u>(365,509)</u>	<u>13,972</u>	<u>(45,984)</u>	<u>(13,855)</u>	<u>(935,475)</u>	<u>(4,005)</u>	<u>(1,894)</u>
Cash and investments - ending	<u>\$ 1,469</u>	<u>\$ 14,228</u>	<u>\$ 253,977</u>	<u>\$ 33,633</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,139</u>

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

	NSP State	NSP Federal	Brownfield	Health Ins Ancillary Fund	Police Station Refinance BNY Account	Probation	Donations
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 139,213	\$ 45,240
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	220,474
Charges for services	-	-	-	-	-	-	4,900
Fines and forfeits	-	-	-	-	-	167,620	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	62,720	65,841	8,094	191,496	6,759,226	40	28,266
Total receipts	<u>62,720</u>	<u>65,841</u>	<u>8,094</u>	<u>191,496</u>	<u>6,759,226</u>	<u>167,660</u>	<u>253,640</u>
Disbursements:							
Personal services	-	-	-	-	-	250,782	32,494
Supplies	-	-	-	-	-	1,738	17,271
Other services and charges	-	-	-	105,388	-	8,680	152,032
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	12,025
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	628,827	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,388</u>	<u>628,827</u>	<u>261,200</u>	<u>213,822</u>
Excess (deficiency) of receipts over disbursements	<u>62,720</u>	<u>65,841</u>	<u>8,094</u>	<u>86,108</u>	<u>6,130,399</u>	<u>(93,540)</u>	<u>39,818</u>
Cash and investments - ending	<u>\$ 62,720</u>	<u>\$ 65,841</u>	<u>\$ 8,094</u>	<u>\$ 86,108</u>	<u>\$ 6,130,399</u>	<u>\$ 45,673</u>	<u>\$ 85,058</u>

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

	Airport	Police Continuing Ed	Airport Non-Reverting	Bldg Non-Reverting	Fire Bldg & Equipt	Operation Clean	Clean Air Non-Reverting
Cash and investments - beginning	\$ 183,728	\$ 33,541	\$ 6,576	\$ 345	\$ 563,717	\$ 456	\$ 10,354
Receipts:							
Taxes	188,865	-	-	-	-	-	-
Licenses and permits	-	26,941	-	-	-	-	-
Intergovernmental	31,603	-	-	-	-	-	-
Charges for services	197,153	14,193	17,804	50	1,218,025	-	-
Fines and forfeits	-	-	-	-	-	30,482	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	140,147	-	27,309	-	-	-	-
Total receipts	<u>557,768</u>	<u>41,134</u>	<u>45,113</u>	<u>50</u>	<u>1,218,025</u>	<u>30,482</u>	<u>-</u>
Disbursements:							
Personal services	160,405	-	-	-	-	-	-
Supplies	16,201	11,035	19,958	-	172,051	-	-
Other services and charges	292,579	33,113	1,017	-	55,987	23,840	10,354
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	82,376	464	25,083	-	547,404	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	244,968	-	-
Total disbursements	<u>551,561</u>	<u>44,612</u>	<u>46,058</u>	<u>-</u>	<u>1,020,410</u>	<u>23,840</u>	<u>10,354</u>
Excess (deficiency) of receipts over disbursements	<u>6,207</u>	<u>(3,478)</u>	<u>(945)</u>	<u>50</u>	<u>197,615</u>	<u>6,642</u>	<u>(10,354)</u>
Cash and investments - ending	<u>\$ 189,935</u>	<u>\$ 30,063</u>	<u>\$ 5,631</u>	<u>\$ 395</u>	<u>\$ 761,332</u>	<u>\$ 7,098</u>	<u>\$ -</u>

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

	Tax Abatement	Administration Fees	Court Sup Pub Def Fees	Home	Apd Man	Apd Vin	E D Revolving Loan
Cash and investments - beginning	\$ 1,372	\$ 31,669	\$ 4,827	\$ 83,916	\$ 171,624	\$ 1,427	\$ 280,880
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	5,650	-	874,388	9,422	-	-
Charges for services	775	-	-	-	-	-	-
Fines and forfeits	-	20,480	8,460	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	3,822	104,390	-	85,998
Total receipts	<u>775</u>	<u>26,130</u>	<u>8,460</u>	<u>878,210</u>	<u>113,812</u>	<u>-</u>	<u>85,998</u>
Disbursements:							
Personal services	-	-	-	46,796	6,268	-	-
Supplies	-	-	-	90	-	-	-
Other services and charges	149	38,648	11,748	148,782	141,636	-	39,997
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	763,730	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>149</u>	<u>38,648</u>	<u>11,748</u>	<u>959,398</u>	<u>147,904</u>	<u>-</u>	<u>39,997</u>
Excess (deficiency) of receipts over disbursements	<u>626</u>	<u>(12,518)</u>	<u>(3,288)</u>	<u>(81,188)</u>	<u>(34,092)</u>	<u>-</u>	<u>46,001</u>
Cash and investments - ending	<u>\$ 1,998</u>	<u>\$ 19,151</u>	<u>\$ 1,539</u>	<u>\$ 2,728</u>	<u>\$ 137,532</u>	<u>\$ 1,427</u>	<u>\$ 326,881</u>

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

	Redevelopment	Firefighters Exam Fee	Eda Flagship	Coit Reserve	Sinking Fund	Sanitary District Sinking	Redevelopment Tif Reserve
Cash and investments - beginning	\$ 134,788	\$ 3,930	\$ 266	\$ 379,594	\$ 20,275	\$ 2,256	\$ 1,840,096
Receipts:							
Taxes	-	-	-	-	438,452	509,867	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	61,225	73,919	-
Charges for services	25,100	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	17,305	-	-	-	2,884	-	-
Total receipts	42,405	-	-	-	502,561	583,786	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	7,428	-	-	400	750	300	57,600
Debt service - principal and interest	-	-	-	370,797	372,086	369,910	301,108
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	8,397	150,000	50,000	-
Total disbursements	7,428	-	-	379,594	522,836	420,210	358,708
Excess (deficiency) of receipts over disbursements	34,977	-	-	(379,594)	(20,275)	163,576	(358,708)
Cash and investments - ending	\$ 169,765	\$ 3,930	\$ 266	\$ -	\$ -	\$ 165,832	\$ 1,481,388

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

	Redev Bond & Int-Kroger	Loss Fund	Redevelopment Tif Levy	Redevelopment Tif Capital	Police Training Fund	Arc Lease/Rental	Redevelopment Bond & Interest
Cash and investments - beginning	\$ 209,222	\$ 42,641	\$ 6,601,228	\$ 453,671	\$ 5,240	\$ 773,287	\$ 140,924
Receipts:							
Taxes	170,816	-	3,796,438	-	-	-	3,616,996
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	359,847	-	15,200	-	-
Charges for services	-	-	-	-	26,197	1,135	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	1,433,195	4,478,236	-	945	50	453,671
Total receipts	<u>170,816</u>	<u>1,433,195</u>	<u>8,634,521</u>	<u>-</u>	<u>42,342</u>	<u>1,185</u>	<u>4,070,667</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	1,279,842	-	-	256	405,924	4,290
Debt service - principal and interest	88,310	-	-	-	-	-	2,642,845
Capital outlay	-	-	5,186,860	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	2,350,000	453,671	-	-	-
Total disbursements	<u>88,310</u>	<u>1,279,842</u>	<u>7,536,860</u>	<u>453,671</u>	<u>256</u>	<u>405,924</u>	<u>2,647,135</u>
Excess (deficiency) of receipts over disbursements	<u>82,506</u>	<u>153,353</u>	<u>1,097,661</u>	<u>(453,671)</u>	<u>42,086</u>	<u>(404,739)</u>	<u>1,423,532</u>
Cash and investments - ending	<u>\$ 291,728</u>	<u>\$ 195,994</u>	<u>\$ 7,698,889</u>	<u>\$ -</u>	<u>\$ 47,326</u>	<u>\$ 368,548</u>	<u>\$ 1,564,456</u>

