

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF LAWRENCE
MARION COUNTY, INDIANA

January 1, 2018 to December 31, 2018



FILED
07/09/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Jason Fenwick	01-01-18 to 12-31-19
Mayor	Steve Collier	01-01-16 to 12-31-19
President of the Board of Public Works	Dave Freeman Doug Reeser	01-01-18 to 03-31-19 04-01-19 to 12-31-19
President of the Common Council	Lisa Chavis	01-01-18 to 12-31-19
President of the Utility Service Board	Steve Hall	01-01-18 to 12-31-19
Superintendent of Utilities	Scott Salsbery	01-01-18 to 12-31-19



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF LAWRENCE, MARION COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Lawrence (City), which comprises the financial position and results of operations for the year ended December 31, 2018, and the related notes to the financial statement as listed in the Table of Contents.

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 from 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 to 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, 2018.

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, 2018, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.


Other Information

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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 12, 2019, 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 solely 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 effectiveness of the City's 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.


Paul D. Joyce, CPA
State Examiner

June 12, 2019



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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 LAWRENCE, MARION 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 Lawrence (City), which comprises the financial position and results of operations for the year ended December 31, 2018, and the related notes to the financial statement, and have issued our report thereon dated June 12, 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.

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001, that we consider to be a material weakness.

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 2018-001.

City of Lawrence's Response to Findings

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


Paul D. Joyce, CPA
State Examiner

June 12, 2019

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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 LAWRENCE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2018

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18
General	\$ 3,554,899	\$ 22,525,974	\$ 20,242,130	\$ 5,838,743
Motor Vehicle Highway	2,919,524	3,044,114	2,948,031	3,015,607
Local Road And Street	678,501	972,074	808,279	842,296
Park Nonreverting Operating	166,868	228,245	269,820	125,293
Emergency Medical Services/Ambulance	1,906,395	2,485,668	2,686,651	1,705,412
Animal Shelter	2,000	-	-	2,000
Lilly Endowment Grant Fund	-	5,851,969	-	5,851,969
Law Enforcement Continuing Ed	194,207	41,289	68,336	167,160
Deferral Program	61,322	5,972	-	67,294
Parks & Recreation Cust Dep Fund	-	2,500	-	2,500
Hazardous Materials	-	2,185	-	2,185
Federal Revenue Sharing Trust	3,558	70,525	32,721	41,362
Redevelopment Cap Monarch TIF	1,130,010	719,250	590,000	1,259,260
Municipal Bldg Corp Debt 18 BAN	-	12,902,387	3,412,571	9,489,816
Redevelopment Capital	938,219	631,300	472,428	1,097,091
Cumulative Building	52,193	-	52,193	-
Cumulative Capital Improvement	294,811	378,457	217,040	456,228
Ft. Harrison Reuse Authority	1,634,161	4,204,821	3,844,192	1,994,790
Self Funding Insurance	1,784,367	4,132,876	3,494,492	2,422,751
Police Pension	53,670	470,944	419,017	105,597
Redevelopment Debt Reserve	185,778	-	-	185,778
Flexible Spending Clearing Account	49,945	181,792	231,737	-
Federal Grant Fund	(37,676)	187,599	280,549	(130,626)
COIT Special Distribution	1	-	-	1
Administrative Services	42,127	1,205,619	1,197,193	50,553
Technology Services	67,565	1,043,573	965,929	145,209
Levy Excess	11,119	-	-	11,119
Donations	111,891	69,508	54,895	126,504
Federal Grants # 1	(303,048)	75,772	-	(227,276)
State Grant	(42,911)	329,003	321,285	(35,193)
Developers Escrow Fund	95,745	-	95,745	-
Local Govt Grant # 1	4,112	-	-	4,112
Loit-Public Safety	1,698,277	2,925,960	2,966,507	1,657,730
Park Building Debt	166,727	-	77,000	89,727
Park Bond - 1990	8,301	-	8,301	-
Park Debt - 1998	163,193	94,792	257,486	499
Fire Debt li (Station 3)	16,899	-	16,899	-
Fire Debt V (Station 4)	68,490	-	68,490	-
Fire Debt (Stn 2 - Training Ctr)	187,497	388,652	374,000	202,149
Municipal Building Corp Debt	349,954	468,079	693,509	124,524
Government Center Debt	79,214	-	79,214	-
Transportation Bond (Proceeds)	84,981	-	-	84,981
Payroll	(18,176)	24,125,101	24,106,926	(1)
Wastewater Utility-Operating	2,459,578	9,417,137	10,851,897	1,024,818
Wastewater Util-Bond And Interest	-	781,002	781,002	-
Sewer Capital Improvement Fund	1,794,051	4,750,000	3,119,900	3,424,151
Sewer Debt Service Reserve '09	253,830	-	253,830	-
Wastewater Utility-Debt Reserve	233,251	565,051	-	798,302
2017 Water SRF Bond & Interest	90,736	172,521	25,972	237,285
Water 2017 SRF Loan Fund	-	7,450,705	4,270,740	3,179,965
Water Utility Bond Proceeds	18,433	-	8,251	10,182
Water Bond and Interest Sinking	-	1,004,001	1,004,001	-
Water Utility-Operating	1,104,494	10,436,047	10,505,311	1,035,230
Water Capital Improvement Fund	822,304	4,264,741	1,406,970	3,680,075
Water Utility-Debt Reserve	317,520	51,114	-	368,634
Water Debt Service Reserve '09	(1)	1	-	-
Totals	<u>\$ 25,458,906</u>	<u>\$ 128,658,320</u>	<u>\$ 103,581,440</u>	<u>\$ 50,535,786</u>

