



STATE OF INDIANA
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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

June 3, 2019

Board of Public Works
City of Anderson Department of Municipal Power and Light
120 East 8th Street
Anderson, IN 46016

We have reviewed the audit report of City of Anderson Department of Municipal Power and Light which was opined upon by RSM US, LLP, Independent Public Accountants, for the period January 1, 2018 to December 31, 2018. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of City of Anderson Department of Municipal Power and Light as of December 31, 2018 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, RSM US, LLP prepared the audit report in accordance with 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.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

City of Anderson Department of Municipal Light and Power

Financial Report
December 31, 2018

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Independent Auditor's Report

RSM US LLP

To the Board of Public Works
Department of Municipal Light and Power
City of Anderson, Indiana

Report on the Financial Statements

We have audited the accompanying financial statement of the City of Anderson Department of Municipal Light and Power (the Utility), which comprise the statement of receipts, disbursements, and cash and investment balances – regulatory basis, as of and for the year ended December 31, 2018 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6) 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 the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 statement.

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

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

As described in Note 1 to the financial statement, the financial statement is prepared by the Utility on the basis of the financial reporting provisions 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, to meet the requirements of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6).

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Utility as of December 31, 2018, or changes in the cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, cash and investment balances of the Utility as of December 31, 2018 and its cash receipts and disbursements for the year then ended, in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6) described in Note 1.

Other Matter

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprise the Utility's basic financial statements. The other information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement. The other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2019, on our consideration of the Utility's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Utility's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utility's internal control over financial reporting and compliance.

RSM US LLP

Chicago, Illinois
May 7, 2019

CITY OF ANDERSON
ELECTRIC UTILITY- MUNICIPAL LIGHT AND POWER
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
REGULATORY BASIS
For The Year Ended December 31, 2018

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18
Operating	\$ 3,613,995	\$ 92,756,027	\$ 90,853,529	\$ 5,516,493
Petty Cash	1,000	-	-	1,000
Mail Permit Deposit	3,000	-	-	3,000
UPS Deposit	152	-	-	152
Bond and Interest	79,876	957,794	1,037,670	-
Customer Deposit	1,658,519	683,806	641,987	1,700,338
Construction-2014	1,310,629	26,290	21,508	1,315,411
Depreciation	4,114,567	685,258	263,513	4,536,312
Automatic Meter Reading	25,851	284,371	310,222	-
Garage Reserve	32,560	-	-	32,560
Fiber	263,829	314,431	339,839	238,421
Reserve-PILOT	942,376	942,376	942,376	942,376
Totals	<u>\$ 12,046,354</u>	<u>\$ 96,650,353</u>	<u>\$ 94,410,644</u>	<u>\$ 14,286,063</u>

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

CITY OF ANDERSON DEPARTMENT OF
MUNICIPAL LIGHT AND POWER
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Anderson's Department of Municipal Light and Power (the Utility) was established under the laws of the State of Indiana. The Utility operates under a Council-Mayor form of government and provides electric utility services. The accompanying financial statement presents the financial information for the Utility.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Utility fees. Amounts received from charges for current services.

Penalties. Amounts received from late payment fees.

Other receipts. Amounts received from various sources, including, but not limited to, the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

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

Utility operating expenses. Amounts disbursed for operating the utilities.

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

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

Other disbursements. Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Utility may, from time to time, make transfers 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 amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Utility. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the 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.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Utility submits a proposed operating budget to the governing board, Board of Public Works for the following calendar 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 or by the Indiana Public Deposit Insurance Fund. 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, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 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.

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. 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 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.

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.

Note 6. Other Postemployment Benefits

The Utility provides to eligible retirees and their spouses the following benefits: medical, dental, vision, and life insurance. These benefits pose a liability to the Utility for this year and in future years. Information regarding the benefits can be obtained by contacting the Utility.

CITY OF ANDERSON
ELECTRIC UTILITY-MUNICIPAL LIGHT AND POWER
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2018

	<u>Operating</u>	<u>Petty Cash</u>	<u>Mail Permit Deposit</u>	<u>UPS Deposit</u>	<u>Bond and Interest</u>
Cash and investments - beginning	\$ 3,613,995	\$ 1,000	\$ 3,000	\$ 152	\$ 79,876
Receipts:					
Utility fees	85,142,586	-	-	-	-
Other receipts	<u>7,613,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>957,794</u>
Total receipts	<u>92,756,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>957,794</u>
Disbursements:					
Debt service - principal and interest	-	-	-	-	1,037,670
Capital outlay	-	-	-	-	-
Utility operating expenses	82,270,663	-	-	-	-
Other disbursements	<u>8,582,866</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>90,853,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,037,670</u>
Excess (deficiency) of receipts over disbursements	<u>1,902,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(79,876)</u>
Cash and investments - ending	<u>\$ 5,516,493</u>	<u>\$ 1,000</u>	<u>\$ 3,000</u>	<u>\$ 152</u>	<u>\$ -</u>