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

	Insurance Escrow	Nestle Tif Capital	Airport Grant Fund	Court Due County	Wheel Tax Fund	Fire Fighting Training Fund	Public Safety Coit Fund
Cash and investments - beginning	\$ 2,016,934	\$ 446,518	\$ 19,241	\$ -	\$ 205,853	\$ 2,296	\$ 56,503
Receipts:							
Taxes	-	-	-	-	1,076,748	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	602,524	-	-	-	2,418,017
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	29,172	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	13,532,782	-	-	-	-	13,174	-
Total receipts	<u>13,532,782</u>	<u>-</u>	<u>602,524</u>	<u>29,172</u>	<u>1,076,748</u>	<u>13,174</u>	<u>2,418,017</u>
Disbursements:							
Personal services	47,982	-	-	-	-	-	2,027,100
Supplies	-	-	-	-	386,633	-	3,331
Other services and charges	12,926,176	-	-	29,172	-	14,774	37,331
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	607,661	-	617,825	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	130,715	-	-	-	-	-	-
Total disbursements	<u>13,104,873</u>	<u>-</u>	<u>607,661</u>	<u>29,172</u>	<u>1,004,458</u>	<u>14,774</u>	<u>2,067,762</u>
Excess (deficiency) of receipts over disbursements	<u>427,909</u>	<u>-</u>	<u>(5,137)</u>	<u>-</u>	<u>72,290</u>	<u>(1,600)</u>	<u>350,255</u>
Cash and investments - ending	<u>\$ 2,444,843</u>	<u>\$ 446,518</u>	<u>\$ 14,104</u>	<u>\$ -</u>	<u>\$ 278,143</u>	<u>\$ 696</u>	<u>\$ 406,758</u>

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

	Nestle Taxable Tif Capital	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	\$ 2,249,814	\$ 471,376	\$ 242,346	\$ 915,579	\$ 2,118	\$ 865,683	\$ 902,895
Receipts:							
Taxes	1,312,869	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	166,197	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	74,859,285	-	-
Penalties	-	-	-	-	298,965	-	-
Other receipts	-	-	739,562	12,598,931	8,189,213	2,389,333	41,218
Total receipts	<u>1,312,869</u>	<u>166,197</u>	<u>739,562</u>	<u>12,598,931</u>	<u>83,347,463</u>	<u>2,389,333</u>	<u>41,218</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	146,320	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	114,092	-	-	809,133	-	-
Utility operating expenses	-	-	-	-	69,746,867	-	-
Other disbursements	2,062,683	-	911,592	13,429,688	11,861,870	2,398,809	6,140
Total disbursements	<u>2,062,683</u>	<u>260,412</u>	<u>911,592</u>	<u>13,429,688</u>	<u>82,417,870</u>	<u>2,398,809</u>	<u>6,140</u>
Excess (deficiency) of receipts over disbursements	<u>(749,814)</u>	<u>(94,215)</u>	<u>(172,030)</u>	<u>(830,757)</u>	<u>929,593</u>	<u>(9,476)</u>	<u>35,078</u>
Cash and investments - ending	<u>\$ 1,500,000</u>	<u>\$ 377,161</u>	<u>\$ 70,316</u>	<u>\$ 84,822</u>	<u>\$ 931,711</u>	<u>\$ 856,207</u>	<u>\$ 937,973</u>

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

	Electric Utility Construction	Electric Utility Depreciation	Electric Utility Automatic Meter Reading	Electric Utility Petty Cash	Electric Utility Mail Permit Deposit	Electric Utility UPS Deposit	Electric Utility Garage Reserve
Cash and investments - beginning	\$ 60,245	\$ -	\$ -	\$ 1,000	\$ 3,000	\$ 152	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	1,699,885	1,163,288	-	-	-	54,000
Total receipts	-	1,699,885	1,163,288	-	-	-	54,000
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	34,897	908,443	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	791,442	1,163,288	-	-	-	54,000
Total disbursements	34,897	1,699,885	1,163,288	-	-	-	54,000
Excess (deficiency) of receipts over disbursements	(34,897)	-	-	-	-	-	-
Cash and investments - ending	\$ 25,348	\$ -	\$ -	\$ 1,000	\$ 3,000	\$ 152	\$ -

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

	Electric Utility Fiber	Electric Utility Reserve - Cilt	Storm Water Utility Operating	Storm Water Utility Depreciation	Storm Water Utility Mail Permit Deposit	Storm Water Utility Constr Csh Fiscal Agent	Storm Water Utility Bond & Interest
Cash and investments - beginning	\$ 148,638	\$ 1,281,650	\$ 13,455	\$ 18,815	\$ 3,000	\$ 1,267,829	\$ 15,644
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	155,634	-	2,108,498	-	-	-	-
Penalties	-	-	16,997	-	-	-	-
Other receipts	219,991	1,495,184	640	48,096	-	1,703	203,367
Total receipts	<u>375,625</u>	<u>1,495,184</u>	<u>2,126,135</u>	<u>48,096</u>	<u>-</u>	<u>1,703</u>	<u>203,367</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	301,011	-	13,640	-	-	1,200,025	-
Utility operating expenses	13,902	-	1,219,666	-	-	-	-
Other disbursements	-	1,495,248	893,810	640	-	-	187,722
Total disbursements	<u>314,913</u>	<u>1,495,248</u>	<u>2,127,116</u>	<u>640</u>	<u>-</u>	<u>1,200,025</u>	<u>187,722</u>
Excess (deficiency) of receipts over disbursements	<u>60,712</u>	<u>(64)</u>	<u>(981)</u>	<u>47,456</u>	<u>-</u>	<u>(1,198,322)</u>	<u>15,645</u>
Cash and investments - ending	<u>\$ 209,350</u>	<u>\$ 1,281,586</u>	<u>\$ 12,474</u>	<u>\$ 66,271</u>	<u>\$ 3,000</u>	<u>\$ 69,507</u>	<u>\$ 31,289</u>

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

	Storm Water Utility Reserve Cilt	Wastewater Utility Construction 2011	Wastewater Utility Operating	Wastewater Utility Bond And Interest	Wastewater Utility Construction	Wastewater Utility Depreciation	Wastewater Utility Reserve Cilt
Cash and investments - beginning	\$ 500,000	\$ 20,740,322	\$ 7,812,416	\$ 3,369,508	\$ 859,329	\$ 1,950,812	\$ 1,607,876
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	20,160,228	-	-	-	-
Penalties	-	-	264,507	-	-	-	-
Other receipts	250,146	471	2,615,951	6,291,575	6,532	1,028,939	1,007,895
Total receipts	250,146	471	23,040,686	6,291,575	6,532	1,028,939	1,007,895
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	11,752,937	14,460	-	469,492	487,157	-
Utility operating expenses	4	-	10,736,019	-	-	-	-
Other disbursements	250,000	-	11,680,814	6,480,527	5,807	114	1,007,876
Total disbursements	250,004	11,752,937	22,431,293	6,480,527	475,299	487,271	1,007,876
Excess (deficiency) of receipts over disbursements	142	(11,752,466)	609,393	(188,952)	(468,767)	541,668	19
Cash and investments - ending	\$ 500,142	\$ 8,987,856	\$ 8,421,809	\$ 3,180,556	\$ 390,562	\$ 2,492,480	\$ 1,607,895

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

	Wastewater Utility Petty Cash	Wastewater Utility Mail Permit Deposit	Wastewater Utility Replacement	Wastewater Utility Automatic Meter Reading	Wastewater Utility Improvement	Wastewater Utility Revolving Sewer Const	Wastewater Utility 2009B Construction
Cash and investments - beginning	\$ 1,000	\$ 3,000	\$ 663,648	\$ 141,275	\$ 1,097,460	\$ 7,930	\$ 915,313
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	50,611	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	340,049	470,721	1,103,919	-	935
Total receipts	-	-	340,049	470,721	1,103,919	50,611	935
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	583,409	-	545,060
Utility operating expenses	-	-	-	611,995	-	49,660	-
Other disbursements	-	-	20	-	3,448	-	444
Total disbursements	-	-	20	611,995	586,857	49,660	545,504
Excess (deficiency) of receipts over disbursements	-	-	340,029	(141,274)	517,062	951	(544,569)
Cash and investments - ending	\$ 1,000	\$ 3,000	\$ 1,003,677	\$ 1	\$ 1,614,522	\$ 8,881	\$ 370,744