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

CITY OF LAWRENCE
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 Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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. Amounts received from businesses, occupations, or non-businesses 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 the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF LAWRENCE
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines 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. Amounts received 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. Amounts received from charges for current services.

Penalties. Amounts received from late payment fees.

Other receipts. Amounts received from various sources, including, but 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. Amounts disbursed 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. Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

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

CITY OF LAWRENCE
NOTES TO FINANCIAL STATEMENT
(Continued)

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses. Amounts disbursed for operating the utilities.

Other disbursements. Amounts disbursed for various other purposes including, but 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. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for amounts 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 amounts 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

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

CITY OF LAWRENCE
NOTES TO FINANCIAL STATEMENT
(Continued)

State statutes authorize the City to invest in securities including, but not limited to, the following: 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 a cost-sharing 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
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

CITY OF LAWRENCE
NOTES TO FINANCIAL STATEMENT
(Continued)

B. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

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

C. 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
One North Capitol, 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.

CITY OF LAWRENCE
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of the timing of reimbursable grant funds. The cash balance in the Payroll fund may be negative from time to time as a result of the timing of disbursements.

Note 8. Holding Corporations

The City has entered into capital leases with the Lawrence Government Center Building Corporation, the Lawrence Municipal Building Corporation, and the Lawrence Fire Station Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the City. The lessors have been determined to be related-parties of the City. Lease payments during the year 2018 totaled \$1,137,509.

OTHER INFORMATION - UNAUDITED

The City's Annual Financial Report information can be found on the Indiana Gateway for Government Units 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 City's Annual Financial Report 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 other information presented was approved by management of the City. It is presented as intended by the City.

CITY OF LAWRENCE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	General	Motor Vehicle Highway	Local Road And Street	Park Nonreverting Operating	Emergency Medical Services/Ambulance	Animal Shelter	Lilly Endowment Grant Fund	Law Enforcement Continuing Ed
Cash and investments - beginning	\$ 3,554,899	\$ 2,919,524	\$ 678,501	\$ 166,868	\$ 1,906,395	\$ 2,000	\$ -	\$ 194,207
Receipts:								
Taxes	11,462,260	-	-	-	-	-	-	-
Licenses and permits	900,360	90,431	-	-	-	-	-	19,140
Intergovernmental receipts	5,555,514	2,944,764	972,074	-	-	-	-	-
Charges for services	3,874,438	-	-	151,066	2,485,668	-	-	-
Fines and forfeits	118,391	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	615,011	8,919	-	77,179	-	-	5,851,969	22,149
Total receipts	22,525,974	3,044,114	972,074	228,245	2,485,668	-	5,851,969	41,289
Disbursements:								
Personal services	15,997,954	886,135	-	-	1,300,032	-	-	-
Supplies	312,914	458,582	-	57,586	110,731	-	-	26,331
Other services and charges	3,859,402	1,265,953	442,149	210,734	772,067	-	-	42,005
Debt service - principal and interest	17,412	90,918	366,130	-	432,681	-	-	-
Capital outlay	26,619	246,443	-	1,500	71,140	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	27,829	-	-	-	-	-	-	-
Total disbursements	20,242,130	2,948,031	808,279	269,820	2,686,651	-	-	68,336
Excess (deficiency) of receipts over disbursements	2,283,844	96,083	163,795	(41,575)	(200,983)	-	5,851,969	(27,047)
	<u>\$ 5,838,743</u>	<u>\$ 3,015,607</u>	<u>\$ 842,296</u>	<u>\$ 125,293</u>	<u>\$ 1,705,412</u>	<u>\$ 2,000</u>	<u>\$ 5,851,969</u>	<u>\$ 167,160</u>

