

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

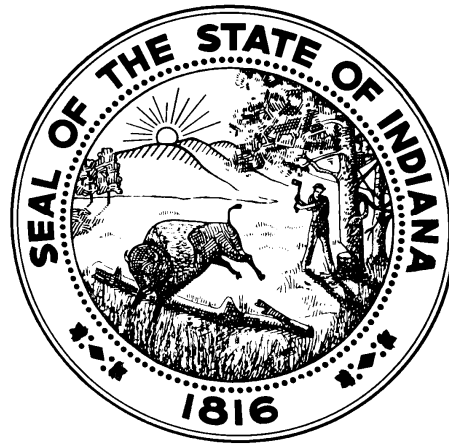
ANNUAL FINANCIAL REPORT

2007

RICHMOND POWER AND LIGHT

CITY OF RICHMOND

WAYNE COUNTY, INDIANA



**FILED**  
07/17/2008



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Auditor's Report .....	3
Statement of Net Assets .....	4
Statement of Revenues, Expenses, and Other Changes in Fund Net Assets .....	5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7-14
Supplementary Information: Schedule of Funding Progress .....	15
Audit Result and Comment: Bank Account Reconciliations .....	16
Exit Conference.....	17
Official Response .....	18-19

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Tammy S. Glenn	01-01-07 to 12-31-08
Mayor	Sarah L. Hudson	01-01-04 to 12-31-11
President of the Board of Public Works and Safety	John P. Kenny Vicki A. Robinson	01-01-07 to 03-02-07 03-03-07 to 12-31-08
President of the Common Council	Diana Pappin Larry Parker	01-01-07 to 12-31-07 01-01-08 to 12-31-08
Finance Manager	Tracy Garret Scott Sharp (Interim) Sandra Morris	01-01-07 to 02-05-07 02-06-07 to 04-12-07 04-13-07 to 12-31-07
General Manager	David Osburn Steve Saum	01-01-07 to 01-10-07 01-11-07 to 12-31-08
Chairperson of the Board of Directors	Larry Parker Bing Welch	01-01-07 to 12-31-07 01-01-08 to 12-31-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF RICHMOND POWER AND LIGHT,  
CITY OF RICHMOND, WAYNE COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of Richmond Power and Light (Utility), a department of the City of Richmond, as of and for the year ended December 31, 2007. These financial statements are the responsibility of the Utility's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I, the financial statements of Richmond Power and Light, City of Richmond, 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 Utility. They do not purport to, and do not, present fairly the financial position of the City of Richmond as of December 31, 2007, 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 the Utility, as of December 31, 2007, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management's Discussion and Analysis is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Management's Discussion and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

June 26, 2008

RICHMOND POWER AND LIGHT  
CITY OF RICHMOND  
STATEMENT OF NET ASSETS  
December 31, 2007

Assets

Current assets:	
Cash and cash equivalents	\$ 5,977,917
Accounts receivable (net of allowance)	5,654,002
Interfund receivables:	
Interfund loans	587,687
Inventories	5,793,364
Prepaid items	<u>384,368</u>
 Total current assets	 <u>18,397,338</u>
Noncurrent assets:	
Restricted cash, cash equivalents and investments:	
Depreciation cash and investments	13,063,323
Group insurance reserve cash and investments	1,311,971
Cash reserve fund cash and investments	1,318,530
Debt reserve fund cash and investments	573,787
Customer deposits cash and investments	448,933
Interest receivable	<u>164,440</u>
 Total restricted assets:	 <u>16,880,984</u>
Deferred charges and intangible assets (net of accumulated amortization)	<u>244,468</u>
Capital assets:	
Land, improvements to land and construction in progress	7,091,555
Other capital assets (net of accumulated depreciation)	<u>64,981,934</u>
 Total capital assets	 <u>72,073,489</u>
 Total noncurrent assets	 <u>89,198,941</u>
 Total assets	 <u>107,596,279</u>