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

	Wastewater Utility 2009 Arra Stimulus	Wastewater Utility Sfr Retainage Fund	Wastewater Utility 2010 Construction	Water Utility Operating	Water Utility Bond And Interest	Water Utility Customer Deposit	Water Utility Construction
Cash and investments - beginning	\$ -	\$ 537,356	\$ -	\$ 662,634	\$ -	\$ 149,800	\$ 1,078,840
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	7,551,596	-	-	-
Penalties	-	-	-	47,867	-	-	-
Other receipts	177,650	869,393	190,599	635,363	396,028	77,074	96,179
Total receipts	<u>177,650</u>	<u>869,393</u>	<u>190,599</u>	<u>8,234,826</u>	<u>396,028</u>	<u>77,074</u>	<u>96,179</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	177,650	-	-	51,347	-	-	105,733
Utility operating expenses	-	436,934	190,599	6,479,736	-	-	-
Other disbursements	-	46	-	2,139,626	396,028	1,810	1,055
Total disbursements	<u>177,650</u>	<u>436,980</u>	<u>190,599</u>	<u>8,670,709</u>	<u>396,028</u>	<u>1,810</u>	<u>106,788</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>432,413</u>	<u>-</u>	<u>(435,883)</u>	<u>-</u>	<u>75,264</u>	<u>(10,609)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 969,769</u>	<u>\$ -</u>	<u>\$ 226,751</u>	<u>\$ -</u>	<u>\$ 225,064</u>	<u>\$ 1,068,231</u>

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

	Water Utility Depreciation	Water Utility Reserve Cilt	Water Utility Petty Cash	Water Utility Mail Permit Deposit	Water Utility Automatic Meter Reading	Water Utility Srf Retainage Fund	Totals
Cash and investments - beginning	\$ -	\$ 323,342	\$ 1,000	\$ 3,000	\$ 216,547	\$ 151,150	\$ 71,013,228
Receipts:							
Taxes	-	-	-	-	-	-	35,593,819
Licenses and permits	-	-	-	-	-	-	1,078,317
Intergovernmental	-	-	-	-	-	-	25,908,417
Charges for services	-	-	-	-	-	-	4,487,025
Fines and forfeits	-	-	-	-	-	-	1,195,757
Utility fees	-	-	-	-	565,095	-	105,450,947
Penalties	-	-	-	-	-	-	628,336
Other receipts	498,607	215,568	-	-	474,125	16	80,533,234
Total receipts	498,607	215,568	-	-	1,039,220	16	254,875,852
Disbursements:							
Personal services	-	-	-	-	-	-	36,848,464
Supplies	-	-	-	-	-	-	2,114,699
Other services and charges	-	-	-	-	-	-	25,528,619
Debt service - principal and interest	-	-	-	-	-	-	4,770,712
Capital outlay	325,568	-	-	-	-	-	26,118,597
Utility operating expenses	-	-	-	-	-	-	89,485,382
Other disbursements	-	215,565	-	-	1,255,767	151,166	70,331,227
Total disbursements	325,568	215,565	-	-	1,255,767	151,166	255,197,700
Excess (deficiency) of receipts over disbursements	173,039	3	-	-	(216,547)	(151,150)	(321,848)
Cash and investments - ending	\$ 173,039	\$ 323,345	\$ 1,000	\$ 3,000	\$ -	\$ -	\$ 70,691,380

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

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Electric	\$ 10,096,107	\$ 5,009,753
Storm Water	17,735	656,886
Wastewater	97,666	8,224,347
Water	385,801	169,896
Governmental activities	<u>2,786,780</u>	<u>1,486,133</u>
Totals	<u>\$ 13,384,089</u>	<u>\$ 15,547,015</u>

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

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/ENGINEERING	PURCHASE 2009 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	PLAYGROUND EQUIPMENT	27,044	02-24-05	12-01-14
CITY OF ANDERSON/PARK	51 GOLF CARTS/EZ BEVERAGE CART	29,875	04-11-08	02-15-13
CITY OF ANDERSON/POLICE DEPT	5 POLICE CARS	<u>40,053</u>	10-29-11	10-27-14
Total governmental activities		<u>335,996</u>		
Electric:				
CHASE	AUTO METER READING	853,066	03-29-08	03-29-18
FIRST MERCHANT	BUCKET TRUCK A	38,006	07-02-12	07-02-17
FIRST MERCHANT	BUCKET TRUCK B	33,131	10-22-12	10-22-17
NATIONAL CITY BANK	ROAM AUTOMATED STREET LIGHTS	<u>122,702</u>	01-07-10	01-01-14
Total Electric		<u>1,046,905</u>		
Water:				
CHASE	AUTO METER READING	<u>1,565,990</u>	02-25-08	02-25-22
Total of annual lease payments		<u>\$ 2,948,891</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	2003 IMPROVEMENTS/URBAN PARK 12TH & MERIDIAN ST	\$ 1,025,000	\$ 179,445
General obligation bonds	LEASE RENTAL REFINANCE SERIES 2002 POL ST 2012	5,797,000	445,500
General obligation bonds	SANITARY DISTRICT BONDS 2004	6,955,000	734,370
Revenue bonds	REFINANCE SERIES 2002 PENDELTON/SERIES 2012	3,950,000	126,980
Revenue bonds	ACQUISITION & BUILD (2003 KROGER)	871,000	90,090
Revenue bonds	IMPROVEMENTS (ENTERPRISE) 2004A	1,795,000	243,425
Revenue bonds	PROPERTY ACQUISITION (FLORENTINE DISTRICT) 2004B	440,000	240,790
Revenue bonds	IMPROVEMENTS (NESTLE 2009)	9,420,000	1,007,188
Notes and loans payable	REVENUE NOTE/FOOD & BEVERAGE	342,857	69,397
Notes and loans payable	2013 BANs 2013/STAR BANK	<u>1,400,000</u>	<u>1,452,500</u>
Total governmental activities		<u>31,995,857</u>	<u>4,589,685</u>
Electric:			
Revenue bonds	2003 UPGRADE ELECTRIC UTILITY	<u>7,170,000</u>	<u>800,838</u>
Storm Water:			
Notes and loans payable	WHITE RIVER LEEVE PROJECT	<u>1,314,057</u>	<u>187,722</u>
Wastewater:			
Revenue bonds	SERIES 2011(SRF) LTCP PHASE II	20,255,000	1,508,752
Revenue bonds	SERIES 2007 INFRASTRUCTURE IMPROVEMENTS	13,490,000	989,454
Revenue bonds	SERIES 2009A(SRF) LTCP PHASE 1	5,055,000	361,770
Revenue bonds	SERIES 2009B(SRF) CSO LTCP PHASE 1	4,400,000	406,444
Revenue bonds	SERIES 2010(SRF) TELVISING & SLUDGE INFRASTRUCTURE	2,250,000	150,000
Revenue bonds	SERIES 2012/REFUND 1998/2002	<u>8,495,000</u>	<u>1,009,245</u>
Total Wastewater		<u>53,945,000</u>	<u>4,425,665</u>
Water:			
Revenue bonds	INFRASTRUCTURE IMPROVEMENTS/2007 WATERWORKS	<u>4,150,000</u>	<u>397,102</u>
Totals		<u>\$ 98,574,914</u>	<u>\$ 10,401,012</u>

CITY OF ANDERSON
SCHEDULE OF CAPITAL ASSETS
December 31, 2012

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

	Ending Balance
Governmental activities:	
Land	\$ 7,408,880
Infrastructure	54,932,141
Buildings	27,849,637
Improvements other than buildings	2,698,547
Machinery, equipment, and vehicles	20,828,932
Construction in progress	1,051,817
Total governmental activities	114,769,954
Electric:	
Land	131,859
Buildings	2,924,269
Improvements other than buildings	63,991,123
Machinery, equipment, and vehicles	32,237,866
Construction in progress	1,289,990
Total Electric	100,575,107
Storm Water:	
Improvements other than buildings	21,107,540
Machinery, equipment, and vehicles	91,176
Construction in progress	1,439,908
Total Storm Water	22,638,624
Wastewater:	
Land	656,265
Buildings	37,134,475
Improvements other than buildings	40,398,454
Machinery, equipment, and vehicles	35,167,275
Construction in progress	16,084,598
Total Wastewater	129,441,067
Water:	
Land	500,390
Buildings	4,055,166
Improvements other than buildings	27,458,045
Machinery, equipment, and vehicles	15,792,741
Construction in progress	43,705
Total Water	47,850,047
Total capital assets	\$ 415,274,799

CITY OF ANDERSON
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL 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.

