

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

EXAMINATION REPORT
OF
CITY OF ANDERSON MUNICIPAL UTILITIES
MADISON COUNTY, INDIANA
January 1, 2008 to December 31, 2008



FILED
12/21/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	C. Karen Carpenter	01-01-08 to 12-31-09
Mayor	Hon. Kris Ockomon	01-01-08 to 12-31-11
President of the Board of Public Works	C. Gregory Graham	01-01-08 to 12-31-09
President of the Common Council	Joseph Newman Rick Muir	01-01-08 to 12-31-08 01-01-09 to 12-31-09
Utilities Finance Manager	Renisa D. Harry	01-01-08 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statements of the business-type activities of the City of Anderson Municipal Utilities (Utilities), departments of the City of Anderson, as of and for the year ended December 31, 2008. The Utilities' management is responsible for the financial statements presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statements presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note I, the financial statements of the Utilities, are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the City of Anderson as of December 31, 2008, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities for Utilities, as of December 31, 2008, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have provided certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not examine the information and express no opinion on it.

The Utilities have not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

November 30, 2009

CITY OF ANDERSON MUNICIPAL UTILITIES
STATEMENT OF NET ASSETS
December 31, 2008

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Electric Utility</u>
Current assets:			
Cash and cash equivalents	\$ 1,140,377	\$ 2,111,450	\$ 1,001,800
Cash with fiscal agent	676,170	-	5,634,510
Interest receivable	26,753	20,455	-
Restricted			
Cash and cash equivalents	101,994	355,512	270,562
Investments	-	-	1,790,000
Interest receivable	-	-	6,080
Accounts receivable (net of allowance)	837,630	2,131,713	5,048,330
Inventories	<u>243,869</u>	<u>30,588</u>	<u>2,088,975</u>
Total current assets	<u>3,026,793</u>	<u>4,649,718</u>	<u>15,840,257</u>
Noncurrent assets:			
Restricted:			
Cash and cash equivalents	1,512,111	2,694,321	2,355,584
Investments	3,496,000	9,999,000	-
Interest receivable	<u>17,570</u>	<u>49,596</u>	<u>22,405</u>
Total restricted assets	<u>5,025,681</u>	<u>12,742,917</u>	<u>2,377,989</u>
Deferred charges	<u>205,536</u>	<u>554,487</u>	<u>415,868</u>
Capital assets:			
Land, improvements to land and construction in progress	12,831,697	5,752,214	10,669,629
Other capital assets (net of accumulated depreciation)	<u>8,604,170</u>	<u>50,160,316</u>	<u>46,497,323</u>
Total capital assets	<u>21,435,867</u>	<u>55,912,530</u>	<u>57,166,952</u>
Total noncurrent assets	<u>26,667,084</u>	<u>69,209,934</u>	<u>59,960,809</u>
Total assets	<u>29,693,877</u>	<u>73,859,652</u>	<u>75,801,066</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	163,924	360,176	8,147,726
Payroll payable	116,206	202,408	230,126
Interfund payable	-	-	4,000,000
Taxes payable	60,877	-	512,473
Compensated absences	59,876	74,672	63,160
Notes and loans payable	-	57,382	-
Current liabilities payable from restricted assets:			
Customer deposits	101,879	-	756,463
Interest payable	-	188,414	-
Revenue bonds payable	185,000	980,000	2,575,000
Capital leases payable	<u>292,916</u>	<u>-</u>	<u>714,579</u>
Total current liabilities	<u>980,678</u>	<u>1,863,052</u>	<u>16,999,527</u>
Noncurrent liabilities:			
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	4,760,000	24,958,780	14,099,755
Capital leases payable	12,091,115	-	8,819,702
Compensated absences	<u>249,535</u>	<u>301,616</u>	<u>613,349</u>
Total noncurrent liabilities	<u>17,100,650</u>	<u>25,260,396</u>	<u>23,532,806</u>
Total liabilities	<u>18,081,328</u>	<u>27,123,448</u>	<u>40,532,333</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	10,272,476	40,017,994	31,679,596
Restricted for debt service	205,536	721,585	1,714,037
Restricted for capital projects	-	229,058	-
Restricted for other purposes	115	-	173,139
Unrestricted	<u>1,134,422</u>	<u>5,767,567</u>	<u>1,701,961</u>
Total net assets	<u>\$ 11,612,549</u>	<u>\$ 46,736,204</u>	<u>\$ 35,268,733</u>

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

CITY OF ANDERSON MUNICIPAL UTILITIES
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2008