CITY OF LAWRENCE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Deferral Program	Parks & Recreation Cust Dep Fund	Hazardous Materials	Federal Revenue Sharing Trust	Redevelopment Cap Monarch TIF	Municipal Bldg Corp Debt 18 BAN	Redevelopment Capital
Cash and investments - beginning	\$ 61,322	\$ -	\$ -	\$ 3,558	\$ 1,130,010	\$ -	\$ 938,219
Receipts:							
Taxes	-	-	-	-	689,758	-	478,396
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	5,972	-	-	70,525	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	2,500	2,185	-	29,492	12,902,387	152,904
Total receipts	5,972	2,500	2,185	70,525	719,250	12,902,387	631,300
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	31,361	-	-	-
Other services and charges	-	-	-	360	-	2,978,956	306,614
Debt service - principal and interest	-	-	-	-	590,000	-	165,814
Capital outlay	-	-	-	1,000	-	433,615	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	-	-	32,721	590,000	3,412,571	472,428
Excess (deficiency) of receipts over disbursements	5,972	2,500	2,185	37,804	129,250	9,489,816	158,872
	\$ 67,294	\$ 2,500	\$ 2,185	\$ 41,362	\$ 1,259,260	\$ 9,489,816	\$ 1,097,091

CITY OF LAWRENCE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Cumulative Building	Cumulative Capital Improvement	Ft. Harrison Reuse Authority	Self Funding Insurance	Police Pension	Redevelopment Debt Reserve	Flexible Spending Clearing Account
Cash and investments - beginning	\$ 52,193	\$ 294,811	\$ 1,634,161	\$ 1,784,367	\$ 53,670	\$ 185,778	\$ 49,945
Receipts:							
Taxes	-	338,373	4,204,821	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	40,041	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	43	-	4,132,876	470,944	-	181,792
Total receipts	-	378,457	4,204,821	4,132,876	470,944	-	181,792
Disbursements:							
Personal services	-	-	-	-	407,017	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	110,165	3,844,192	3,422,187	12,000	-	231,737
Debt service - principal and interest	-	67,985	-	-	-	-	-
Capital outlay	-	38,890	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	52,193	-	-	72,305	-	-	-
Total disbursements	52,193	217,040	3,844,192	3,494,492	419,017	-	231,737
Excess (deficiency) of receipts over disbursements	(52,193)	161,417	360,629	638,384	51,927	-	(49,945)
	\$ -	\$ 456,228	\$ 1,994,790	\$ 2,422,751	\$ 105,597	\$ 185,778	\$ -

CITY OF LAWRENCE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Federal Grant Fund	COIT Special Distribution	Administrative Services	Technology Services	Levy Excess	Donations	Federal Grants # 1
Cash and investments - beginning	\$ (37,676)	\$ 1	\$ 42,127	\$ 67,565	\$ 11,119	\$ 111,891	\$ (303,048)
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	183,259	-	-	-	-	-	-
Charges for services	-	-	1,205,619	1,043,573	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	4,340	-	-	-	-	69,508	75,772
Total receipts	187,599	-	1,205,619	1,043,573	-	69,508	75,772
Disbursements:							
Personal services	-	-	800,727	11,085	-	-	-
Supplies	13,037	-	6,570	6,564	-	12,147	-
Other services and charges	267,512	-	388,246	839,897	-	42,748	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	450	108,383	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	1,200	-	-	-	-
Total disbursements	280,549	-	1,197,193	965,929	-	54,895	-
Excess (deficiency) of receipts over disbursements	(92,950)	-	8,426	77,644	-	14,613	75,772
	\$ (130,626)	\$ 1	\$ 50,553	\$ 145,209	\$ 11,119	\$ 126,504	\$ (227,276)

