

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF ANDERSON

MADISON COUNTY, INDIANA

January 1, 2018 to December 31, 2018



**FILED**  
09/23/2019



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
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 <i>Government Auditing Standards</i> .....	3-4
Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance .....	5-7
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards .....	10-11
Notes to Schedule of Expenditures of Federal Awards.....	12
Schedule of Findings and Questioned Costs.....	13
Auditee-Prepared Document:	
Summary Schedule of Prior Audit Findings.....	16
Other Reports.....	17

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Douglas A. Whitham	01-01-18 to 12-31-19
Mayor	Thomas J. Broderick, Jr.	01-01-16 to 12-31-19
President of the Board of Public Works	David W. Eicks	01-01-18 to 12-31-19
President of the Common Council	Joe Newman Rebecca Crumes	01-01-18 to 12-31-18 01-01-19 to 12-31-19



**STATE OF INDIANA**  
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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), for the year ended December 31, 2018, and the related notes to the financial statement, which collectively comprise the City's financial statement and have issued our report thereon dated August 21, 2019, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America. Our report includes a reference to other auditors who audited the financial information of the City's Department of Municipal Power and Light, as described in our report on the City's financial statement. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

***Internal Control over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of This Report***

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

  
Paul D. Joyce, CPA  
State Examiner

August 21, 2019, except for our report on the  
Schedule of Expenditures of Federal Awards,  
for which the date is September 3, 2019



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

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

We have audited the City of Anderson's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2018. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on the Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

**Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statement of the City, as of and for the year ended December 31, 2018, and the related notes to the financial statement. We issued our report thereon dated August 21, 2019, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statement. Such



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL  
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OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

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 as a whole.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

September 3, 2019

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Commerce</u>					
Economic Development Cluster					
Economic Adjustment Assistance					
Economic Development Revolving Loan Fund	Direct Grant	11.307	0061901906A	\$ -	\$ 593,655
Total - Economic Development Cluster				-	593,655
Total - Department of Commerce				-	593,655
<u>Department of Housing and Urban Development</u>					
CDBG - Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grants					
Community Development CDBG	Direct Grant	14.218	B-14-MC-18-0001	10,311	10,311
Community Development CDBG			B-16-MC-18-0001	2,500	148,000
Community Development CDBG			B-17-MC-18-0001	47,824	247,395
Community Development CDBG			B-18-MC-18-0001	11,626	11,626
Total - Community Development Block Grants/Entitlement Grants				72,262	417,332
Total - CDBG - Entitlement Grants Cluster				72,262	417,332
HOME Investment Partnerships Program					
Community Development HOME	Direct Grant	14.239	M-14-MC-18-0209	46,748	46,748
Community Development HOME			M-15-MC-18-0209	-	76,149
Community Development HOME			M-16-MC-18-0209	63,884	78,314
Total - HOME Investment Partnerships Program				110,632	201,211
Total - Department of Housing and Urban Development				182,894	618,543
<u>Department of Justice</u>					
Crime Victim Assistance					
Victim Assistance Grant	Indiana Criminal Justice Institute	16.575	14-VA-5411	-	30,563
Bulletproof Vest Partnership Program					
Bulletproof Vest	Direct Grant	16.607	2016BUBX16080892	-	6,125
Edward Byrne Memorial Justice Assistance Grant Program					
JAG 0402 Grant-Delaware Cty	Indiana Criminal Justice Institute	16.738	2016-DJ-BX-0402	6,558	13,309
JAG 17-0460 GRANT	Direct Grant		2017-DJ-BX-0230	-	19,559
Total - Edward Byrne Memorial Justice Assistance Grant Program				6,558	32,868
Total - Department of Justice				6,558	69,556
<u>Department of Transportation</u>					
Airport Improvement Program					
Airport Grant 30	Direct Grant	20.106	AIP-3-18-0001-030-2016	-	72,306