	Water Utility	Wastewater Utility	Electric Utility
Operating revenues:			
Residential sales	\$ 4,779,728	\$ 9,171,416	\$ 28,187,854
Commercial and industrial sales	2,228,467	4,574,812	32,961,819
Other	<u>304,947</u>	<u>1,050,007</u>	<u>1,751,970</u>
 Total operating revenues	 <u>7,313,142</u>	 <u>14,796,235</u>	 <u>62,901,643</u>
Operating expenses:			
Operations and maintenance	1,351,544	5,803,079	46,240,550
Transmission and distribution	1,872,383	853,030	5,114,048
Customer accounts	61,474	95,142	398,451
Administration and general	3,019,754	4,754,225	6,747,944
Depreciation	<u>527,615</u>	<u>2,190,320</u>	<u>2,535,643</u>
 Total operating expenses	 <u>6,832,770</u>	 <u>13,695,796</u>	 <u>61,036,636</u>
 Operating income (loss)	 <u>480,372</u>	 <u>1,100,439</u>	 <u>1,865,007</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	51,943	24,529	85,774
Other revenue	33,048	-	156,425
Interest expense	(526,375)	(553,569)	(949,141)
Other expense	(123,988)	-	(6,946)
Loss on disposal of assets	<u>-</u>	<u>-</u>	<u>(2,551,838)</u>
 Total nonoperating revenues (expenses)	 <u>(565,372)</u>	 <u>(529,040)</u>	 <u>(3,265,726)</u>
 Income (loss) before contributions and transfers	 (85,000)	 571,399	 (1,400,719)
Capital contributions	-	-	2,636,837
Transfer-in	360,850	-	-
Transfer-out	<u>-</u>	<u>(360,850)</u>	<u>-</u>
 Change in net assets	 <u>275,850</u>	 <u>210,549</u>	 <u>1,236,118</u>
Total net assets - prior ending	17,054,672	24,509,603	34,032,615
Restatement	<u>(5,717,973)</u>	<u>22,016,052</u>	<u>-</u>
Total net assets - beginning	<u>11,336,699</u>	<u>46,525,655</u>	<u>34,032,615</u>
Total net assets - ending	<u>\$ 11,612,549</u>	<u>\$ 46,736,204</u>	<u>\$ 35,268,733</u>

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

CITY OF ANDERSON MUNICIPAL UTILITIES
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Year Ended December 31, 2008

	Water Utility	Wastewater Utility	Electric Utility
Cash flows from operating activities:			
Receipts from customers and users	\$ 7,047,105	\$ 14,232,058	\$ 61,058,742
Payments to suppliers and contractors	(2,308,762)	(7,690,414)	(48,378,756)
Payments to employees	(3,856,248)	(6,749,045)	(8,549,575)
Other receipts	(23,418)	-	149,479
Net cash provided by operating activities	<u>858,677</u>	<u>(207,401)</u>	<u>4,279,890</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	360,850	-	-
Transfer to other funds	-	(360,850)	-
Interfund loans	(89,770)	1,621,750	(167,649)
Net cash provided (used) by noncapital financing activities	<u>271,080</u>	<u>1,260,900</u>	<u>(167,649)</u>
Cash flows from capital and related financing activities:			
Proceeds from capital debt	-	-	5,895,000
Capital contributions	-	-	2,636,837
Acquisition and construction of capital assets	(1,491,683)	(3,484,794)	(6,098,990)
Principal paid on capital debt	(626,430)	(1,008,567)	(2,167,416)
Interest paid on capital debt	(530,201)	(522,997)	(926,818)
Deferred charges - bond issue costs paid	-	-	(209,891)
Net cash provided (used) by capital and related financing activities	<u>(2,648,314)</u>	<u>(5,016,358)</u>	<u>(871,278)</u>
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	-	4,220,000	2,257,115
Purchase of investments	(3,496,000)	(1,315,000)	(2,247,625)
Investment earnings received	9,536	62,460	58,041
Net cash provided (used) by investing activities	<u>(3,486,464)</u>	<u>2,967,460</u>	<u>67,531</u>
Net increase in cash and cash equivalents	(5,005,021)	(995,399)	3,308,494
Cash and cash equivalents, January 1	<u>8,435,673</u>	<u>6,156,682</u>	<u>5,953,962</u>
Cash and cash equivalents, December 31	<u>\$ 3,430,652</u>	<u>\$ 5,161,283</u>	<u>\$ 9,262,456</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	\$ 480,372	\$ 1,100,439	\$ 1,865,007
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	527,615	2,190,320	2,535,643
Bad debt expense	57,306	-	269,839
Other receipts (disbursements)	(23,418)	-	149,479
(Increase) decrease in assets:			
Accounts receivable	(266,037)	(564,177)	(1,842,901)
Inventories	34,541	2,241	(76,365)
Interfund receivable	319	4,829	-
Increase (decrease) in liabilities:			
Accounts payable	5,436	(92,712)	1,395,067
Payroll payable	75,712	129,496	145,659
Contracts payable	(75,518)	(3,024,349)	(327,085)
Interfund payable	(14,713)	(13,762)	-
Taxes payable	4,948	-	101,320
Compensated absence payable	24,550	60,274	13,221
Customer deposits	27,564	-	51,006
Total adjustments	<u>378,305</u>	<u>(1,307,840)</u>	<u>2,414,883</u>
Net cash provided by operating activities	<u>\$ 858,677</u>	<u>\$ (207,401)</u>	<u>\$ 4,279,890</u>
Noncash investing, capital and financing activities:			
Acquisition of capital assets through accounts payable	<u>\$ 75,167</u>	<u>\$ 233,498</u>	<u>\$ -</u>

