



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B52475

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

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

March 28, 2019

Utility Service Board
Peru Utilities Electric Division
PO Box 67
Peru, IN 46970

We have reviewed the audit report opined on by Crowe, LLP, Independent Public Accountants, for the period January 1, 2015 to December 31, 2017.

Per the Independent Auditor's Report, the financial statements included in the report present fairly the financial condition of Peru Utilities Electric Division as of December 31, 2015, 2016 and 2017, and the results of its operations for the periods then ended, on the basis of accounting described in the report.

In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

PERU UTILITIES – ELECTRIC DIVISION

FINANCIAL STATEMENTS

December 31, 2015, 2016 and 2017

PERU UTILITIES – ELECTRIC DIVISION
FINANCIAL STATEMENTS
December 31, 2015, 2016 and 2017

CONTENTS

SCHEDULE OF OFFICIALS (Unaudited).....	1
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENTS	
STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES - REGULATORY BASIS	4
NOTES TO FINANCIAL STATEMENTS.....	6
SUPPLEMENTARY INFORMATION (Unaudited)	
COMBINING SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES – REGULATORY BASIS.....	10
SCHEDULES OF PAYABLES AND RECEIVABLES.....	13
SCHEDULE OF LEASES AND DEBT	14
SCHEDULES OF CAPITAL ASSETS.....	15

PERU UTILITES – ELECTRIC DIVISION
SCHEDULE OF OFFICIALS (Unaudited)
December 31, 2015, 2016 and 2017

<u>Office</u>	<u>Official</u>	<u>Term</u>
Mayor	James R. Walker Gabriel P. Greer	01-01-15 to 12-31-15 01-01-16 to 12-31-19
Clerk-Treasurer	Jackquan E. Gray Tanisha Soldi	01-01-15 to 01-01-15 01-01-16 to 12-31-19
President of the Utility Service Board	Stanley Akers	01-01-15 to 12-31-17
Utilities General Manager	Roger B. Merriman Joseph Pandy, Jr. Joshua Chance	01-01-15 to 05-23-16 05-16-16 to 10-10-17 08-23-17 to current
Utilities Office Manager	Leah M. Starkey	01-01-15 to 12-31-17
Superintendent of Electric Utility	Curtis Bankston	01-01-15 to 12-31-17

INDEPENDENT AUDITOR'S REPORT

Utility Service Board
Peru Utilities – Electric Division
Peru, Indiana

Report on the Financial Statement

We have audited the accompanying statements of receipts, disbursements, and cash and investment balances of the Electric Division of Peru Utilities (the Utility), a department of the City of Peru, as of and for the years ended December 31, 2015, 2016, and 2017, and the related notes (the financial statements).

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6) as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity'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 statements.

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

(Continued)

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

As discussed in Note 1 to the financial statements, the Utility prepares its financial statements 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 statements 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 statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Utility as of December 31, 2015, 2016, and 2017, or changes in net position or cash flows thereof for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investment balances of the Utility as of December 31, 2015, 2016, and 2017, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the funds of the Electric Division and do not purport to, and do not, present fairly the financial position of Peru Utilities or the City of Peru, Indiana as of December 31, 2015, 2016, and 2017, or changes in net position or cash flows thereof for the years then ended. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Officials and Supplementary Information Schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Crowe LLP

Indianapolis, Indiana
September 25, 2018

PERU UTILITIES – ELECTRIC DIVISION
STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS
As of and For the Years ended December 31, 2015, 2016, and 2017

2015

<u>Fund</u>	Cash and Investments <u>01-01-15</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash and Investments <u>12-31-15</u>
Operating	\$ 3,383,391	\$ 26,341,791	\$ 26,228,215	\$ 3,496,967
Depreciation	7,377,067	1,787,451	1,191,515	7,973,003
Deposits	209,740	98,800	90,900	217,640
Health/Flex Account	<u>249,319</u>	<u>1,101,209</u>	<u>1,092,258</u>	<u>258,270</u>
Total	<u>\$ 11,219,517</u>	<u>\$ 29,329,251</u>	<u>\$ 28,602,888</u>	<u>\$ 11,945,880</u>

2016

<u>Fund</u>	Cash and Investments <u>01-01-16</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash and Investments <u>12-31-16</u>
Operating	\$ 3,496,967	\$ 28,722,526	\$ 26,694,334	\$ 5,525,159
Depreciation	7,973,003	1,659,654	4,206,122	5,426,535
Deposits	217,640	95,000	98,390	214,250
Health/Flex Account	<u>258,270</u>	<u>720,890</u>	<u>646,326</u>	<u>332,834</u>
Total	<u>\$ 11,945,880</u>	<u>\$ 31,198,070</u>	<u>\$ 31,645,172</u>	<u>\$ 11,498,778</u>