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
Airport Grant 31			AIP-3-18-0001-031-2017	-	507
Total - Airport Improvement Program				-	72,813
Highway Planning and Construction Cluster					
Highway Planning and Construction					
Sign Reflectivity	Indiana Department of Transportation	20.205	DES 1400931	-	6,431
73rd St Extension			DES 1592299	-	117,016
Bike/PED Trail AU			DES 1592300	-	31,205
Total - Highway Planning and Construction				-	154,652
Total - Highway Planning and Construction Cluster				-	154,652
Federal Transit Cluster					
Federal Transit Formula Grants					
City of Anderson Transit System Intermodal Grant	Direct Grant	20.507	IN-2017-002-01	-	178,301
City of Anderson Transit System Capital			IN-2017-008-01	-	338,530
City of Anderson Transit System			IN-2017-008-02	-	173,519
City of Anderson Transit System			IN-2018-005-01	-	897,238
City of Anderson Transit System Capital			IN-2018-005-02	-	5,591
City of Anderson Transit Operating			IN-2018-005-04	-	140,583
Total - Federal Transit Formula Grants				-	1,733,762
Total - Federal Transit Cluster				-	1,733,762
Highway Safety Cluster					
Alcohol Impaired Driving Countermeasures Incentive Grants I Operation Pullover	Madison County	20.601	D3-17-11098	-	8,469
Total - Highway Safety Cluster				-	8,469
Total - Department of Transportation				-	1,969,696
<u>Department of Homeland Security</u>					
Assistance to Firefighters Grant					
Fire Dept. Wellness Grant	Direct Grant	97.044	EMW-2016-FO-05088	-	286,791
Total - Department of Homeland Security				-	286,791
Total federal awards expended				\$ 189,453	\$ 3,538,241

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. Summary of Significant Accounting Policies**

*A. Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2018. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

*B. Other Significant Accounting Policies*

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

**Note 2. Indirect Cost Rate**

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 3. Calculation of Economic Adjustment Assistance Expenditures Amount on the SEFA.**

The reported expenditures were calculated as follows in accordance with guidance by the Grantor:

Revolving Loan Fund (RLF):	
Outstanding loans as of December 31, 2018	\$ 771,938
Cash and investments as of December 31, 2018	138,246
Administrative expenses paid out of RLF income during 2018	214
Unpaid principal on loan written off during 2018	<u>-</u>
Subtotal	<u>910,398</u>
Calculation of Federal Participation Rate (FPR):	
Original Grant	313,000
Original Match (In-Kind)	<u>167,000</u>
Subtotal	<u>480,000</u>
FPR - Original Grant Awarded Divided by Total	<u>65.21%</u>
Expenditures reported on the SEFA	<u>\$ 593,655</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?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	no

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Federal Transit Cluster	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

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

No matters are reportable.

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

No matters are reportable.

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AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the City. The document is presented as intended by the City.



*City of Anderson  
Controller's Office  
Douglas A. Whitham*

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[www.cityofanderson.com](http://www.cityofanderson.com)

**Thomas J. Broderick Jr., Mayor**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2017-001 Preparation of the Schedule of Expenditures of Federal Awards***

Fiscal year in which the finding initially occurred: 2017  
Contact Person Responsible for Corrective Action: Douglas A. Whitham, City Controller  
Contact Phone Number: (765) 648-6034

Status of Audit Finding: For the 2017 fiscal year, the City implemented a system of internal control designed to prevent, detect, and correct errors on the Schedule of Expenditures of Federal Awards (SEFA) to ensure the accurate reporting of federal awards.


The final check of financial reporting is performed by the controller prior to the audit commencing and is through a review of the information produced from the Gateway transparency portal. The controller verifies the financial and note information pertaining to the SEFA, makes any adjustments, and signs Form 13 as required by the State Board of Accounts. This control was effective for 2017 in detecting and preventing errors in the amounts reported on the SEFA and in the related notes as presented for audit.


The controls are expected to also be effective for the 2018 fiscal year and into the future.

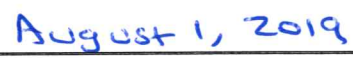
***FINDING 2017-002 Community Development Block Grants/Entitlement Grants - Reporting***

Fiscal year in which the finding initially occurred: 2017  
Contact Person Responsible for Corrective Action: Lelia Kelley, Director of Community Development  
Contact Phone Number: (765) 648-6096

Status of Audit Finding: For the 2018 fiscal year, the City, through the Community Development Department, reviewed its system of internal control and made adjustments where necessary to prevent, detect, and correct reporting errors related to its Community Development Block Grant (CDBG) program to ensure all reports are timely filed, including the CAPER and Performance Report.

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.