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

CITY OF ANDERSON MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the City of Anderson Municipal Utilities (Utilities) and are not intended to present fairly the position of the City of Anderson (City), and the results of its operations and cash flows. The Utilities, whose operations are controlled by the City, represents all of the City's enterprise funds.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and Other Changes in Fund Net Assets; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Utilities' cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes the Utility 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.

Nonparticipating certificates of deposit, demand deposits, and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Debt securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency.

Open-end mutual funds are reported at fair value.

CITY OF ANDERSON MUNICIPAL UTILITIES
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Money market investments that mature within one year or less at the date of their acquisition are reported at amortized cost. Other money market investments are reported at fair value.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Inventories and Prepaid Items

All inventories are valued at the lower of average cost or market and consist of maintenance supplies and replacement parts held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets balance sheet because they are maintained separately and their use is limited by ordinance or applicable bond covenants.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

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.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 1,000	Straight-line	33 - 67 yrs.
Improvements other than buildings	1,000	Straight-line	33 - 67 yrs.
Machinery and equipment	1,000	Straight-line	10 - 33 yrs.
Transportation equipment	1,000	Straight-line	10 yrs.

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF ANDERSON MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

II. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At December 31, the bank balance held at Key Bank in the amount of \$8,466,109 was collateralized with securities held by the pledging financial institution. The remaining bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, the Utilities had the following investments:

Investment Type	Fair Value	Less Than 1 Year
Mutual Funds	\$ 4,829,573	\$ 4,829,573
Government Sponsored Entities	15,285,000	15,285,000

Investment Policies

Indiana Code 5-13-9 authorizes the Utilities to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Utilities and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise; or repurchase agreements fully collateralized by direct obligations of the United States of

CITY OF ANDERSON MUNICIPAL UTILITIES
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of or interest in an investment company or investment trust must be rated as AAA, or its equivalent, by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

The Utilities may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Utilities do not have a formal investment policy for custodial credit risk for investments, including those that are uninsured and 1) uncollateralized, 2) collateralized with securities held by the pledging financial institution, or 3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. At December 31, the City held investments in government sponsored entities in the amount of \$15,285,000, respectively. Of these investments 100% were held by the counterparty or counterparty's trust department or agent but not in the Utilities' name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Utilities do not have a formal policy in regards to interest rate risk. The Utilities must follow state statute and limit the stated final maturities of the investments to no more than two years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Utilities do not have a formal policy in regards to credit risk. The distribution of securities with credit ratings is summarized below.

Standard & Poor's Rating	Moody's Rating	City's Investments
AAA	Aaa	\$ <u>20,114,573</u>

CITY OF ANDERSON MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Utilities do not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement. At December 31, the Utilities held investments in the Federal Home Loan Bank System in the amount of \$15,285,000, which represented 76% of the Utilities' investments, respectively.

Foreign Currency Risk

The Utilities do not have a formal policy in regards to foreign currency risk.

C. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

	(Restated) Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 360,660	\$ 139,730	\$ -	\$ 500,390
Construction in progress	12,300,395	2,445,838	2,414,926	12,331,307
	<u>12,661,055</u>	<u>2,585,568</u>	<u>2,414,926</u>	<u>12,831,697</u>
Total capital assets, not being depreciated				
	<u>12,661,055</u>	<u>2,585,568</u>	<u>2,414,926</u>	<u>12,831,697</u>
Capital assets, being depreciated:				
Buildings	3,679,805	2,750	-	3,682,555
Improvements other than buildings	21,204,532	1,486,054	-	22,690,586
Machinery and equipment	2,250,081	355,262	-	2,605,343
Transportation equipment	578,897	247,459	-	826,356
	<u>27,713,315</u>	<u>2,091,525</u>	<u>-</u>	<u>29,804,840</u>
Totals				
	<u>27,713,315</u>	<u>2,091,525</u>	<u>-</u>	<u>29,804,840</u>
Less accumulated depreciation for:				
Buildings	2,044,741	73,226	-	2,117,967
Improvements other than buildings	16,143,511	316,324	-	16,459,835
Machinery and equipment	1,777,022	95,566	-	1,872,588
Transportation equipment	707,782	42,498	-	750,280
	<u>20,673,056</u>	<u>527,614</u>	<u>-</u>	<u>21,200,670</u>
Totals				
	<u>20,673,056</u>	<u>527,614</u>	<u>-</u>	<u>21,200,670</u>
Total capital assets, being depreciated, net				
	<u>7,040,259</u>	<u>1,563,911</u>	<u>-</u>	<u>8,604,170</u>
Total capital assets, net				
	<u>\$ 19,701,314</u>	<u>\$ 4,149,479</u>	<u>\$ 2,414,926</u>	<u>\$ 21,435,867</u>

CITY OF ANDERSON MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

	(Restated) Beginning Balance	Increases	Decreases	Ending Balance
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 656,265	\$ -	\$ -	\$ 656,265
Construction in progress	3,288,657	3,125,274	1,317,982	5,095,949
	<u>3,944,922</u>	<u>3,125,274</u>	<u>1,317,982</u>	<u>5,752,214</u>
Total capital assets, not being depreciated				
	<u>3,944,922</u>	<u>3,125,274</u>	<u>1,317,982</u>	<u>5,752,214</u>
Capital assets, being depreciated:				
Buildings	31,270,917	53,598	-	31,324,515
Improvements other than buildings	47,123,325	133,771	-	47,257,096
Machinery and equipment	18,710,426	1,566,492	-	20,276,918
Transportation equipment	1,861,806	93,565	-	1,955,371
	<u>98,966,474</u>	<u>1,847,426</u>	<u>-</u>	<u>100,813,900</u>
Totals				
	<u>98,966,474</u>	<u>1,847,426</u>	<u>-</u>	<u>100,813,900</u>
Less accumulated depreciation for:				
Buildings	21,254,689	572,316	-	21,827,005
Improvements other than buildings	19,212,518	940,143	-	20,152,661
Machinery and equipment	6,608,249	548,925	-	7,157,174
Transportation equipment	1,387,810	128,934	-	1,516,744
	<u>48,463,266</u>	<u>2,190,318</u>	<u>-</u>	<u>50,653,584</u>
Totals				
	<u>48,463,266</u>	<u>2,190,318</u>	<u>-</u>	<u>50,653,584</u>
Total capital assets, being depreciated, net				
	<u>50,503,208</u>	<u>(342,892)</u>	<u>-</u>	<u>50,160,316</u>
Total capital assets, net				
	<u>\$ 54,448,130</u>	<u>\$ 2,782,382</u>	<u>\$ 1,317,982</u>	<u>\$ 55,912,530</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Electric Utility:				
Capital assets, not being depreciated:				
Land	\$ 131,859	\$ -	\$ -	\$ 131,859
Construction in progress	7,462,563	5,875,163	2,799,956	10,537,770
	<u>7,594,422</u>	<u>5,875,163</u>	<u>2,799,956</u>	<u>10,669,629</u>
Total capital assets, not being depreciated				
	<u>7,594,422</u>	<u>5,875,163</u>	<u>2,799,956</u>	<u>10,669,629</u>
Capital assets, being depreciated:				
Buildings	2,808,785	53,500	-	2,862,285
Improvements other than buildings	68,018,520	1,762,228	362,689	69,418,059
Machinery and equipment	15,764,782	1,630,575	2,614,950	14,780,407
Transportation equipment	1,930,366	22,950	75,079	1,878,237
	<u>88,522,453</u>	<u>3,469,253</u>	<u>3,052,718</u>	<u>88,938,988</u>
Totals				
	<u>88,522,453</u>	<u>3,469,253</u>	<u>3,052,718</u>	<u>88,938,988</u>