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 \$7,846,113. 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. A similar comment appeared in the two prior reports, most recently B40822.

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 objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

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

EXPENDITURES OF UTILITY FUNDS FOR CITY USES

The following issues from the prior Report B40822 still existed during 2012.

The Electric, Water, and Wastewater/Storm Water 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. Salaries and expenses 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 and again in 2012, disbursements for the following purposes were 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 bills, 50 percent of copy center expenses, 100 percent of elevator expenses, some City promotional expenses and some office supplies.
- Mayor's office - Mayor was paid 60 percent and three other employees were paid salaries ranging from 49 percent to 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.
- City Clerk's Office - One employee was paid 49 percent from Utilities and performs no function related to the Utilities.
- City Council - City council members' salaries are paid 64 percent from the Utilities.
- Board of Works - Salaries ranging from 49 percent to 55 percent were paid from Utilities.
- Legal - Salaries were paid 55 percent from 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.

CITY OF ANDERSON
AUDIT RESULTS AND COMMENTS
(Continued)

- Engineering Department - One employee was paid 50 percent, five employees were paid 66 percent, and one employee was paid from the Wastewater/Storm Water 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 City and Utility insurance claims and settlements.

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

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 . . ."

Indiana Code 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 61)

CITY OF ANDERSON
AUDIT RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS

The City performed monthly depository reconciliations of the fund balances to the bank account balances. However, the October, November, and December bank reconciliations did not balance. The December 31, 2012 reconciliation reported unidentified cash long of \$12,738.71. The same unidentified variance remained on the February 2013 reconciliation. An adjusting entry was made on March 14, 2013, by recording a receipt into the financial records.

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

ORDINANCES AND RESOLUTIONS - STORM WATER FEES

The City passed Ordinance Number 77-01 on January 14, 2002, establishing storm water fees. According to the Ordinance, each property owner shall be assessed a storm water service charge equal to \$3.50 per Equivalent Residential Unit (ERU). On August 9, 2002, this Ordinance was amended to allow for the tenants occupying the property to be assessed the storm water service fee, but still held the property owner ultimately responsible for any unpaid storm water balance. We identified instances of noncompliance with the existing Ordinance. During a test of compliance over utility billings, one instance was noted when a property was not billed for storm water fees but should have been. As a result, an additional test was performed specifically on accounts that were not billed storm water fees. The second test resulted in 40 percent failure to bill storm water fees for properties, in order to comply with the local ordinance.

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)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDIANAPOLIS, INDIANA 46204-2769

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Anderson's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Neighborhood Stabilization Program

As described in items 2012-3, 2012-7, and 2012-8 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding cash management, reporting, and subrecipient monitoring that are applicable to the Neighborhood Stabilization Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

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

Basis for Qualified Opinion on ARRA - Public Safety Partnership and Community Policing Grants

As described in items 2012-10 and 2012-11 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding special tests and provisions that are applicable to the ARRA - Public Safety Partnership and Community Policing Grants. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

Basis for Qualified Opinion on Airport Improvement Program

As described in items 2012-3 and 2012-6 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding cash management and reporting that are applicable to the Airport Improvement Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

Basis for Qualified Opinion on Highway Planning and Construction Cluster

As described in item 2012-3 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding cash management that are applicable to the Highway Planning and Construction Cluster. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to those programs.

Basis for Qualified Opinion on Federal Transit Cluster

As described in items 2012-5 and 2012-10 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding reporting and special tests and provisions that are applicable to the Federal Transit Cluster. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to those programs.

Qualified Opinion on the Neighborhood Stabilization Program, ARRA - Public Safety Partnership and Community Policing Grants, Airport Improvement Program, Highway Planning and Construction Cluster, and Federal Transit Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraphs, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Neighborhood Stabilization Program, ARRA - Public Safety Partnership and Community Policing Grants, Airport Improvement Program, Highway Planning and Construction Cluster, and Federal Transit Cluster for the year ended December 31, 2012.

Unmodified Opinion on Capitalization Grants for Clean Water State Revolving Funds

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Capitalization Grants for Clean Water State Revolving Funds identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of January 1, 2012 to December 31, 2012.

Other Matters

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

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

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2012-2, 2012-4, 2012-6, 2012-7, 2012-8, and 2012-9 to be material weaknesses.

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

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



Bruce Hartman
State Examiner

August 12, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Agriculture</u>				
Cooperative Forestry Assistance	Indiana Department of Natural Resources	10.664	FY12	\$ 5,517
Total - Department of Agriculture				<u>5,517</u>
<u>Department of Housing and Urban Development</u>				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants Community Development	Direct	14.218	B-11-MN-18-0001	<u>261,547</u>
Total - CDBG - Entitlement Grants Cluster				<u>261,547</u>
CDBG - State-Administered CDBG Cluster				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Community Development	Indiana Housing & Community Development Authority	14.228	NSP1-009-0025	<u>7,093</u>
Total - CDBG - State-Administered CDBG Cluster				<u>7,093</u>
HOME Investment Partnerships Program Community Development - HOME	Direct	14.239	M-12-MC-180211	<u>274,544</u>
Neighborhood Stabilization Program Community Development - Neighborhood Stabilization NSP-1	Direct	14.264	B-11-MN-18-0001	<u>492,454</u>
Total - Department of Housing and Urban Development				<u>1,035,638</u>
<u>Department of Justice</u>				
JAG Program Cluster				
Edward Byrne Memorial Justice Assistance Grant Program Police Grant	Direct	16.738	10-DJ-BX-2597 12-DJ-BX-1179	20,803 14,391
Edward Byrne Memorial Justice Assistance Grant Program Police Grant	Indiana Criminal Justice Institute	16.738	10-DJ-028	<u>1,922</u>
Total - JAG Program Cluster				<u>37,116</u>
Crime Victim Assistance STOP	Indiana Criminal Justice Institute	16.575	11VALE008	<u>30,195</u>
Community Capacity Development Office Weed and Seed Grant	Direct	16.595	2010-WS-0X-0099	<u>26,639</u>
Bulletproof Vest Partnership Program Police Grant	Direct	16.607	FY-2010	<u>15,200</u>
ARRA - Public Safety Partnership and Community Policing Grants Cops Hiring and Recovery Program	Direct	16.710	2009RKWX0349/IN04802	<u>448,065</u>
Total - Department of Justice				<u>557,215</u>
<u>Department of Transportation</u>				
Federal Transit Cluster				
Federal Transit - Formula Grants City of Anderson Transit System	Direct	20.507	IN-90-X620 IN-90-X638	102,037 1,062,633
ARRA - Federal Transit - Formula Grants	Direct	20.507	IN-96-X020	<u>37,538</u>
Total - Federal Transit Cluster				<u>1,202,208</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, 2012
(Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Transportation (continued)</u>				
Highway Planning and Construction Cluster				
Highway Planning and Construction	Indiana Department of Transportation	20.205		
Mounds Rd Pedestrian Trail			DES#0301168	53,993
Layton Road Project			DES#0600127	114,095
67th Street			DES#0600128	<u>876,049</u>
Total - Highway Planning and Construction				<u>1,044,137</u>
Recreational Trails Program	Indiana Department of Transportation	20.219		
White River Trail			DES#1005610	2,435
White River Trail			DES#1172469	<u>15,360</u>
Total - Recreational Trails Program				<u>17,795</u>
Total - Highway Planning and Construction Cluster				<u>1,061,932</u>
Highway Safety Cluster				
Alcohol Impaired Driving Countermeasures Incentive Grants I	Madison County	20.601		
Alcohol Impaired Driving			K8-2012-03-03-21	5,710
Operation Pullover			PT-12-11-04-05	<u>19,738</u>
Total - Highway Safety Cluster				<u>25,448</u>
Airport Improvement Program	Direct	20.106		
Taxiway Relocation			AIP-3-18-0001-21	44,789
Airport Improvement Program			AIP 3-18-0001-22	115,378
Airport Improvement Program			AIP-3-18-0001-25	338,054
Aid to 4 - NEM Airfield Vault			AIP-3-18-0001-26	<u>99,254</u>
Total - Airport Improvement Program				<u>597,475</u>
Total - Department of Transportation				<u>2,887,063</u>
<u>Environmental Protection Agency</u>				
Capitalization Grants for Clean Water State Revolving Funds	Indiana Finance Authority	66.458		
Water Pollution Control			WW09204801	67,454
Water Pollution Control			WW09204802	72,370
Water Pollution Control			WW11094803	<u>4,462,590</u>
Total - Capitalization Grants for Clean Water State Revolving Funds				<u>4,602,414</u>
Total - Environmental Protection Agency				<u>4,602,414</u>
<u>Department of Energy</u>				
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	Direct	81.128		
City Hall			SC0001617	<u>39,757</u>
Total - Department of Energy				<u>39,757</u>
<u>Department of Homeland Security</u>				
State Homeland Security Program (SHSP)		97.073		
Propane Training	Huntington County		C44P-1-069A	8,000
LP Training	Madison County		FY12	4,075
Task Force Grant - Emergency Management	Delaware County		C44P-1-273A	<u>15,099</u>
Total - State Homeland Security Program (SHSP)				<u>27,174</u>
Staffing for Adequate Fire and Emergency Response (SAFER)	Direct	97.083		
Staffing Firefighters			EMW-2009-FH-01120	<u>162,017</u>
Total - Department of Homeland Security				<u>189,191</u>
Total federal awards expended				<u>\$ 9,316,795</u>