2017

<u>Fund</u>	Cash and Investments <u>01-01-17</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash and Investments <u>12-31-17</u>
Operating	\$ 5,525,159	\$ 25,474,471	\$ 25,653,666	\$ 5,345,964
Depreciation	5,426,535	3,497,581	2,638,008	6,286,108
Deposits	214,250	98,010	97,070	215,190
Health/Flex Account	<u>332,834</u>	<u>749,866</u>	<u>841,497</u>	<u>241,203</u>
Total	<u>\$ 11,498,778</u>	<u>\$ 29,819,928</u>	<u>\$ 29,230,241</u>	<u>\$ 12,088,465</u>

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Utility was established under the laws of the State of Indiana. The Utility is governed by the Peru Utilities Services Board, which consists of five members. Three members are appointed by the Mayor of the City of Peru and two are appointed by the Peru City Council. The Board is authorized to recommend rates and charges for electric utility services; however, legislative action by the Peru City Council is required to make rates and charges legally enforceable.

The financial statements reflect only the activity of the Electric Division of Peru Utilities and are not intended to present fairly the position of Peru Utilities or the City of Peru as a whole. The Utility represents a portion of Peru Utilities and the City's enterprise funds.

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 (GAAP) 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. The regulatory basis also allows for all investments to be stated at cost, while GAAP requires fair value for qualifying investments.

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:

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

PERU UTILITIES – ELECTRIC DIVISION
NOTES TO FINANCIAL STATEMENTS
December 31, 2015, 2016 and 2017

E. Disbursements

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

- Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.
- Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.
- Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.
- Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.
- Utility operating expenses which include all outflows for operating the utilities.
- Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

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

G. Fund Accounting

Separate funds are established, maintained, and reported by the Utility. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Utility. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Utility 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.

(Continued)

NOTE 2 - BUDGETS

Management of the Utility prepares and submits a proposed operating and capital budget to the Utility Service Board for the following calendar year. The budget is advertised as required by law. Prior to January 1, the Utility Service Board approves the budget for the next year.

NOTE 3 - 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 (FDIC) or by the Indiana Public Deposit Insurance Fund (PDIF). This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize 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.

The Utility held cash deposits with financial institutions that maintained FDIC and PDIF coverages, as applicable. The Utility did not hold investments for any of the three year reporting period.

NOTE 4 - RISK MANAGEMENT

The Utility 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 Utility 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. The Utility used the purchase of insurance for risk management for the three year reporting period.

NOTE 5 - PENSION PLAN

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 Utility authority to contribute to the plan. Employer contributions were 11.2 percent for the three year reporting period.

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. The Utility made contributions to the PERF plan during the three year reporting period.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS

The Utility provides to eligible retirees and their spouses a benefit covering a portion of the retirees' health insurance through a single-employer plan via a medicare group agreement between the Utility and Aetna. Calculations are based on the cost and the retirees' years of service. These benefits pose a future obligation of the Utility for this year and in future years. Information regarding the benefits can be obtained by contacting the Utility who has the authority under which benefits and contribution requirements are established or can be amended. The Utility made contributions to the plan during the three year reporting period.

PERU UTILITIES – ELECTRIC DIVISION
NOTES TO FINANCIAL STATEMENTS
December 31, 2015, 2016 and 2017

NOTE 7 - LEASES

During 2017, the Utility entered into a capital lease with a third party for the advanced metering infrastructure project expiring July 15, 2027. The project is include in the Utility's capital assets. Future minimum payments required under the lease are as follows:

<u>Year</u>	
2018	\$ 192,853
2019	177,309
2020	182,111
2021	187,042
2022	192,108
Thereafter	<u>1,041,449</u>
	<u>\$ 1,972,872</u>

SUPPLEMENTAL SCHEDULES (Unaudited)

PERU UTILITIES – ELECTRIC DIVISION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 As of and For the Year ended December 31, 2015

	<u>Operating</u>	<u>Depreciation</u>	<u>Deposits</u>	<u>Health/ Flex Accounts</u>	<u>Total</u>
Cash and investments - beginning	\$ 3,383,391	\$ 7,377,067	\$ 209,740	\$ 249,319	\$ 11,219,517
Receipts:					
Utility Fees	26,335,945	-	98,800	-	26,434,745
Other receipts	<u>5,846</u>	<u>1,787,451</u>	<u>-</u>	<u>1,101,209</u>	<u>2,894,506</u>
Total receipts	26,341,791	1,787,451	98,800	1,101,209	29,329,251
Disbursements:					
Utility operating expenses	26,228,215	1,191,515	90,900	-	27,510,630
Other disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,092,258</u>	<u>1,092,258</u>
Total disbursements	26,228,215	1,191,515	90,900	1,092,258	28,602,888
Excess (deficiency) of receipts over disbursements	<u>113,576</u>	<u>595,936</u>	<u>7,900</u>	<u>8,951</u>	<u>726,363</u>
Cash and investments - ending	<u>\$ 3,496,967</u>	<u>\$ 7,973,003</u>	<u>\$ 217,640</u>	<u>\$ 258,270</u>	<u>\$ 11,945,880</u>