CITY OF ANDERSON MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Electric Utility (continued):				
Capital assets, being				
depreciated (continued):				
Less accumulated depreciation for:				
Buildings	2,564,231	13,142	-	2,577,373
Improvements other than building:	30,874,904	2,166,282	169,128	32,872,058
Machinery and equipment	5,211,143	491,580	92,496	5,610,227
Transportation equipment	1,311,154	139,182	68,329	1,382,007
	<u>39,961,432</u>	<u>2,810,186</u>	<u>329,953</u>	<u>42,441,665</u>
Totals	<u>39,961,432</u>	<u>2,810,186</u>	<u>329,953</u>	<u>42,441,665</u>
Total capital assets, being				
depreciated, net	<u>48,561,021</u>	<u>659,067</u>	<u>2,722,765</u>	<u>46,497,323</u>
Total capital assets, net	<u>\$ 56,155,443</u>	<u>\$ 6,534,230</u>	<u>\$ 5,522,721</u>	<u>\$ 57,166,952</u>

D. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2008	Committed
Water Utility:			
Automated meter reading	\$ 12,514,812	\$ 12,129,769	\$ 385,043
Equestrian well	278,089	75,100	202,989
Park Road water tower	65,032	36,235	28,797
Other	209,970	90,203	119,767
Wastewater Utility:			
Flagship lift station and force main	3,196,336	3,196,336	-
Collection system upgrade	766,612	680,409	86,203
Tara Heights sewer separation	499,903	499,903	-
Gene Gustin Way upgrade	710,237	281,083	429,154
Other	878,948	438,218	440,730
Electric Utility:			
Automated meter reading	3,919,025	3,262,299	656,726
Flagship substation	4,766,079	4,716,079	50,000
Other	2,605,575	2,559,392	46,183
	<u>2,605,575</u>	<u>2,559,392</u>	<u>46,183</u>
Totals	<u>\$ 30,410,618</u>	<u>\$ 27,965,026</u>	<u>\$ 2,445,592</u>

CITY OF ANDERSON MUNICIPAL UTILITIES
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

E. Interfund Balances and Activity

1. Interfund Payable

The composition of interfund balances as of December 31, 2008, is as follows:

Due To	Due From Electric Utility
Civil city:	
Nestle TIF capital	\$ 4,000,000

The interfund balance resulted from a loan from the City's Nestle TIF Capital fund to construct electric infrastructure to the Nestle plant. The loan is to be repaid in 2009 from taxable revenue bond proceeds held by a fiscal agent and reported on the Statement of Net Assets of the Electric Utility.

2. Interfund Transfer

Interfund transfer at December 31, 2008, was as follows:

Transfer From	Water Utility
Wastewater Utility	\$ 360,850

The transfer was to fund ongoing operating subsidies.

F. Capital Leases

The Utilities' have entered into various capital leases for machinery and equipment. Future minimum lease payments and present values of the net minimum lease payments under the capital leases as of December 31, 2008, are as follows:

CITY OF ANDERSON MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

	<u>Water Utility</u>	<u>Electric Utility</u>
2009	\$ 801,900	\$ 1,092,987
2010	801,900	1,092,987
2011	1,255,767	1,184,198
2012	1,255,767	1,163,288
2013	1,255,767	1,163,288
2014-2018	6,278,835	4,963,372
2019-2023	<u>5,023,068</u>	<u>1,240,890</u>
 Total minimum lease payments	 16,673,004	 11,901,010
 Less amount representing interest	 <u>4,288,973</u>	 <u>2,366,729</u>
 Present value of net minimum lease payments	 <u>\$ 12,384,031</u>	 <u>\$ 9,534,281</u>

Assets acquired through capital leases still in effect are as follows:

	<u>Water Utility</u>	<u>Electric Utility</u>
Construction in progress	\$ 12,129,769	\$ 3,262,299
Improvements other than buildings	-	5,001,538
Transportation equipment	<u>-</u>	<u>115,980</u>
 Totals	 12,129,769	 8,379,817
 Accumulated depreciation	 <u>669</u>	 <u>345,878</u>
 Totals	 <u>\$ 12,129,100</u>	 <u>\$ 8,033,939</u>