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

CITY OF ANDERSON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of 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, 2012:

Program Title	Federal CFDA Number	2012
Neighborhood Stabilization Program	14.264	\$ <u>317,074</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:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Qualified on all programs, except for Capitalization Grants for Clean Water State Revolving Funds, which is unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.264	Neighborhood Stabilization Program
16.710	ARRA - Public Safety Partnership and Community Policing Grants
20.106	Airport Improvement Program
--	Federal Transit Cluster
--	Highway Planning and Construction Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

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

Section II – Financial Statement Findings

FINDING 2012-1 - INTERNAL CONTROLS OVER FINANCIAL 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.

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 \$7,846,113. 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.

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

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

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

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

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision of the Department of Health and Human Services.
- (2) For Federal awards received as a sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to sub-recipients from each Federal program.

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.

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

Section III – Federal Award Findings and Questioned Costs

CASH FINDING 2012-2 - INTERNAL CONTROLS OVER MANAGEMENT

Federal Agency: 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: Direct Grant

Federal Agency: Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number and Year (or Other Identifying Number): AIP-3-18-0001-21, AIP-3-18-0001-22,
AIP-3-18-0001-25, AIP-3-18-0001-26
Pass-Through Entity: Direct Grant

Federal Agency: Department of Transportation
Federal Programs: Highway Planning and Construction, Recreational Trails Program
CFDA Number: 20.205, 20.219
Federal Award Number and Year (or Other Identifying Number): DES #0301168, DES #0600127, DES
#0600128, DES #1005610, DES
#1172469
Pass-Through Entity: Indiana Department of Transportation

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and cash management compliance requirement that has a direct and material effect to the programs noted above. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements.

The controls over cash management for reimbursement grants were not designed properly. The reimbursement method requires payment of costs prior to requesting reimbursement and the advance method requires payment of program costs within a timely basis. The Airport Improvement Program and Highway Construction Program grants were on reimbursement basis. The procedures in place, during at least the early part of 2012, were to submit a request for reimbursement from the federal or pass-through agency when invoices related to the program were received and a claim for payment was prepared. Salaries and vendors would be paid after the reimbursement was received.

The controls over cash management for advance grants were inadequate. The Neighborhood Stabilization Program (NSP) grant was on advance method. The department handling the NSP grant suffered a complete turnover in personnel in the early part of 2012. New personnel were not aware of the cash management requirements for the NSP grant and had not developed controls to meet the cash management requirements.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program.

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

This was identified as a weakness during the prior year audit and communicated to management at that time. After communication during the prior audit, new controls were established in which reimbursements were not submitted until salaries and vendors were paid. However, the time frame in which the new procedures were implemented could not be determined and not all departments implemented the new procedures. This was considered to be a material weakness in internal controls over cash management compliance requirements.

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and cash management compliance requirements.

FINDING 2012-3 - CASH MANAGEMENT

Federal Agency: 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: Direct Grant

Federal Agency: Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number and Year (or Other Identifying Number): AIP-3-18-0001-21, AIP-3-18-0001-22,
AIP-3-18-0001-25, AIP-3-18-0001-26
Pass-Through Entity: Direct Grant

Federal Agency: Department of Transportation
Federal Program: Highway Planning and Construction, Recreational Trails Program
CFDA Number: 20.205, 20.219
Federal Award Number and Year (or Other Identifying Number): DES #0301168, DES #0600127,
DES #0600128, DES #1005610,
DES #1172469
Pass-Through Entity: Indiana Department of Transportation

Due to the improper design of internal controls over cash management as described in Finding 2012-2, noncompliance with cash management requirements occurred for the programs noted above. The extent of noncompliance is documented in the following three paragraphs.

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

One of the four reimbursement requests tested for the Neighborhood Stabilization Program (NSP) grant did not comply with cash management requirements. The NSP grant is a component of the Community Development Block Grant (CDBG) program and maintains the same financial accountability requirements. The CDBG Guidebook indicates that payments must be made timely and "the general rule is that payment must take place within three business days of the deposit." In the instance noted above, the amounts due to vendors for reimbursement request were not paid within three business days of deposit. The reimbursement was deposited May 2, 2012, and two of the vendors included in that reimbursement were not paid until May 9, 2012, which is five business days.

Testing of the reimbursements for the Airport Improvement Program grants disclosed noncompliance in approximately 78 percent of the cash reimbursements tested. Grant expenses were generally paid seven to fourteen days after the receipt of reimbursements, but in two instances payments were made 51 and 176 days after reimbursements were received.

Testing of the reimbursements for the Highway Planning and Construction Cluster grants disclosed noncompliance in approximately 44 percent of the cash reimbursements tested. Grant expenses were generally paid 7 to 14 days after the reimbursements were requested, but in three instances payments were made 30 to 37 days after reimbursements were requested.

CFR 85.21 governing U.S. Department of Housing and Urban Development and 49 CFR 18.21 governing U.S. Department of Transportation grants state the following:

- "(a) *Scope*. This section prescribes the basic standard and the methods under which a Federal agency will make payments to grantees, and grantees will make payments to subgrantees and contractors.
- (b) *Basic standard*. Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205.
- (c) *Advances*. Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.
- (d) *Reimbursement*. 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."

31 CFR 205.12 (b)(5) states: "Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes."

Noncompliance of the grant agreements or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommended that the City obtain an adequate understanding of grant requirements and ensure compliance with cash management requirements.

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

FINDING 2012-4 - INTERNAL CONTROLS OVER CASH MANAGEMENT AND REPORTING

Federal Agency: Department of Transportation

Federal Program: Federal Transit - Formula Grants

CFDA Number: 20.507

Federal Award Number and Year (or Other Identifying Number): IN-90-X620, IN-90-X638,
IN-96-X020

Pass-Through Entity: Direct Grant

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and cash management and reporting compliance requirements that have a direct and material effect to the program noted above. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements.

The Transportation Director used an electronic spreadsheet to compile the financial information for program reporting, including reimbursement requests. The information entered into the spreadsheet was obtained from the City's financial accounting software. During a test of controls, it was determined that the electronic spreadsheet did not include all transportation expense accounts. There was no segregation of duties, as the Director prepared the spreadsheet and report then submits the report to the federal agency with no additional review by a second individual. Because the reimbursement requests are also prepared using the information from the electronic spreadsheets and the information is not reviewed prior to submission, there is a risk that the City could request an incorrect amount of funding. This was determined to be a material weakness in controls over cash management and reporting requirements.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program.

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreements or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreements and the cash management and reporting compliance requirements.

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

FINDING 2012-5 - REPORTING

Federal Agency: Department of Transportation

Federal Program: Federal Transit - Formula Grants

CFDA Number: 20.507

Federal Award Number and Year (or Other Identifying Number): IN-90-X620, IN-90-X638,
IN-96-X020

Pass-Through Entity: Direct Grant

Due to the insufficient controls over reporting as described in Finding 2012-4, noncompliance with reporting requirements occurred for the program noted above. The extent of noncompliance during the audit period is documented in the following paragraph.