CITY OF LAWRENCE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	State Grant	Developers Escrow Fund	Local Govt Grant # 1	Loit-Public Safety	Park Building Debt	Park Bond - 1990	Park Debt - 1998
Cash and investments - beginning	\$ (42,911)	\$ 95,745	\$ 4,112	\$ 1,698,277	\$ 166,727	\$ 8,301	\$ 163,193
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	329,003	-	-	2,922,398	-	-	94,792
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	3,562	-	-	-
Total receipts	329,003	-	-	2,925,960	-	-	94,792
Disbursements:							
Personal services	-	-	-	1,592,466	-	-	-
Supplies	-	-	-	387,421	-	-	-
Other services and charges	303,685	-	-	651,876	-	-	-
Debt service - principal and interest	-	-	-	267,395	77,000	-	257,486
Capital outlay	17,600	-	-	67,349	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	95,745	-	-	-	8,301	-
Total disbursements	321,285	95,745	-	2,966,507	77,000	8,301	257,486
Excess (deficiency) of receipts over disbursements	7,718	(95,745)	-	(40,547)	(77,000)	(8,301)	(162,694)
	\$ (35,193)	\$ -	\$ 4,112	\$ 1,657,730	\$ 89,727	\$ -	\$ 499

CITY OF LAWRENCE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Fire Debt li (Station 3)	Fire Debt V (Station 4)	Fire Debt (Stn 2 - Training Ctr)	Municipal Building Corp Debt	Government Center Debt	Transportation Bond (Proceeds)	Payroll
Cash and investments - beginning	\$ 16,899	\$ 68,490	\$ 187,497	\$ 349,954	\$ 79,214	\$ 84,981	\$ (18,176)
Receipts:							
Taxes	-	-	353,232	425,371	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	35,382	42,662	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	38	46	-	-	24,125,101
Total receipts	-	-	388,652	468,079	-	-	24,125,101
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	374,000	693,509	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	16,899	68,490	-	-	79,214	-	24,106,926
Total disbursements	16,899	68,490	374,000	693,509	79,214	-	24,106,926
Excess (deficiency) of receipts over disbursements	(16,899)	(68,490)	14,652	(225,430)	(79,214)	-	18,175
	\$ -	\$ -	\$ 202,149	\$ 124,524	\$ -	\$ 84,981	\$ (1)

CITY OF LAWRENCE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Wastewater Utility-Operating	Wastewater Util-Bond And Interest	Sewer Capital Improvement Fund	Sewer Debt Service Reserve '09	Wastewater Utility-Debt Reserve	2017 Water SRF Bond & Interest	Water 2017 SRF Loan Fund
Cash and investments - beginning	\$ 2,459,578	\$ -	\$ 1,794,051	\$ 253,830	\$ 233,251	\$ 90,736	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	8,054,659	-	-	-	-	-	-
Penalties	231,930	-	-	-	-	-	-
Other receipts	1,130,548	781,002	4,750,000	-	565,051	172,521	7,450,705
Total receipts	9,417,137	781,002	4,750,000	-	565,051	172,521	7,450,705
Disbursements:							
Personal services	902,502	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	80,129	-	-	-	-	-	-
Debt service - principal and interest	-	778,652	-	-	-	25,972	-
Capital outlay	208,903	-	52,957	-	-	-	-
Utility operating expenses	3,670,428	-	976,668	-	-	-	4,270,740
Other disbursements	5,989,935	2,350	2,090,275	253,830	-	-	-
Total disbursements	10,851,897	781,002	3,119,900	253,830	-	25,972	4,270,740
Excess (deficiency) of receipts over disbursements	(1,434,760)	-	1,630,100	(253,830)	565,051	146,549	3,179,965
	\$ 1,024,818	\$ -	\$ 3,424,151	\$ -	\$ 798,302	\$ 237,285	\$ 3,179,965