G. Long-Term Liabilities

1. Revenue Bonds

The Utility issues bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

CITY OF ANDERSON MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

Purpose	Interest Rates	Amount
Sewage Utility Improvement Bonds of 1998	4.40% - 5.50%	\$ 1,615,000
Sewage Works Revenue Bonds of 2002	3.25% - 5.00%	9,305,000
Electric Utility Revenue Bonds of 2003	2.50% - 4.38%	9,020,000
Electric Utility Refunding Revenue Bonds of 2007	4.25%	1,800,000
Sewage Works Revenue Bonds of 2007	4.40% - 5.00%	15,045,000
Waterworks Revenue Bonds of 2007	4.25% - 4.30%	4,945,000
Electric Utility Taxable Revenue Bonds of 2008 Series A	5.50% - 6.00%	1,705,000
Electric Utility Revenue Bonds of 2008 Series B	4.75% - 5.55%	4,190,000
Total		47,625,000
Add: unamortized premium		11,343
Less: unamortized discount		26,220
Less: deferral of loss on refunding		51,588
Total (net)		<u>\$ 47,558,535</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Water Utility	Wastewater Utility	Electric Utility
2009	\$ 395,890	\$ 2,107,501	\$ 3,326,964
2010	398,028	2,108,746	3,304,274
2011	399,740	2,107,674	3,293,405
2012	396,028	2,109,194	1,863,430
2013	397,103	2,108,690	800,837
2014-2018	1,991,762	10,560,490	4,091,048
2019-2023	2,005,212	10,620,840	4,223,800
2024-2028	1,212,395	6,152,595	-
Totals	7,196,158	37,875,730	20,903,758
Less: interest	<u>2,251,158</u>	<u>11,910,730</u>	<u>4,188,758</u>
Totals - principal	<u>\$ 4,945,000</u>	<u>\$ 25,965,000</u>	<u>\$ 16,715,000</u>

CITY OF ANDERSON MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Loan Payable

The Wastewater Utility has entered into a loan. An annual debt service requirement to maturity for the loan is as follows:

2009	\$	59,631
Less: interest		<u>2,249</u>
Total - principal	\$	<u><u>57,382</u></u>

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds payable:					
Water Utility	\$ 5,125,000	\$ -	\$ 180,000	\$ 4,945,000	\$ 185,000
Wastewater Utility	26,905,000	-	940,000	25,965,000	980,000
Electric Utility	12,105,000	5,895,000	1,285,000	16,715,000	2,575,000
Deferred amounts:					
For issuance premiums	17,014	-	5,671	11,343	-
For issuance discounts	37,168	-	10,948	26,220	-
For loss on refunding	<u>77,382</u>	<u>-</u>	<u>25,794</u>	<u>51,588</u>	<u>-</u>
Total revenue bonds payable	44,037,464	5,895,000	2,373,929	47,558,535	3,740,000
Capital leases:					
Water Utility	12,729,416	101,045	446,430	12,384,031	292,916
Wastewater Utility	14,057	-	14,057	-	-
Electric Utility	10,391,719	24,978	882,416	9,534,281	714,579
Loan:					
Wastewater Utility	111,892	-	54,510	57,382	57,382
Compensated absences:					
Water Utility	284,861	35,060	10,510	309,411	59,876
Wastewater Utility	316,015	68,411	8,138	376,288	74,672
Electric Utility	<u>663,288</u>	<u>48,152</u>	<u>34,931</u>	<u>676,509</u>	<u>63,160</u>
Total long-term liabilities	<u><u>\$ 68,548,712</u></u>	<u><u>\$ 6,172,646</u></u>	<u><u>\$ 3,824,921</u></u>	<u><u>\$ 70,896,437</u></u>	<u><u>\$ 5,002,585</u></u>

CITY OF ANDERSON MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

H. Restricted Assets

The balances of restricted asset accounts in the enterprise funds are as follows:

	<u>Current</u>	<u>Noncurrent</u>
Water Utility:		
Customer deposit	\$ 101,994	\$ -
Depreciation	-	467,085
Construction	-	4,225,431
Reserve		333,165
Wastewater Utility:		
Bond and interest	355,512	-
Construction	-	10,742,702
Depreciation	-	410,052
Improvement	-	158,981
Replacement	-	208,739
Reserve	-	1,145,696
Revolving	-	76,747
Electric Utility:		
Bond and interest	1,298,169	-
Construction	-	942,363
Customer deposit	768,473	-
Garage	-	90,590
Reserve	-	1,159,762
Fiber optic	-	185,274
Total restricted assets	<u>\$ 2,524,148</u>	<u>\$ 20,146,587</u>

I. Restatements

For the year ended December 31, 2008, certain changes have been made to the financial statements to more appropriately reflect financial activity of the Utilities related to capital assets.

<u>Net Assets</u>	<u>Balance as Reported December 31, 2007</u>	<u>Prior Period Adjustments</u>	<u>Balance as Restated January 1, 2008</u>
Water Utility:			
Invested in capital assets, net of related debt	\$ 14,959,429	\$ (5,717,973)	\$ 9,241,456
Restricted for debt service	168,188	-	168,188
Restricted for capital projects	921,859	-	921,859
Unrestricted	1,005,196	-	1,005,196
Total Water Utility	<u>\$ 17,054,672</u>	<u>\$ (5,717,973)</u>	<u>\$ 11,336,699</u>

CITY OF ANDERSON MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Net Assets</u>	<u>Balance as Reported December 31, 2007</u>	<u>Prior Period Adjustments</u>	<u>Balance as Restated January 1, 2008</u>
Wastewater Utility:			
Invested in capital assets, net of related debt	\$ 20,477,091	\$ 22,016,052	\$ 42,493,143
Restricted for debt service	807,106	-	807,106
Unrestricted	<u>3,225,406</u>	<u>-</u>	<u>3,225,406</u>
 Total Wastewater Utility	 <u>\$ 24,509,603</u>	 <u>\$ 22,016,052</u>	 <u>\$ 46,525,655</u>

III. Other Information

A. Risk Management

The City, including the Utilities, are 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 (excluding postemployment benefits); and natural disasters.