<u>Customer Deposit</u>	<u>Construction- 2014</u>	<u>Depreciation</u>	<u>Automatic Meter Reading</u>	<u>Garage Reserve</u>	<u>Fiber</u>
<u>\$ 1,658,519</u>	<u>\$ 1,310,629</u>	<u>\$ 4,114,567</u>	<u>\$ 25,851</u>	<u>\$ 32,560</u>	<u>\$ 263,829</u>
681,107	-	-	-	-	314,431
<u>2,699</u>	<u>26,290</u>	<u>685,258</u>	<u>284,371</u>	<u>-</u>	<u>-</u>
<u>683,806</u>	<u>26,290</u>	<u>685,258</u>	<u>284,371</u>	<u>-</u>	<u>314,431</u>
-	-	-	310,222	-	-
-	21,508	-	-	-	-
<u>641,987</u>	<u>-</u>	<u>263,513</u>	<u>-</u>	<u>-</u>	<u>339,839</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>641,987</u>	<u>21,508</u>	<u>263,513</u>	<u>310,222</u>	<u>-</u>	<u>339,839</u>
<u>41,819</u>	<u>4,782</u>	<u>421,745</u>	<u>(25,851)</u>	<u>-</u>	<u>(25,408)</u>
<u>\$ 1,700,338</u>	<u>\$ 1,315,411</u>	<u>\$ 4,536,312</u>	<u>\$ -</u>	<u>\$ 32,560</u>	<u>\$ 238,421</u>

<u>Reserve-PILOT</u>	<u>Totals</u>
\$ 942,376	\$ 12,046,354
-	86,138,124
<u>942,376</u>	<u>10,512,229</u>
<u>942,376</u>	<u>96,650,353</u>
-	1,347,892
-	21,508
942,376	84,458,378
<u>-</u>	<u>8,582,866</u>
<u>942,376</u>	<u>94,410,644</u>
<u>-</u>	<u>2,239,709</u>
<u>\$ 942,376</u>	<u>\$ 14,286,063</u>

CITY OF ANDERSON
ELECTRIC UTILITY-MUNICIPAL LIGHT AND POWER
SCHEDULE OF PAYABLES AND RECEIVABLES
At December 31, 2018

	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Totals for enterprise	<u>\$ 4,790,377</u>	<u>\$ 5,514,195</u>

CITY OF ANDERSON
 ELECTRIC UTILITY-MUNICIPAL LIGHT AND POWER
 SCHEDULE OF LEASES AND DEBT
 At December 31, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
CHASE	AUTO METER READING	<u>\$ 310,222</u>	2/25/2007	1/1/2023

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Revenue bonds	ELECTRIC UTILITY REFUNDING REV BONDS SERIES 2013	\$ 3,120,000	\$ 664,264
Revenue bonds	ELECTRIC UTILITY REVENUE BONDS OF 2014	<u>1,070,000</u>	<u>375,145</u>
Total		<u>\$ 4,190,000</u>	<u>\$ 1,039,409</u>

CITY OF ANDERSON
 ELECTRIC UTILITY-MUNICIPAL LIGHT AND POWER
 SCHEDULE OF CAPITAL ASSETS
 At December 31, 2018

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Land	\$ 136,948
Infrastructure	82,066,198
Improvements other than buildings	3,091,802
Machinery, equipment and vehicles	22,052,275
Construction in progress	2,999,630
 Total	 \$ 110,346,853



**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed In Accordance With
Government Auditing Standards**

RSM US LLP

Independent Auditor's Report

To the Board of Public Works
Department of Municipal Light and Power
City of Anderson, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the City of Anderson Department of Municipal Light and Power (the Utility), which comprise the statement of receipts, disbursements, and cash and investment balances – regulatory basis, as of and for the year ended December 31, 2018 and the related notes to the financial statement, which collectively comprise the Utility's basic financial statements and have issued our report thereon dated May 7, 2019. We have issued an adverse opinion on the financial statements as a result of the financial statements being prepared on the regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Utility's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

RSM US LLP

Chicago, Illinois
May 7, 2019