CITY OF LAWRENCE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Water Utility Bond Proceeds	Water Bond and Interest Sinking	Water Utility-Operating	Water Capital Improvement Fund	Water Utility-Debt Reserve	Water Debt Service Reserve '09	Totals
Cash and investments - beginning	\$ 18,433	\$ -	\$ 1,104,494	\$ 822,304	\$ 317,520	\$ (1)	\$ 25,458,906
Receipts:							
Taxes	-	-	-	-	-	-	17,952,211
Licenses and permits	-	-	-	-	-	-	1,009,931
Intergovernmental receipts	-	-	-	-	-	-	13,119,889
Charges for services	-	-	-	-	-	-	8,760,364
Fines and forfeits	-	-	-	-	-	-	194,888
Utility fees	-	-	10,098,333	-	-	-	18,152,992
Penalties	-	-	234,539	-	-	-	466,469
Other receipts	-	1,004,001	103,175	4,264,741	51,114	1	69,001,576
Total receipts	-	1,004,001	10,436,047	4,264,741	51,114	1	128,658,320
Disbursements:							
Personal services	-	-	1,065,482	-	-	-	22,963,400
Supplies	-	-	-	-	-	-	1,423,244
Other services and charges	-	-	80,929	-	-	-	20,153,543
Debt service - principal and interest	-	1,004,001	-	-	-	-	5,208,955
Capital outlay	-	-	177,077	40,986	-	-	1,492,912
Utility operating expenses	8,251	-	2,790,626	1,365,984	-	-	13,082,697
Other disbursements	-	-	6,391,197	-	-	-	39,256,689
Total disbursements	8,251	1,004,001	10,505,311	1,406,970	-	-	103,581,440
Excess (deficiency) of receipts over disbursements	(8,251)	-	(69,264)	2,857,771	51,114	1	25,076,880
	\$ 10,182	\$ -	\$ 1,035,230	\$ 3,680,075	\$ 368,634	\$ -	\$ 50,535,786

CITY OF LAWRENCE
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2018

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ 35	\$ -
Water	230,593	170
Governmental activities	<u>58,868</u>	<u>121,794</u>
Totals	<u>\$ 289,496</u>	<u>\$ 121,964</u>

CITY OF LAWRENCE
SCHEDULE OF LEASES AND DEBT
December 31, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Huntington Public Capital Corporation	Park Dump Trump	\$ 7,924	2/28/2015	1/31/2019
Lawrence Fire Station Building Corporation	First Mortgage Refunding Bonds Series 2012	372,000	7/5/2012	1/5/2023
Lawrence Government Center Building Corporation	Park Facility Improvement Bonds Series 2012	83,000	1/1/2013	7/1/2019
Lawrence Municipal Building Corporation	Lease Rental Revenue Bond Anticipation Note Series 2018	482,587	5/30/2018	5/30/2021
Lawrence Municipal Building Corporation	First Mortgage Refunding Bonds Series 2006	208,873	2/15/2007	2/15/2022
Regions Equipment Finance	Schedule 8 - Parks Vehicle	6,232	12/19/2017	12/19/2022
Regions Equipment Finance	Schedule 4 - Pierce Ladder Truck	135,489	12/16/2017	2/16/2024
Regions Equipment Finance	Schedule 3 - 2017 Salt Truck	29,744	12/20/2016	12/20/2021
Regions Equipment Finance	Schedule 7 - 2018 Salt Truck	23,308	12/19/2017	12/19/2024
Regions Equipment Finance	Schedule 9 - Chev Equinox	5,359	4/10/2018	4/10/2023
Regions Equipment Finance	Schedule 11 - Ambulance	47,330	6/7/2018	6/7/2023
Regions Equipment Finance	Schedule 12 - Street Sweeper	47,869	7/9/2018	7/9/2025
Regions Equipment Finance	Schedule 13 - Ambulance	47,743	10/17/2018	12/7/2023
Regions Equipment Finance	Schedule 14 - Police Vehicles	106,715	9/26/2018	11/6/2023
Regions Equipment Finance	Schedule 15 - Parks Vehicles	5,621	10/3/2018	12/19/2023
Regions Equipment Finance	Schedule 2 - Pierce Pumper Truck	79,424	12/13/2016	12/13/2023
Regions Equipment Finance	Schedule 1 - IT Equipment	59,074	12/9/2016	12/9/2020
Regions Equipment Finance	Schedule 5 - Police Vehicles	96,039	5/26/2017	5/26/2022
Total governmental activities		<u>1,844,331</u>		
Wastewater:				
Regions Equipment Finance	Schedule 6 - Vactor	49,206	12/19/2017	12/19/2024
Regions Equipment Finance	Schedule 10 - Utility Vehicles	27,938	5/28/2018	5/28/2023
Total Wastewater		<u>77,144</u>		
Water:				
Bank of America	Water Meter Replacement Program	235,964	5/27/2011	5/27/2026
Regions Equipment Finance	Schedule 10 - Utility Vehicles	27,938	5/28/2018	5/28/2023
Total Water		<u>263,902</u>		
Total of annual lease payments		<u>\$ 2,185,377</u>		