PERU UTILITIES – ELECTRIC DIVISION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 As of and For the Year ended December 31, 2016

	<u>Operating</u>	<u>Depreciation</u>	<u>Deposits</u>	<u>Health/ Flex Accounts</u>	<u>Total</u>
Cash and investments - beginning	\$ 3,496,967	\$ 7,973,003	\$ 217,640	\$ 258,270	\$ 11,945,880
Receipts:					
Utility fees	26,114,337	-	95,000	-	26,209,337
Other receipts	<u>2,608,189</u>	<u>1,659,654</u>	<u>-</u>	<u>720,890</u>	<u>4,988,733</u>
Total receipts	28,722,526	1,659,654	95,000	720,890	31,198,070
Disbursements:					
Utility operating expenses	26,694,334	1,606,122	98,390	-	28,398,846
Other disbursements	<u>-</u>	<u>2,600,000</u>	<u>-</u>	<u>646,326</u>	<u>3,246,326</u>
Total disbursements	26,694,334	4,206,122	98,390	646,326	31,645,172
Excess (deficiency) of receipts over disbursements	<u>2,028,192</u>	<u>(2,546,468)</u>	<u>(3,390)</u>	<u>74,564</u>	<u>(447,102)</u>
Cash and investments - ending	<u>\$ 5,525,159</u>	<u>\$ 5,426,535</u>	<u>\$ 214,250</u>	<u>\$ 332,834</u>	<u>\$ 11,498,778</u>

PERU UTILITIES – ELECTRIC DIVISION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 As of and For the Year ended December 31, 2017

	<u>Operating</u>	<u>Depreciation</u>	<u>Deposits</u>	<u>Health/ Flex Accounts</u>	<u>Total</u>
Cash and investments - beginning	\$ 5,525,159	\$ 5,426,535	\$ 214,250	\$ 332,834	\$ 11,498,778
Receipts:					
Utility Fees	25,434,143	-	98,010	-	25,532,153
Other receipts	<u>40,328</u>	<u>3,497,581</u>	<u>-</u>	<u>749,866</u>	<u>4,287,775</u>
Total receipts	25,474,471	3,497,581	98,010	749,866	29,819,928
Disbursements:					
Utility operating expenses	25,653,666	2,638,008	97,070	-	28,388,744
Other disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>841,497</u>	<u>841,497</u>
Total disbursements	25,653,666	2,638,008	97,070	841,497	29,230,241
Excess (deficiency) of receipts over disbursements	<u>(179,195)</u>	<u>859,573</u>	<u>940</u>	<u>(91,631)</u>	<u>589,687</u>
Cash and investments - ending	<u>\$ 5,345,964</u>	<u>\$ 6,286,108</u>	<u>\$ 215,190</u>	<u>\$ 241,203</u>	<u>\$ 12,088,465</u>

PERU UTILITIES – ELECTRIC DIVISION
SCHEDULES OF PAYABLES AND RECEIVABLES
December 31, 2015, 2016 and 2017

		----- <u>2015</u> -----	
		<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Electric	\$	2,835,728	\$ 895,780

		----- <u>2016</u> -----	
		<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Electric	\$	3,023,070	\$ 829,512

		----- <u>2017</u> -----	
		<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Electric	\$	3,188,263	\$ 1,026,965

PERU UTILITIES
SCHEDULE OF LEASES AND DEBT
December 31, 2015, 2016, 2017

LEASES

2017

<u>Lessor</u>	<u>Purpose</u>	<u>Annual Lease Payment</u>	<u>Lease Beginning Date</u>	<u>Lease Ending Date</u>
Signature Public Funding Corp.	Advanced Metering Infrastructure	\$ <u>224,007</u>	1/15/2018	7/15/2027
Total of annual lease payments		\$ <u>224,007</u>		

*There were no leases to disclose for 2015 and 2016. The lease disclosed was entered into in December 2017 with lease payments beginning in January 2018.

DEBT

**The funds had no outstanding debt for 2015, 2016, and 2017.

PERU UTILITIES
SCHEDULES OF CAPITAL ASSETS
December 31, 2015, 2016, and 2017

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. As of 2016, contributed or donated assets are reported at estimated acquisition value at the time received by the Utility.

2015

	<u>Ending Balance</u>
Land	\$ 315,916
Infrastructure	47,427,582
Buildings	4,033,521
Machinery, equipment and vehicles	<u>2,321,716</u>
Total capital assets	<u>\$ 54,098,735</u>

2016

	<u>Ending Balance</u>
Land	\$ 315,916
Infrastructure	34,821,778
Buildings	992,564
Machinery, equipment and vehicles	<u>2,414,030</u>
Total capital assets	<u>\$ 38,544,288</u>

2017

	<u>Ending Balance</u>
Land	\$ 315,916
Infrastructure	37,452,517
Buildings	992,564
Machinery, equipment and vehicles	2,455,679
Construction in progress	<u>22,870</u>
Total capital assets	<u>\$ 41,239,546</u>