The risks of errors and omissions, as related to official bonds are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Torts; Theft of, Damage to and Destruction of Assets; Errors and Omissions;
Job Related Illness or Injuries to Employees; and Natural Disasters

The City, including the Utilities, have chosen to establish a risk financing fund for risks associated with torts; theft of, damage to and destruction of assets; errors and omissions; job related illness or injuries to employees; and natural disasters. The risk financing fund is accounted for in the Insurance Loss Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$150,000 per incident and in excess of \$850,000 in aggregate per year of loss. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. An annual premium is charged to each fund for the annual aggregate amount not covered by the commercial insurance excess policy.

Claim expenses and liabilities of the fund are considered an obligation of the City as a whole and are not presented as a liability of the proprietary funds of the utilities.

CITY OF ANDERSON MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

Medical Benefits to Employees (Excluding Postemployment Benefits)

The City, including the Utilities, have chosen to establish a risk financing fund for risks associated with medical expenses of its' employees. The risk financing fund is accounted for in the Medical Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$175,000 for out of pocket expenses per year per individual and a group aggregate amount of \$8,100,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A monthly premium is charged to each fund that accounts for employee payroll based upon the number of employees participating.

Claim expenses and liabilities of the fund are considered an obligation of the City as a whole and are not presented as a liability of the proprietary funds of the utilities.

B. Other Postemployment Benefits

Single-Employer Defined Benefit Healthcare Plan

Plan Description

City of Anderson Retiree Healthcare Plan is a single-employer defined benefit healthcare plan administered by the City. The City and Utilities contribute to the plan. The plan provides health care benefits to eligible retirees and their spouses. City Ordinance 78-89 establishes the benefit provisions.

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Common Council. For the year ended December 31, 2008, the City contributed \$1,796,136 to the plan. Plan members receiving benefits contributed \$53,542, or approximately 43% of the total premiums, through their required contribution of \$46 per month for retiree-only coverage and \$798 for retiree and spouse coverage.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the plan:

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available. Therefore, any liability for retiree postemployment health benefits is considered an obligation of the City as a whole.

CITY OF ANDERSON MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

Annual required contribution	\$ 6,408,676
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
	-
Annual OPEB cost	6,408,676
Contributions made	1,796,136
	-
Increase (decrease) in net OPEB obligation	4,612,540
Net OPEB obligation, beginning of year	-
	-
Net OPEB obligation, end of year	\$ 4,612,540

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 is as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12-31-08	\$ 6,408,676	28%	\$ 4,612,540

Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$80,571,233, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$80,571,233.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the Notes to Financial Statements, presents information about the actuarial value of plan assets relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumption

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF ANDERSON MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

In the December 31, 2008, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 4.5% after 10 years. Both rates included a 3% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2008, was 30 years.

C. Rate Structure

1. Water Utility

The current rate structure was approved by the Utility on December 20, 2006.

2. Wastewater Utility

The current rate structure was approved by the Utility on October 10, 2002.

3. Electric Utility

The current rate structure was approved by the Utility on August 20, 2008.

D. Pension Plan

Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The City, including the Utilities, contributes to the Indiana Public Employees' Retirement Fund (PERF), 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 the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Utilities 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 member's contributions, set by state statute at three percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

CITY OF ANDERSON MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Utility's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the City as a whole and is not presented as an asset/liability of the proprietary funds.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 1,853,179
Interest on net pension obligation	(137,443)
Adjustment to annual required contribution	156,627
Annual pension cost	1,872,363
Contributions made	1,620,202
Increase (decrease) in net pension obligation	252,161
Net pension obligation, beginning of year	(1,895,767)
Net pension obligation, end of year	\$ (1,643,606)
Contribution rates:	
Utilities	6.75%
Plan members	3%
Actuarial valuation date	07-01-08
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

CITY OF ANDERSON MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 1,490,747	103%	\$ (2,161,886)
	06-30-07	1,839,189	86%	(1,895,767)
	06-30-08	1,872,363	87%	(1,643,606)

E. Subsequent Events

In October 2009, the City entered into a loan in the amount of \$1,500,000 to finance the White River Levee Construction Project. The loan is to be an obligation of the Wastewater Fund and to be repaid from Stormwater Department revenues.

