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May 11, 2020

Board of Public Works  
City of Anderson Department of Municipal Power and Light  
120 East 8<sup>th</sup> 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, 2019 to December 31, 2019. 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, 2019 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, 2019

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RSM US LLP

## Independent Auditor's Report

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

### Report on the Financial Statement

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, 2019 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, 2019, 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, 2019 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2020, 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*

Indianapolis, Indiana  
May 5, 2020

CITY OF ANDERSON  
ELECTRIC UTILITY - MUNICIPAL LIGHT AND POWER  
STATEMENT OF RECEIPTS AND DISBURSEMENTS OF CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the year Ended December 31, 2019

	Operating	Petty Cash	Mail Permit Deposit	UPS Deposit	Bond and Interest	Customer Deposit	Construction-2014	Depreciation	Equipment Lease	Garage Reserve	Fiber	Reserve-PILOT	Totals
Cash and investments - beginning	\$ 5,516,493	\$ 1,000	\$ 3,000	\$ 152	\$ -	\$ 1,700,338	\$ 1,315,410	\$ 4,536,311	\$ -	\$ 32,560	\$ 238,420	\$ 942,376	\$ 14,286,060
Receipts:													
Utility fees	87,783,436	-	-	-	-	-	-	-	-	-	316,520	-	88,099,956
Other receipts	876,633	-	-	-	1,039,409	415,347	-	520,000	753,323	-	-	942,376	4,547,088
Total receipts	88,660,069	-	-	-	1,039,409	415,347	-	520,000	753,323	-	316,520	942,376	92,647,044
Disbursements:													
Utility operating expenses	84,827,497	-	-	-	-	-	-	-	-	-	232,353	-	85,059,850
Debt service - principal and interest	-	-	-	-	1,039,303	-	-	-	536,511	-	-	-	1,575,814
Capital outlay	-	-	-	-	-	-	14,285	354,345	-	-	-	-	368,630
Other disbursements	3,336,728	-	-	-	-	364,776	-	-	-	-	-	942,376	4,643,880
Total disbursements	88,164,225	-	-	-	1,039,303	364,776	14,285	354,345	536,511	-	232,353	942,376	91,648,174
Excess (deficiency) of receipts over disbursements	495,844	-	-	-	106	50,571	(14,285)	165,655	216,812	-	84,167	-	998,870
Cash and investments - ending	\$ 6,012,337	\$ 1,000	\$ 3,000	\$ 152	\$ 106	\$ 1,750,909	\$ 1,301,125	\$ 4,701,966	\$ 216,812	\$ 32,560	\$ 322,587	\$ 942,376	\$ 15,284,930

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

CITY OF ANDERSON  
ELECTRIC UTILITY – MUNICIPAL LIGHT AND POWER  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

The City of Anderson's electric Utility, Municipal Light and Power (the Utility) was established under the laws of the State of Indiana. The Board of Public Works provides oversight of the Utility's operations. The City of Anderson 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 by category as follows:

*Utility fees.* Amounts received from charges for current services. This category includes 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; inter-fund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented by category as follows:

*Utility operating expenses.* Amounts disbursed for operating the Utility.

*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: inter-fund 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.

**H. Capital Assets**

Capital assets, which include land, construction in progress, buildings, improvements other than buildings, machinery, equipment, vehicles, books, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the capital asset schedule contained in the supplemental information. Items are capitalized when their value exceeds the threshold established by the Utility and its estimated useful life is greater than one year.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Donated assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement are reported at acquisition value. Renovations to buildings and other improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are considered an operating expense.

**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, the 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, if established, would be included in the financial statements of the City of Anderson. Participation in a risk pool is an arrangement by which governments pool risks and funds and share in the cost of losses.