The quarterly expenditure reports tested for 2012 were not accurate. Additionally, the monthly expenditure reports tested, which were used to claim reimbursements, were inaccurate. The amounts reported were understated and did not agree with the City's financial records.

Correspondence from the U.S. Department of Transportation noted additional noncompliance. The correspondence was dated March 15, 2012, and indicated that the following reporting issues were found:

1. 1512C for the ARRA grant (IN-96-X020-00) due in January 2012 was not submitted by the due date.
2. 1201C for the ARRA grant (IN-96-X020-00) due February 2012 was not submitted by the due date.
3. Quarterly Narrative Report which contains the Federal Financial Report and Milestone Progress Report for grant (IN-96-X020-00) was due in January 2012 was not submitted by the due date.

49 CFR 18.20(b)(1) states:

"Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

49 CFR 18.41 states in part:

"(a) *General.* (1) Except as provided in paragraphs (a) (2) and (5) of this section, grantees will use only the forms specified in paragraphs (a) through (e) of this section, and such supplementary or other forms as may from time to time be authorized by OMB, for:

- (i) Submitting financial reports to Federal agencies, or
- (ii) Requesting advances or reimbursements when letters of credit are not used."

Noncompliance of the grant agreements or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommended that the City obtain an adequate understanding of grant requirements to ensure compliance with those reporting requirements.

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

FINDING 2012-6 - REPORTING

Federal Agency: Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106

Federal Award Number and Year (or Other Identifying Number): AIP-3-18-0001-21, AIP-3-18-0001-22,
AIP-3-18-0001-25, AIP-3-18-0001-26

Pass-Through Entity: Direct Grant

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the reporting compliance requirement. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements.

The Anderson Municipal Airport contracts with a professional engineering company to prepare their "Outlay Report and Request for Reimbursement for Construction Programs" (reimbursement reports). The reimbursement reports were sent to the airport manager for review and approval along with the supporting documentation, such as invoices. The airport manager approved the reports by signature prior to submission to the federal agency. However, during the test of controls, errors were found in 22 percent of the reports tested, which would indicate that the controls were either not properly implemented or not effective. This was considered a material weakness in controls over reporting.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program.

Due to the control weakness described above, noncompliance with reporting requirements was found. The extent of noncompliance during the audit period is documented in the following paragraph.

Two of the reimbursement reports tested contained errors. Those two reimbursement reports included amounts claimed for the wrong federal award under this federal program.

49 CFR 18.20(b)(1) states:

"Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

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

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and reporting compliance requirement.

FINDING 2012-7 - REPORTING

Federal Agency: 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: Direct Grant

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements for reporting. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirement.

During the early part of 2012, the Community Development department had a complete turnover in personnel and department structure. The new personnel did have formal control procedures in place, for at least part of 2012, to ensure the federal compliance requirements for reporting were met.

Adequate procedures were not in place to ensure that quarterly performance reports were completed and submitted timely or properly reviewed and approved by a person separate from the person preparing the report. The personnel responsible for preparing and submitting the quarterly reports indicated they were aware of report due dates. No formal procedures were in place to track when reports were due, prepared, reviewed, approved, or submitted. Responsible personnel were not aware of the requirement to post quarterly reports to their website. The combination of these reporting weaknesses is considered to be a material weakness in internal controls.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

Due to the control weaknesses described above, noncompliance with reporting requirements was found. The extent of noncompliance during the audit period is documented in the following paragraph.

Two quarterly reports were filed late and not posted to the City's website. Quarterly reports were required to be submitted within 30 days after the quarter end. The fourth quarter 2011 report was due on January 30, 2012, but not submitted until February 22, 2012, and the third quarter 2012 report was due October 30, 2012, but not submitted until November 29, 2012.

Per the grant agreement, quarterly reports were required to be completed, due 30 days after the quarter end, and required to be posted to the City's website.

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

24 CFR 85.40(b)(1) states in part:

"(1) Grantees shall submit annual performance reports unless the awarding agency requires quarterly or semi-annual reports. However, performance reports will not be required more frequently than quarterly. Annual reports shall be due 90 days after the grant year, quarterly or semi-annual reports shall be due 30 days after the reporting period. . . ."

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

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

The failure to establish adequate internal controls resulted in material noncompliance. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommended that the City's management establish controls, including segregation of duties, to ensure compliance with the grant agreement and reporting compliance requirements.

FINDING 2012-8 - SUBRECIPIENT MONITORING

Federal Agency: 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: Direct Grant

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements for subrecipient monitoring. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirement.

During the early part of 2012, the Community Development department had a complete turnover in personnel and department structure. The new personnel did have formal control procedures in place to ensure the federal compliance requirements for subrecipient monitoring were met.

Adequate procedures were not in place during 2012 to determine: projects that required monitoring; how monitoring would be performed; what type of monitoring was necessary; or how monitoring would be documented. This lack of procedures was considered to be a material weakness in internal controls over subrecipient monitoring compliance requirements.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program.

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

Due to the control weaknesses described above, noncompliance with subrecipient monitoring requirements was found. The extent of noncompliance during the audit period is documented in the following paragraph.

Community Development personnel indicated that invoices and receipts provided by the subrecipients for reimbursement were reviewed for authorized purposes and some onsite visits were performed on current projects. However, responsible personnel indicated that no documentation was maintained for those onsite visits and other completed projects still under the affordability period were not monitored to ensure they were meeting continued compliance requirements. Additionally, no documentation was presented by the City to verify or monitor that the subrecipients received a federal audit. They did not determine whether the subrecipients federal audit contained findings.

24 CFR 85.40(a) states:

"Monitoring by grantees. Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

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

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

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

The failure to establish adequate internal controls resulted in material noncompliance. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommended that the City's management establish controls, including segregation of duties, to ensure compliance with the grant agreement and subrecipient monitoring compliance requirements.

FINDING 2012-9 - INTERNAL CONTROLS OVER SPECIAL TESTS AND PROVISIONS - ARRA

Federal Agency: 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/IN04802

Pass-Through Entity: Direct Grant

Federal Agency: Department of Transportation

Federal Program: ARRA - Federal Transit - Formula Grants

CFDA Number: 20.507

Federal Award Number and Year (or Other Identifying Number): IN-96-X020

Pass-Through Entity: Direct Grant

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the special tests and provisions compliance requirement. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements.

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

Under the ARRA requirements, transactions related to ARRA funding were required to be accounted for separately. However, the City officials did not have an adequate understanding of the grant requirements and failed to establish the necessary controls. As described in the Section II Finding 2012-1, the City did not have controls in place to properly identify or report ARRA funding separately in the financial records from other sources and uses of funding. This was considered to be a material weakness in internal controls over special tests and provisions compliance requirements related to ARRA.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program.

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and the special tests and provisions compliance requirement.

FINDING 2012-10 - SPECIAL TESTS AND PROVISIONS - ARRA

Federal Agency: 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/IN04802
Pass-Through Entity: Direct Grant

Federal Agency: Department of Transportation
Federal Program: ARRA - Federal Transit - Formula Grants
CFDA Number: 20.507
Federal Award Number and Year (or Other Identifying Number): IN-96-X020
Pass-Through Entity: Direct Grant

Due to the control weaknesses described in Finding 2012-9, the City had instances of noncompliance with special tests and provisions compliance requirements related to ARRA for the programs noted above. The extent of noncompliance during the audit period is documented in the following three paragraphs.

The City accounted for the Public Safety Partnership and Community Policing Grants (COPS) grant transactions in the General Fund along with other federal, state, and local sources. The City established a separate line item for the reimbursements receipted into the General Fund, but that identification was lost at the summary level in the financial statement. The City did not separately identify the disbursements charged

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

to this grant which resulted in the disbursements being comingled with other salary and benefit disbursements. Therefore, the reimbursements and disbursements related to the COPS grant were included in the total General Fund receipts and disbursements reported on the financial statement and were not separately identified as ARRA.

The City accounted for the Federal Transit - Formula Grant transactions in the CATS Fund along with other federal, state, and local sources. The City did not separately identify the reimbursements received or the disbursements charged to this grant which resulted in the transactions being comingled with other transactions related to the CATS department.

Additionally, these grants were not properly identified as ARRA funding on the original SEFA. The ARRA identification was added through audit adjustment which was approved by the City's management.