Liabilities

Current liabilities:	
Accounts payable	5,549,361
Interfund payables:	
Taxes payable	419,169
Deferred credits	41,028
Matured unpaid bonds and coupons	2,625
Current liabilities payable from restricted assets:	
Customer deposits	431,054
Payable in lieu of taxes	<u>3,252,351</u>
 Total current liabilities	 <u>9,695,588</u>
Noncurrent liabilities:	
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	3,040,000
Compensated absences	<u>350,000</u>
 Total noncurrent liabilities	 <u>3,390,000</u>
 Total liabilities	 <u>13,085,588</u>

Net Assets

Invested in capital assets, net of related debt	67,987,502
Restricted for debt service	573,787
Unrestricted	<u>25,949,402</u>
 Total net assets	 <u>\$ 94,510,691</u>

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

RICHMOND POWER AND LIGHT  
 CITY OF RICHMOND  
 STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS  
 As Of And For The Year Ended December 31, 2007

Operating revenues:	
Residential sales	\$ 17,204,119
Commercial and industrial sales	45,887,915
Sales for resale	21,139,808
Public street and highway lighting	1,893,484
Penalties	502,177
Other	<u>343,993</u>
Total operating revenues	<u>86,971,496</u>
Operating expenses:	
Power production	65,079,239
Transmission and distribution	2,952,906
Customer accounts	1,201,462
Administration and general	3,743,459
Depreciation and amortization	5,011,873
Other	2,335,276
Employee pensions and benefits	<u>1,981,631</u>
Total operating expenses	<u>82,305,846</u>
Operating income	<u>4,665,650</u>
Nonoperating revenues (expenses):	
Interest and investment revenue	953,420
Miscellaneous revenue	102,197
Interest expense	<u>(120,926)</u>
Total nonoperating revenues (expenses)	<u>934,691</u>
Income before contributions and transfers	5,600,341
Capital contributions	<u>13,849</u>
Change in net assets	5,614,190
Total net assets - beginning	90,258,417
Residual equity transfer out	<u>(1,361,916)</u>
Total net assets - ending	<u>\$ 94,510,691</u>

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

RICHMOND POWER AND LIGHT  
CITY OF RICHMOND  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
As Of And For The Year Ended December 31, 2007

Cash flows from operating activities:	
Receipts from customers and users	\$ 87,599,214
Payments to suppliers and contractors	(68,134,682)
Payments to employees	<u>(8,680,891)</u>
Net cash provided by operating activities	<u>10,783,641</u>
Cash flows from noncapital financing activities:	
Proceeds from repayment of principal of loan to City	204,466
Transfers from other funds	<u>(1,361,916)</u>
Net cash used by noncapital financing activities	<u>(1,157,450)</u>
Cash flows from capital and related financing activities:	
Capital contributions	13,849
Acquisition and construction of capital assets	(5,064,685)
Principal paid on capital debt	(260,000)
Interest paid on capital debt	(120,926)
Rental and other income from assets	<u>102,197</u>
Net cash used by capital and related financing activities	<u>(5,329,565)</u>
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	9,324,910
Purchase of investments	(12,229,231)
Interest received	<u>1,045,127</u>
Net cash used by investing activities	<u>(1,859,194)</u>
Net increase in cash and cash equivalents	2,437,432
Cash and cash equivalents, January 1	<u>7,375,033</u>
Cash and cash equivalents, December 31	<u>\$ 9,812,465</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 4,665,650</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	5,011,873
(Increase) decrease in assets:	
Accounts receivable	582,651
Inventories	438,077
Prepaid items	(56,477)
Deferred charges	2,255
Increase (decrease) in liabilities:	
Accounts payable	99,227
Deferred credits	345
Taxes payable	(2,771)
In lieu of taxes payable	(1)
Customer deposits	<u>42,812</u>
Total adjustments	<u>6,117,991</u>
Net cash provided by operating activities	<u>\$ 10,783,641</u>
Noncash investing, capital and financing activities:	
Construction in Progress finished and transferred to Utility Plant in Service	\$ 5,025,404
Cost of Utility Plant in Service removed from service	326,744

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

RICHMOND POWER AND LIGHT  
CITY OF RICHMOND  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the Utility and are not intended to present fairly the position of the City of Richmond (City), and the results of its operations and cash flows of its enterprise funds. The Utility, whose operations are controlled by the City, represents a substantial portion 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 Utility's 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 (Indiana Code 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.