**Note 5. Long-term Debt**

*A. Changes in Long-term Debt*

Changes in long-term obligations for the year ended December 31, 2019, are as follows:

Type	Description of Debt Purpose	Beginning Principal Balance 01-01-19	Principal Additions	Principal Reductions	Ending Principal Balance 12-31-19	Principal and Interest Due Within One Year
Electric:						
Revenue Bonds	Refunding Revenue Bonds, Series 2013	\$ 3,120,000	\$ -	\$ 595,000	\$ 2,525,000	\$ 657,660
Revenue Bonds	Revenue Bonds, Series 2014	<u>1,070,000</u>	<u>-</u>	<u>350,000</u>	<u>720,000</u>	<u>371,033</u>
Total		<u>\$ 4,190,000</u>	<u>\$ -</u>	<u>\$ 945,000</u>	<u>\$ 3,245,000</u>	<u>\$ 1,039,433</u>

*B. Debt Service Requirements to Maturity*

Debt service requirements on long-term debt at December 31, 2019, as are follows:

Year Ended December 31	Refunding Revenue Bonds, Series 2013			Revenue Bonds, Series 2014		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 371,033
2021	610,000	49,285	659,285	355,000	12,749	367,749
2022	625,000	35,576	660,576	365,000	4,289	369,289
2023	640,000	21,534	661,534	-	-	-
2024	<u>650,000</u>	<u>7,215</u>	<u>657,215</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 2,525,000</u>	<u>\$ 113,610</u>	<u>\$ 2,638,610</u>	<u>\$ 720,000</u>	<u>\$ 17,038</u>	<u>\$ 1,108,071</u>

**Note 6. Leases**

The Utility has entered into the following leases. The purpose, lease terms, and amounts due within one year as of December 31, 2019, are as follows:

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Chase	Automated meter reading	\$ 310,223	2/25/2008	1/1/2023
Star Financial Bank	Heavy equipment	452,578	12/2/2019	7/1/2024
Total of annual lease payments		<u>\$ 762,801</u>		

**Note 7. Pension Plan**

*Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund Defined Benefit Account (PERF Hybrid DB) is a cost-sharing multiple-employer defined benefit fund and provides retirement, disability, and survivor benefits to plan members. PERF Hybrid DB is administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2 and IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the Utility authority to contribute to the fund.

PERF Hybrid consists of two components: PERF Hybrid DB, the employer-funded monthly defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account (see Defined Contribution Account section), the defined contribution component.

*Retirement Benefits*

The following table is a summary of the key information for this fund:

<b>Full Retirement Benefit</b>	
<b>Eligibility</b>	<b>Annual Pension Benefit</b>
Age 65 and 10 years (eight years for certain elected officials) of creditable service, Age 60 and 15 years of creditable service, and Age 55 if age and creditable service total at least 85, Age 55 and 20 years of creditable service and active as an elected official in the PERF-covered position, and Age 70 and 20 years of creditable service and still active in the PERF-covered position.	Equals 1.1 percent X Average Annual Compensation X Years of Creditable Service. Average annual compensation uses the 20 highest calendar quarters (or only four quarters for an elected official), in groups of four consecutive calendar quarters with no quarter used more than once (includes member contributions paid for by the employer and up to \$2,000 of severance)
<b>Early Retirement Benefit</b>	
Age 50 and minimum of 15 years of creditable service (44 percent of full benefit at age 50, increasing 5 percent per year up to 89 percent at age 59).	
<b>Disability Benefit</b>	
An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of their disability (minimum of \$180 per month).	
<b>Survivor Benefit</b>	
<b>While in Active Service</b>	<b>While Receiving a Benefit</b>
Minimum of 15 years of service or member was at least age 65 with 10 to 14 years of service. A spouse or dependent beneficiary immediately receives a benefit as if the member retired the later of age 50 or the age the day before the member's death.	If the member selected one of the following forms of payment: Five Year Guaranteed, Joint with Full, Joint with Two-Thirds, Joint with One-Half, a spouse or dependent receives the benefit associated with the select form of payment.
<b>Cost of Living Adjustment (COLA)</b>	
No COLA, but postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12-4 and administered by the INPRS Board. Postretirement benefits were issued to members as a 13th check.	