On September 30, 2009, the City obtained a loan from the State Revolving Fund (SRF) in the amount of \$1,615,000 for the purpose of making upgrades to its wastewater treatment facility. Additionally, Bond Anticipation Note (BAN) financing was secured in the amount of \$6,000,000 in conjunction with the SRF loan. The BAN's were arranged through the State of Indiana utilizing American Recovery and Reinvestment Act (ARRA) funds. The BAN's bear no interest and are to be forgiven after a five-year period. The SRF loan and ARRA funds are to be accounted for in the Wastewater Utility Fund.

On September 30, 2009, the City secured Bond Anticipation Note (BAN) financing in the amount of \$1,373,200 for purposes of upgrading its Water Utility. The BAN's were arranged through the State of Indiana utilizing American Recovery and Reinvestment Act (ARRA) funds. The BAN's bear no interest and are to be forgiven after a 364 day period. The ARRA funds are to be accounted for in the Water Utility Fund.

CITY OF ANDERSON MUNICIPAL UTILITIES
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 26,193,203	\$ 34,084,349	\$ (7,891,146)	77%	\$ 22,641,458	(35%)
07-01-07	28,394,007	36,238,555	(7,844,548)	78%	22,593,011	(35%)
07-01-08	30,396,568	38,405,006	(8,008,438)	79%	23,499,023	(34%)

CITY OF ANDERSON MUNICIPAL UTILITIES
EXAMINATION RESULTS AND COMMENTS

DELINQUENT UTILITY ACCOUNTS

In August of 2008, the unit switched to the MUNIS computer system for recording and maintaining utility customer billings and collections. Due to the software change, tracking of delinquent customer accounts has become more difficult as the MUNIS system does not separately track accounts which have had no activity as the prior system did.

Additionally, we noted where some business customers providing community services were given special consideration when applying delinquent account procedures. Collection of amounts due is not being pursued for these specific customers.

Delinquent wastewater and stormwater fees and penalties for these customers have not been recorded with the County Recorder nor were they certified to the County Auditor, which would result in a lien against the property.

IC 36-9-23-33 states in part:

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

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

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder. . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May . . ."

VARIOUS ACCOUNTING GUIDES, MANUALS, AND OTHER PUBLICATIONS

Records presented for audit indicate officials did not recognize investments of the Utilities (Enterprise Funds) at fair value as required by Generally Accepted Accounting Principles (GAAP).

CITY OF ANDERSON MUNICIPAL UTILITIES
EXAMINATION RESULTS AND COMMENTS
(Continued)

Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standards setting bodies and also with various accounting guides, manuals and other publications. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ACCOUNTS RECEIVABLE DETAIL

During 2008, the City implemented a new utility billing program. The detail of accounts receivable at December 31, 2008, does not agree in total with the balance reported in the financial statements. Additionally, we noted where officials are not reconciling the accounts receivable detail with the general ledger. The accounting system has a report entitled Accounts Receivable to General Ledger Reconciliation Report. This report is not being generated on a timely basis with variances between the two balances being investigated.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK ACCOUNT RECONCILIATIONS

As similarly stated in several prior reports, most recently Report B32684, the depository reconciliation of the cash fund balances to the bank account balances was incorrect at December 31, 2008, as presented for audit. Additionally, depository reconciliations of the cash fund balances to the bank account balances were incomplete or inaccurate as presented for audit for the months of January through November of 2008. Officials have had difficulties performing bank reconciliations since converting to the present accounting software in 2004. Additionally, attempts to reconcile the accounts in the subsequent period has resulted in differing amounts of cash long and short at each month's end.

IC 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."

CITY OF ANDERSON MUNICIPAL UTILITIES
EXAMINATION RESULTS AND COMMENTS
(Continued)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register is not being properly reconciled with the customer deposit amount recorded on the general ledger. Officials are adjusting the general ledger to agree with the detail of customer deposits without adequately investigating variances.

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CITY OF ANDERSON MUNICIPAL UTILITIES
EXIT CONFERENCE

The contents of this report were discussed on November 30, 2009, with Hon. Kris Ockomon, Mayor; C. Karen Carpenter, Controller; C. Gregory Graham, President of the Board of Public Works; Mark Lamey, Board of Public Works member; David Eicks, Councilman; and Renisa D. Harry, Utilities Finance Manager. The officials concurred with our audit findings.