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

RICHMOND POWER AND LIGHT  
CITY OF RICHMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

3. Restricted Assets

Depreciation, Bond and Interest, Group Insurance, Cash Reserve and Customer Deposit funds are classified as restricted assets on the Statement of Net Assets balance sheet because they are set aside specifically for cost of Utility Plant in Service, medical costs of employees and dependents, annual payment to the City of Richmond, and for the liability of customer deposits.

4. Capital Assets

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

Capital assets are reported at actual historical 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 and improvements	None	Straight-line	40-50 years
Improvements other than buildings	None	Straight-line	50-65 years
Machinery and equipment	None	Straight-line	10-60 years
Transportation equipment	None	Straight-line	5-10 years

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.

5. Compensated Absences

a. Sick Leave – Utility employees earn sick leave at the rate of 15 days per year. Unused sick leave may be accumulated to a maximum of 105 days. Accumulated sick leave is not paid to employees.

b. Vacation Leave – Utility employees earn vacation leave at rates from 5 days to 25 days per year based upon the number of years of service. Vacation leave may be accumulated for 1 year. Accumulated vacation leave is paid to employees through cash payments upon separation of service.

RICHMOND POWER AND LIGHT  
CITY OF RICHMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

- c. Personal Leave – Utility employees earn personal leave at the rate of 2 days per year. Personal leave does not accumulate from year to year.

No liability is reported for sick and personal leave.

6. 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 and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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.

B. Receivables

The following receivable accounts have timing and credit characteristics different from typical accounts receivable. The Loan to the City of Richmond was for the purchase of the Carpenter bus manufacturing plant building and property. The City intends to repay the loan to the Utility, but the building was sold for less than the loan amount. Repayment of the remaining loan balance of \$587,687 will take more than one year, but a repayment schedule has not been established.

C. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 783,196	\$ 3	\$ -	\$ 783,199
Construction in progress	<u>7,905,796</u>	<u>3,427,964</u>	<u>5,025,404</u>	<u>6,308,356</u>
				-
Total capital assets, not being depreciated	<u>8,688,992</u>	<u>3,427,967</u>	<u>5,025,404</u>	<u>7,091,555</u>

RICHMOND POWER AND LIGHT  
CITY OF RICHMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Buildings	6,559,498	-	-	6,559,498
Improvements other than buildings	977,563	-	-	977,563
Machinery and equipment	138,912,411	6,608,492	326,744	145,194,159
<b>Totals</b>	<b>146,449,472</b>	<b>6,608,492</b>	<b>326,744</b>	<b>152,731,220</b>
Less accumulated depreciation for:				
Buildings	3,739,391	133,474	-	3,872,865
Improvements other than buildings	413,061	16,968	-	430,029
Machinery and equipment	79,028,645	4,798,121	380,374	83,446,392
<b>Totals</b>	<b>83,181,097</b>	<b>4,948,563</b>	<b>380,374</b>	<b>87,749,286</b>
Total capital assets, being depreciated, net	63,268,375	1,659,929	(53,630)	64,981,934
Total capital assets, net	<u>\$ 71,957,367</u>	<u>\$ 5,087,896</u>	<u>\$ 4,971,774</u>	<u>\$ 72,073,489</u>

D. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2007	Committed	Required Future Funding
Transmission	\$ 4,299,364	\$ 3,649,907	\$ 649,457	\$ -
Distribution	2,098,500	2,053,760	44,740	-
General plant	1,283,750	604,689	679,061	-
<b>Totals</b>	<b>\$ 7,681,614</b>	<b>\$ 6,308,356</b>	<b>\$ 1,373,258</b>	<b>\$ -</b>