2 CFR section 176.210 states in part:

"(a) To maximize the transparency and accountability of funds authorized under the American Recovery and Reinvestment Act of 2009 (Pub. L. 111-5) (Recovery Act) as required by Congress and in accordance with 2 CFR 215.21 'Uniform Administrative Requirements for Grants and Agreements' and OMB Circular A-102 Common Rules provisions, recipients agree to maintain records that identify adequately the source and application of Recovery Act funds. OMB Circular A-102 is available at <http://www.whitehouse.gov/omb/circulars/a102/a102.html>.

(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. OMB Circular A-133 is available at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>. This shall be accomplished by identifying expenditures for Federal awards made under the Recovery Act separately on the SEFA, and as separate rows under Item 9 of Part III on the SF-SAC by CFDA number, and inclusion of the prefix 'ARRA-' in identifying the name of the Federal program on the SEFA and as the first characters in Item 9d of Part III on the SF-SAC."

Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommend that the City obtain an adequate understanding of grant requirements and ensure compliance with those requirements.

FINDING 2012-11 - SPECIAL TESTS AND PROVISIONS

Federal Agency: 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/IN04802

Pass-Through Entity: N/A

The City entered into a grant agreement with the Department of Justice for a COPS Hiring Recovery Program grant in 2009. The grant contained special requirements regarding "Retention". However, the City failed to comply with those requirements.

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

According to the "Retention" requirement in the grant agreement, the City was required to retain the six additional officers hired with the grant for a one year period following the 36 month grant period. The grant also stated that the additional officers could not be absorbed through attrition after the 36 month grant period. The grant ended December 31, 2012, and the retention period began January 1, 2013. According to City officials, the City was not able to maintain the required number of police officers which caused the "additional" officers to be absorbed through attrition. Documentation in the grant files indicated the City was aware of the retention requirement, properly communicated it throughout the City, and planned to comply, but was not able to comply due to financial circumstances. The City officials communicated their financial circumstances and intent not to comply with the retention requirement to the Department of Justice. The Department of Justice handled it as a "Failure to Retain" compliance issue which resulted in a restriction of one year from the start of the retention period from applying for any future COPS hiring grants that contain a retention requirement.

Part I, Section 5 of the 2009 COPS Hiring Recovery Program Grant Owner's Manual states the following:

"At the time of grant application, your agency committed to retaining all sworn officer positions awarded under the CHRP grant with state and/or local funds for a minimum of 12 months following the conclusion of 36 months of federal funding for each position, over and above the number of locally-funded sworn officer positions that would have existed in the absence of the grant. Your agency cannot satisfy the retention requirement by using CHRP-funded positions to fill locally-funded vacancies resulting from attrition."

Due to the City's failure to comply with special tests and provisions requirements, the City was in noncompliance with the retention requirement and penalized within the federal guidelines, as noted above.

We recommended that the City should develop procedures to ensure that all grant requirements can be met.



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Kevin S. Smith, Mayor

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Original SBOA Audit Report Number: B40822
Fiscal Year: 2011
Auditee Contact Person : Sam Pellegrino
Title of Contact Person: Controller
Phone Number: (765) 648-6034

Status of Findings:

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

1. The Funds are in separate accounts.
2. The software program for the Internal Controls started in October and Cathy Wiggins, of the Controller's office is maintaining such.
3. We are contacting all Department heads to identify any additional grants that have not been entered into the program. One was recently discovered that was not in the system, however, no funds have been requested.
4. All departments have been advised that all Grant requests applications, awards and etc. must be sent to the Controller's office.

FINDING 2011-2 - SPECIAL TESTS AND PROVISIONS


The remaining ARRA funds were separated and have been spent.

FINDING 2011-3 - REPORTING

The error was corrected upon the finding.

FINDING 2011-4 - CASH MANAGEMENT

The City is disbursing before reimbursements. Department were notified that they are not to request reimbursement until the Controller gives permission to do such.


Sam J. Pellegrino, Controller
City of Anderson



Kevin S. Smith, Mayor

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August 16, 2013

State Board of Accounts
302 W. Washington Street Room E418
Indianapolis, IN 46204-2765


To Whom It May Concern:

The head of each City Department, which was sighted in the report, have responded to the findings. Those responses are attached to this letter. The errors have been corrected.

Also, the Controller's office has improved its recording by purchasing a software program to enhance its current system. This was implemented midyear of last year.

All affected department heads have been instructed to inform the Controller's office of all grants applied for and also approved by the Federal Government.

Sincerely,


Sam J. Pellegrino, Controller



City of Anderson

Community Development Department

120 East 8th Street ♦ P. O Box 2100 ♦ Anderson, IN ♦ 46018 ♦ 765-648-6097 fax: 765-648-5932

Kevin Smith, Mayor

August 21, 2013

Sam J. Pellegrino, Controller
City of Anderson, Indiana
120 E. Eighth Street
Anderson, Indiana 46016

Dear Sam,

In response to the federal findings for audit period 01-01-12 to 12-31-12, the Community Development Department has implemented the following practices and/or corrective actions:

Finding 2012-2 – Internal Controls over Cash Management & Finding 2012-3 Cash Management

Upon receipt of the previous audit findings, The Community Development Department immediately implemented the following changes:

- A new Community Development Administrator was hired. Part of her duties are to review all incoming claims submitted by subrecipients and partnering entities to ensure all costs are eligible for payment and the agency is in compliance with federal regulations. If the claim is okay for payment, the CD Administrator initials and dates the claim and submits it to the Finance Specialist to be processed for payment.
- The finance Specialist for Community and Economic Development processes all claims for payroll and reimbursement to subrecipients/agencies. All Community Development claims are signed by the Deputy Director of Community Development and submitted to the controller's office for payment. Upon receipt of a ledger from the controller's office showing that payment has been posted and verification that the actual check has been cut, a draw request is submitted through the federal reporting system. All draw requests must be approved by either the Administrator or Deputy Director prior to final payment. There have always been separation of duties with respect to all draws as the federal reporting system used to request the draws will not allow the same individual to request and approve any draw.
- Community Development modified its procedures to wait until the controller's office issues payments to draw funds. In the event of a substantial payment (in excess of \$50,000), draws will not be requested until the finance officer receives written approval from the controller, which is generally three business days before the checks are issued.

Per 24 CFR 85, *Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee..* The training manual for the CDBG program as published by the HUD Office of Block Grant Assistance states as follows: *Disbursement of funds must occur in a timely manner. While there is no explicit time period, the general rule is that payment must take place within three business days of deposit of CDBG funds. If payment takes longer than three business days, written justification should be maintained in the files.* While we appreciate the concern that the payments were sent more than three days after receipt of a draw, the Community Development Department does not feel that this finding is a finding of non-compliance as it is a "general rule" and not a regulation.

Finding 2012-7 – Reporting

As noted in the finding letter, the Community Development department experienced a complete turnover in staff early in 2012. Staff working on the program after the turnover were initially not aware of all of the deadlines for the various programs and consequently did not get all of the required reports submitted on time. The staff has since gone to several trainings and is working with a technical support team to ensure compliance with all regulations. The due dates for all required reports are now marked on the calendars of the Finance Specialist and CD Administrator to ensure they are submitted in a timely fashion. Additionally, all reports are currently being uploaded to the City's website upon submission to HUD as required.

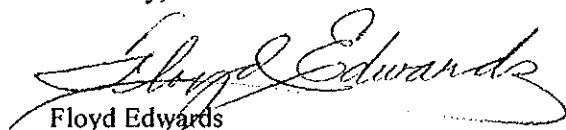
All reports are submitted to the Deputy Director upon completion for review upon submission.

Finding 2012-8 – MONITORING

As stated above, there was a complete turnover in CD staff in early 2012. There was limited desk monitoring done as claims were submitted to ensure cost eligibility, however due to the limited number of staff and time, they were not able to conduct on-site monitoring. A CD Administrator was hired in January 2013. She is currently in the process of reviewing all programs and scheduling monitoring visits as needed.

If you have any questions or need additional information, please feel free to contact me at extension 6136.