Type	Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Revenue bonds	City of Lawrence Redevelopment District Tax Increment Revenue Capital Appreciation Bonds Series 2008	\$ 3,576,368	\$ 665,001
Revenue bonds	City of Lawrence Redevelopment District Bonds Series 2011	1,210,000	161,835
Revenue bonds	City of Lawrence Transportation Refunding Revenue Bond Series 2014	2,418,000	362,585
Revenue bonds	Taxable Economic Development Tax Increment REvenue Bonds Series 2018 (Meyer Plastics Project)	2,246,000	120,281
Total governmental activities		<u>9,450,368</u>	<u>1,309,702</u>
Wastewater:			
Revenue bonds	Sewage Works Revenue Bonds Series 2009 A (Issued by the Indiana State Revolving Fund Loan Program)	2,162,622	190,371
Revenue bonds	Sewage Works Revenue Bonds Series 2009 B (Issued by the Indiana Bond Bank)	2,730,000	318,012
Revenue bonds	Sewage Works Taxable Revenue Bonds Series 2009 C (Issued by the Indiana Bond Bank)	240,000	45,998
Revenue bonds	Sewage Works Refunding Revenue Bonds Series 2015	1,855,000	215,912
Total Wastewater		<u>6,987,622</u>	<u>770,293</u>
Water:			
Revenue bonds	Waterworks Revenue Bonds Series 2017	8,505,000	170,100
Revenue bonds	Waterworks Refunding Revenue Bonds Series 2017A	4,920,000	548,156
Revenue bonds	Taxable Waterworks Refunding Revenue Bonds Series 2017B	3,510,000	445,855
Total Water		<u>16,935,000</u>	<u>1,164,111</u>
Totals		<u>\$ 33,372,990</u>	<u>\$ 3,244,106</u>

CITY OF LAWRENCE
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2018

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	\$ 2,320,600
Infrastructure	125,654,611
Buildings	2,237,100
Improvements other than buildings	4,302,000
Machinery, equipment, and vehicles	<u>13,830,276</u>
Total governmental activities	<u>148,344,587</u>
Wastewater:	
Infrastructure	20,728,674
Improvements other than buildings	8,187,291
Machinery, equipment, and vehicles	<u>439,735</u>
Total Wastewater	<u>29,355,700</u>
Water:	
Land	610,062
Infrastructure	130,416,731
Buildings	3,310,900
Machinery, equipment, and vehicles	<u>380,514</u>
Total Water	<u>134,718,207</u>
Total capital assets	<u>\$ 312,418,494</u>

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE CITY OF LAWRENCE, MARION COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the City of Lawrence'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 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 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 a 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 a 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.