E. 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:

RICHMOND POWER AND LIGHT  
CITY OF RICHMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Purpose	Interest Rate	Amount
Construction of electric substation	3.3%	\$ <u>3,040,000</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Principal	Interest
2008	\$ 280,000	\$ 107,930
2009	295,000	98,081
2010	310,000	87,506
2011	320,000	76,290
2012	335,000	64,416
2013-2016	<u>1,500,000</u>	<u>121,743</u>
Totals	<u>\$ 3,040,000</u>	<u>\$ 555,966</u>

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Within One Year
Revenue bonds payable	\$ 3,300,000	\$ -	\$ 260,000	\$ 3,040,000	\$ 280,000
Compensated absences	<u>350,000</u>	<u>-</u>	<u>-</u>	<u>350,000</u>	<u>-</u>
Total long-term liabilities	<u>\$ 3,650,000</u>	<u>\$ -</u>	<u>\$ 260,000</u>	<u>\$ 3,390,000</u>	<u>\$ 280,000</u>

F. Restricted Assets

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

Depreciation	\$ 13,063,323
Bond and interest	573,787
Group insurance	1,311,971
Cash reserve	1,318,530
Customer deposits	448,933
Interest receivable	<u>164,440</u>
Total restricted assets	<u>\$ 16,880,984</u>

RICHMOND POWER AND LIGHT  
CITY OF RICHMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

III. Other Information

A. Risk Management

The Utility is 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 torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters 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.

Medical Benefits to Employees, Retirees, and Dependents

The Utility has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees and dependents. The risk financing fund is where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$100,000 per insured and an aggregate of \$850,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Provisions are also made for unexpected and unusual claims.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amounts of pay outs, and other economic and social factors.

However, claim liabilities cannot be reasonably estimated.

B. Subsequent Event

The Utility issued bonds totaling \$4 million in 2008 to finance the Fabric Filter System project.

C. Rate Structure

The current rate structure was approved by the Indiana Utility Regulatory Commission on February 9, 2005.

D. Pension Plan

Richmond Power and Light Employees' Pension

Plan Description

The Utility contributes to the Richmond Power and Light Employees' Pension, which is a single-employer defined benefit plan. With the approval of the Utility's fiscal body, the plan is administered by the Principal Financial Group as authorized by state statute (IC 8-1.5-3-7) for full-time

RICHMOND POWER AND LIGHT  
CITY OF RICHMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Utility employees. The plan provides dependent pensions, life insurance, and disability benefits to plan members and beneficiaries. The trustee issues a publicly available financial report that includes financial statements and required supplementary information of the plan. The report may be obtained by writing Richmond Power and Light, 2000 South U.S. Highway 27, Richmond, IN 47374.

Funding Policy and Annual Pension Cost

The contribution requirements for plan members for the Richmond Power and Light Employees' Pension Plan are established by the Board of Directors of the Utility. The Utility's annual pension cost for the current year and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	Richmond Power and Light Employees' Pension Plan
Annual required contribution	\$ 570,527
Interest on net pension obligation	(31,369)
Adjustment to annual required contribution	45,369
Annual pension cost	584,527
Contributions made	612,105
Decrease in net pension obligation	(27,578)
Net pension obligation, beginning of year	(464,724)
Net pension obligation, end of year	\$ (492,302)
Contribution rates:	
Utility	4.63%
Plan members	3%
Actuarial valuation date	09-01-07
Actuarial cost method	Entry age
Amortization method	Normal-frozen initial liability equal annual installments
Amortization period	20 years
Asset valuation method	Contract basis

RICHMOND POWER AND LIGHT  
CITY OF RICHMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Assumptions	Richmond Power and Light Employees' Pension Plan
Investment rate of return	6.75%
Projected future salary increases:	
Total	7%
Attributed to inflation	2%
Attributed to merit/seniority	5%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Richmond Power and Light Pension Plan	08-31-05	\$ 638,036	110%	\$ (503,610)
	08-31-06	584,527	94%	(464,724)
	08-31-07	501,131	105%	(492,302)