Sincerely,



Floyd Edwards
Deputy Director of Community Development



Kevin S. Smith, Mayor

August 13, 2013

City of Anderson
Transit System
Rick Garrett
Director of Operations
530 Dale Keith Jones Road
Anderson, Indiana 46011
(765) 648-6406 Phone
(765) 648-6404 Fax
www.cityofanderson.com

- 1) Accounting procedures of expenses and reimbursements were performed using Excel spread sheets developed by the previous administration. These spread sheets were discovered to obtain errors in calculations and have been corrected. Additional spread sheets have been developed to assist in the financial accounting of monthly expenditures.
- 2) The Director of Operations had compiled monthly financial expenses and requested reimbursement from the FTA. To insure a separation of duties and accuracy of accounting, the General Manager will review expense reports through MUNIS before a submission of reimbursement in made to the FTA.
- 3) Findings indicate reports were submitted late for ARRA grant (IN-96-X020-00) as they were due in January 2012. Administration of CATS changed on January 1, 2012 and when notified by FTA the reports had not been submitted by the previous administration and were due, they reports were immediately submitted. All funds from the ARRA grants were expended and the grants have been closed. A full-time Long Range Planner has been hired to oversee submission of reports to FTA. The General Manager will review these submissions to ensure they are being made in a timely manner.

Rick Garrett
Director of Operations



Anderson Municipal Airport,
Darlington Field

City of Anderson
Anderson Municipal Airport

282 Airport Road
Anderson, Indiana 46017
(765) 648-6292 Fax (765) 648-6294
www.cityofanderson.com

August 5, 2013

Mr. Sam Pellegrino
Controller
City Of Anderson
Anderson, Indiana 46017

Dear Sam:

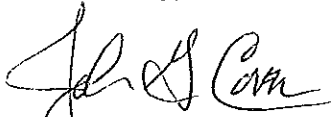
The State Board of Accounts found two faults in reviewing the Airport grant accounts for calendar year 2012. The following issues were discussed with me by Shannon Lopez on Tuesday July 16, 2013.

1. The airport's consultant submitted 1 invoice for work conducted on 2 airport grants. The consultant should have submitted separate invoices for work conducted on the individual grants. I have discussed this issue with the airport's consultant and in the future will submit separate invoices when working on more than 1 grant.
2. The airport did not submit invoices for payment until monies were received from the Federal Aviation Administration. The airport did not have the capabilities to enter invoices into the city's financial program, MUNIS, unless enough dollars were available to cover the invoices. This resulted in several invoices being held for lengthy periods of time until the monies were received. The city has allowed the grant accounts to be in the "Red" while awaiting reimbursement for work completed in association with the grants. As the Federal Aviation Administration grants are reimbursable in nature, the invoices must be paid before seeking reimbursement.

The incidents stated above were isolated incidents regarding the grants. The issues have been corrected and should not occur again. The Federal Aviation Administration has created an "e-invoicing" service which allows for receiving grant money in a matter of days versus weeks or months when completed manually.

If you have any questions or need additional information regarding these matters, please do not hesitate in contacting me.

Sincerely,

A handwritten signature in black ink, appearing to read "John G. Coon". The signature is fluid and cursive, with the first name "John" and last name "Coon" clearly distinguishable.

John G. Coon
Airport Manager

CITY OF ANDERSON
EXIT CONFERENCE

The contents of this report were discussed on August 12, 2013 with Sam J. Pellegrino, former Controller; Jason C. Fenwick, Controller; Kevin S. Smith, Mayor; David W. Eicks, President of the Common Council, and Pete Heuer, Chairman of the Board of Public Works. The Official Response has been made a part of this report and may be found on pages 74 through 76.



*City of Anderson
Mayor's Office*

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CITY OF ANDERSON'S RESPONSE TO THE STATE BOARD OF ACCOUNTS' AUDIT RESULTS AND COMMENTS FOR FISCAL YEAR 2012

August 21, 2013

State Board of Accounts
302 W Washington Street, Room E418
Indianapolis, Indiana 46204-2765

To Whom It May Concern:

The City of Anderson (hereinafter the "City") participated in an exit interview with auditor Shannon Lopez from the State Board of Accounts on Monday, August 12, 2013 regarding the fiscal year 2012 audit. At the conclusion of that interview, the City chose to submit a formal response to the State Board of Accounts regarding the audit results and comments. Please accept this letter as the City's official response.

Audit Result & Comment #1: Internal Controls over Financial Reporting of Federal Awards

The City recognizes that additional internal controls must be implemented in order to accurately identify and record receipts, disbursements, and other information related to federal grants. In fact, the City is in the process of implementing a software program called Project Manager, which will function as a subsidiary module to the City's general ledger account. Employees are currently being trained on the new program. The major source of the error noted in the audit involved an incorrect entry with the State Revolving Fund, and that has already been reconciled.

In addition to the new software program, the City will improve internal communications regarding grant applications submitted and awards received on behalf of the City.

Audit Result & Comment #2: Expenditures of Utility Funds for City Uses

While the City of Anderson acknowledges that some utility funds being allocated to the civil city salaries and operations are in question by the State Board of Accounts, a significant number of them do accurately reflect appropriate allocations for the work being performed.

In 2013, the allocations to the Mayor's office, the Board of Works, the Personnel and Insurance Department, and the Economic Development Department have been addressed and are allocated



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correctly. The Engineering Department is allocated correctly as you will see from the comments below.

The City of Anderson believes that the amounts allocated to the Engineering Department are fair and just. Justification for the employees is as follows:

Mike Spyers is split 34% civil city, 33% storm water, 33% sewer department. He serves as the city engineer overseeing all street paving, all construction projects, all traffic lights, and all railroad work. As superintendent of stormwater, he is responsible for overseeing all operations, as well as approving all drainage permits and for repairs to the collection system. In the sewer department, his responsibilities include reviewing and approving sewer taps, drawings, maps, permits, and making repairs to the collection system.

Jeremy Van Erman serves as the assistant to Mike Spyers. His allocations and duties are the same. Jeremy also is responsible for responding to questions or problems with sewer billing and stormwater billing.

Nanette Leser is split 50% civil city, 50% stormwater. She oversees department operations and monitors all related projects for the city engineer and the superintendent of stormwater.

Charles Austin is split 34% civil city, 33% stormwater, 33% sewer department. His duties involve designing and inspecting various public works projects such as city streets, sanitary sewers, storm water control, and traffic control devices.

Amy Barr is split 34% civil city, 33% stormwater, 33% sewer department. She serves as a secretary and receptionist for all three departments. Her city duties include typing, receiving, and depositing monies for right of way permits, dumpster permits, and driveway permits. For the stormwater, she issues all vouchers and collects tap fees, and in the sewer department, she issues drainage permits and collects tap fees.

Gary McCreary is split 34% civil city, 33% stormwater, 33% sewer department. He serves as a graphic information specialist. In this capacity, he provides maps to all three departments, maps for city streets, sanitary and storm sewer maps, and catch basin inlets. He answers sewer utility questions and assists the sewer utility as needed. He maintains a computer filing system of infrastructure for all three departments as well as performing repairs and maintenance on their computer equipment.

The City will continue to work on the remaining departments to make sure that all funds are prorated in a proper manner. Due to the current budget restraints, this process may take some time.



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Audit Result & Comment #3: Bank Account Reconciliations

The City had an unidentified variance with the bank reconciliation starting in October and November 2012 with unidentified cash long of \$12,738.71. From November 2012 to February 2013, the variance stayed the same. After researching the cause and consulting with the State Board of Accounts, no issues were found in regard to any deposits or disbursements. It was determined that the variance was a result of the new process in which the State requested the City's Public Employees Retirement Fund (PERF) payments. The new process started in October 2012. After further consultation with the State Board of Accounts, an adjustment was made to the financial records to reflect the difference of \$12,738.71 on March 14, 2013, receipt # 3571313. The City was advised by the auditor from the State Board of Accounts to wait three months and monitor the situation before an adjustment was made, which is why the adjustment was not made until March 2013.

Audit Result & Comment #4: Ordinances and Resolutions

The City respectfully requests a list of the test accounts used to evaluate the utility billings so that the City may further investigate the issue. After the City has had an opportunity to fully examine the test accounts and the parameters used in the study, the City will then take corrective action to remedy the problem if necessary.

Furthermore, the City acknowledges that the ordinance regarding the billing for stormwater fees as it relates to rental properties has the potential to result in inconsistent billing practices. The executive and legislative branches will work together to amend the ordinance to better serve the needs of the City and its citizens.

Sincerely,

Kevin S. Smith
Mayor