Paul D. Joyce, CPA
State Examiner

June 12, 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 LAWRENCE
 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 Justice</u>					
Edward Byrne Memorial Justice Assistance Grant Program 2016 Byrne Grant	Indiana Criminal Justice Institute	16.738	2016-DJ-BX-0793	\$ -	\$ 10,323
Total - Department of Justice				-	10,323
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Constuction Amy Beverland SRTS 56th Street Bike/Pedestrian Facilities	Indiana Department of Transportation	20.205	DES-1298645 DES-1500276	- -	34,505 37,068
Total - Highway Planning and Construction Cluster				-	71,573
Total - Department of Transportation				-	71,573
<u>Environmental Protection Agency</u>					
Brownfields Assessment and Cleanup Cooperative Agreements Brownfield	Direct Grant	66.818	BF-00E01516	-	170,451
Capitalization Grants for Drinking Water State Revolving Funds 2017 Water SRF Loan	Indiana Finance Authority	66.468	FY 2018	-	4,305,765
Total - Environmental Protection Agency				-	4,476,216
Total federal awards expended				\$ -	\$ 4,558,112

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

CITY OF LAWRENCE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. 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, 2017. 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.

Note 2. Summary of 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. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF LAWRENCE
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 weakness identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

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

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

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
66.468	Capitalization Grants for Drinking Water State Revolving Funds	Unmodified
Dollar threshold used to distinguish between Type A and Type B programs: \$750,000		
Auditee qualified as low-risk auditee?		no

Section II - Financial Statement Findings

FINDING 2018-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-001.

Condition

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

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

The City had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the City's SEFA. The federal award information entered into Gateway without a control in place to prevent, or detect and correct, errors prior to submission.

Context

The SEFA presented for audit contained the following errors:

1. State grant funds in the amount of \$264,245 were improperly included.
2. The Federal Grantor Agency and CFDA number were misreported for one grant.

Audit adjustments were proposed, accepted by the City, and made to the SEFA.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

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

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within a cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the City's management establish controls related to the preparation of the SEFA.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the City. The documents are presented as intended by the City.



City of
LAWRENCE
Indiana

Jason C. Fenwick, City Controller/Deputy Mayor

Summary Schedule of Prior Audit Findings

FINDING 2017-001

Fiscal year in which the finding initially occurred: 2017
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:
Contact Person Responsible for Corrective Action: Jason Fenwick
Contact Phone Number: 317.542.4441

Status of Audit Finding: Corrected June 2018. Grant database, policy, and additional controls have been implemented

FINDING 2017-002

Fiscal year in which the finding initially occurred: 2017
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:
Contact Person Responsible for Corrective Action: Jason Fenwick
Contact Phone Number: 317.542.4441

Status of Audit: Corrected

FINDING 2017-003

Fiscal year in which the finding initially occurred: 2017
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Finance Authority
Contact Person Responsible for Corrective Action: Jason Fenwick
Contact Phone Number: 317.542.4441

Status of Audit: Corrected

FINDING 2017-004

Fiscal year in which the finding initially occurred: 2017

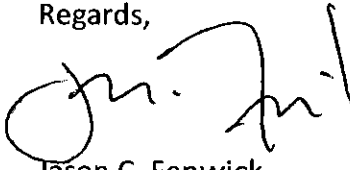
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Finance Authority

Contact Person Responsible for Corrective Action: Jason Fenwick

Contact Phone Number: 317.542.4441

Status of Audit: Corrected

Regards,

A handwritten signature in black ink, appearing to read "Jason Fenwick". The signature is written in a cursive style with a large initial "J" and "F".

Jason C. Fenwick

City Controller/Deputy Mayor



City of
LAWRENCE
Indiana

Jason C. Fenwick, City Controller/Deputy Mayor

CORRECTIVE ACTION PLAN

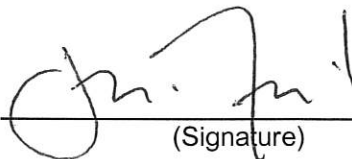
FINDING 2018-001

Contact Person Responsible for Corrective Action: Jason Fenwick
Contact Phone Number: 317-542-4441

Views of Responsible Official: We agree with this finding

Description of Corrective Action Plan: The City has created a grant database which is accessible through the City of Lawrence employee portal. Existing and new grants must be entered into the grant database and will be approved by the Controller's office prior to acceptance. An updated grant policy has been implemented.

Anticipated Completion Date: Corrected June 11, 2019



(Signature)
Controller / Deputy Mayor

(Title)
6.11.2019

(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/>.