RICHMOND POWER AND LIGHT  
CITY OF RICHMOND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF FUNDING PROGRESS

Richmond Power and Light Employees' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
09-01-02	\$ 18,451,814	\$ 17,390,368	\$ 1,061,446	106%	\$ 6,436,400	16%
09-01-03	18,327,234	17,342,907	984,327	106%	6,396,220	15%
09-01-04	20,164,043	19,163,700	1,000,343	105%	6,940,368	14%
09-01-05	21,582,567	21,240,996	341,571	102%	7,331,350	5%
09-09-06	23,155,870	22,395,506	760,364	103%	7,280,811	10%
09-09-07	25,356,539	23,832,967	1,523,572	106%	7,182,171	21%

RICHMOND POWER AND LIGHT  
CITY OF RICHMOND  
AUDIT RESULT AND COMMENT

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not correct. Richmond Power and Light has separate checking accounts for the Electric Utility and for Parallax. Both bank reconciliations contained uncorrected errors dating back several months. Monthly bank reconciliations were not done on a timely basis and as a result the errors were not discovered on a timely basis. The finance department needs to reconcile each bank account on a monthly basis in a timely manner, finding and properly correcting any errors noted. This was not done during the period examined. As a result, an Electric Utility deposit of customer payments was made into the Parallax bank account and the error was not discovered and corrected for nearly one year.

Management is responsible for implementing internal controls over cash and customer payments to provide assurance that all cash receipts are properly deposited, recorded and credited to customers' accounts. Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

RICHMOND POWER AND LIGHT  
CITY OF RICHMOND  
EXIT CONFERENCE

The contents of this report were discussed on June 26, 2008, with Steven Saum, General Manager; Sandra Morris, Finance Manager; Randy Baker, Corporate Services Director; Bing Welch, Chairperson of the Board of Directors; Scott Sharp, Accounting Supervisor; Valerie Fonzer, City Deputy Controller; and Tammy S. Glenn, Controller. The official response has been made a part of this report and may be found on pages 18 and 19.



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June 27, 2008

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

RE: RP&L 2007 Audit Report Response.

Richmond Power & Light (RP&L), the municipal electric provider in Richmond, Indiana, has recently completed the auditing procedures for the annual State Board of Accounts. Mr. Rob Anderson conducted the exit interview on Thursday, June 26, commenting on the account balancing practices of RP&L. Mr. Anderson performed his duties in a professional and courteous manner and we appreciate his opinions and assistance.

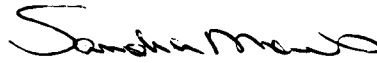
As further clarification, RP&L would like to submit a response to the comment to help explain the findings. The issue of account balancing, explained by Indiana Code C5-13-6-1(e), was found to be less than stellar at RP&L during 2007. We are not contesting the findings, but offer in our defense this explanation of why it may have occurred. The Finance Director at RP&L was terminated for reasons pertaining to the accounting practices being conducted. A new Finance Director was promoted from within and started assuming the duties 2<sup>nd</sup> quarter 2007. The terminated employee was responsible for the balancing duties and never provided guidance to the other employees in the finance department. Another employee from the finance department transferred to another position in Human Resources, leaving a shortage of help in the finance department. With the shortage of help and a new Finance Director that received little guidance, the account balancing activities suffered. Also, the changing of the General Manager position due to a resignation in early 2007 did not help the circumstances, as the Finance Director reports directly to the General Manager. The situation has been corrected with the addition of another accounting employee, a year of experience and helpful guidance provided by Mr. Anderson on the applicable procedures.



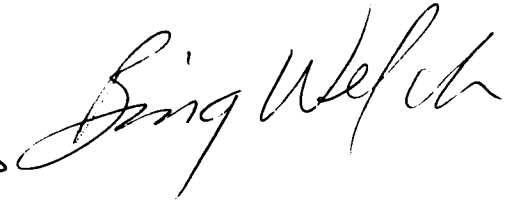
RP&L is confident that the situation has been corrected and the account balancing procedures will be improved. Respectfully submitted as an addendum to the 2007 audit report.



Steve Saum  
General Manager



Sandra Morris  
Finance Manager



Bing Welch  
RP&L Board Chairman