*Financial Report*

INPRS issues a publicly available stand-alone financial report that includes financial statements and required supplemental information for the plan as a whole. This report may be obtained by emailing [questions@inprs.in.gov](mailto:questions@inprs.in.gov), or by visiting [www.in.gov/inprs](http://www.in.gov/inprs), or by writing the following:

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204

*Contributions*

Contributions are determined by INPRS Board of Trustees based on actuarial valuation. As of the June 30, 2019, the Utility contributed 11.2 percent of covered payroll.

*Actuarial Assumptions*

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment Rate of Return	6.75%
Future Salary Increases (including inflation)	2.50% - 4.25%
Inflation	2.25%
Cost of Living Increases	2019-2021 - 13 <sup>th</sup> check, 2022 - 0.4% compounded annually

Mortality rates for healthy and disabled members were based on the RP-2014 Total Data Set Mortality Tables, with Social Security Administration generational improvement scale from 2006 and RP-2014 Disability Mortality Tables, with Social Security Administration generational improvement scale from 2006, respectively.

The most recent comprehensive experience study was completed in 2015 and was based on member experience between June 30, 2010 and June 30, 2014. The demographic assumptions were updated as needed for the June 30, 2018 actuarial valuation.

The long-term return expectation for the INPRS defined benefit retirement plans has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

<b>Asset Class</b>	<u>Geometric Basis</u>	<u>Target Asset Allocation</u>
	<u>Long-Term Expected Real Rate of Return</u>	
Public Equity	4.4%	22.0%
Private Equity	5.4%	14.0%
Fixed Income - Ex Inflation-Linked	2.2%	20.0%
Fixed Income - Inflation-Linked	0.8%	7.0%
Commodities	2.3%	8.0%
Real Estate	6.5%	7.0%
Absolute Return	2.7%	10.0%
Risk Parity	5.2%	12.0%
<b>Total</b>		<b><u>100.0%</u></b>

*Discount Rate*

Total pension liability for each defined benefit pension plan was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members, would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the Board, and contributions required by the State of Indiana (the non-employer contributing entity) would be made as stipulated by state statute. Projected inflows from investment earnings were calculated using the 6.75 percent long-term assumed investment rate of return. Based on those assumptions, each defined benefit pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members, therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for each plan.

*Net Pension Liability*

As of June 30, 2019, the City of Anderson reported \$4,540,497 as liability for its proportionate share of the net pension liability. The portion of the City's net pension liability attributable to the Utility cannot reasonably be estimated. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Public Employees Retirement Fund - Defined Contribution Account*

The Indiana Public Employees' Retirement Fund Defined Contribution Account (PERF DC) is a multiple-employer defined contribution fund. It is administered through the INPRS Board in accordance with state statutes (IC 5-10.2 and IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the Utility authority to contribute to the fund. The fund provides supplemental retirement benefits to Indiana Public Employees' Retirement Fund Defined Benefit Account (PERF Hybrid DB) members as part of the Public Employees' Hybrid Plan (PERF Hybrid).

Member contributions are set by statute at three percent of compensation, and the employer may choose to make these contributions on behalf of the member. Members are 100 percent vested in their account balance, which includes all contributions and earning.

**Note 8. Interfund Activity**

Interfund transfer activity for the year ended December 31, 2019, is as follows:

Transfer From	Transfer to				
	Equipment Lease	Depreciation	Reserve - PILOT	Bond and Interest	Total
Operating	\$ 753,323	\$ 520,000	\$ 942,376	\$ 1,039,409	\$ 3,255,108

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers are made to satisfy debt service and maintenance requirements for utility and redevelopment funds. The transfer from General 1000 to CATS 3750 is for a local operating contribution as provided for in the adopted budget.

**Note 9. Other Postemployment Benefits**

*A. Anderson Retiree Health Benefits*

*Plan Description*

The City of Anderson (City) offers to Utility employees retiree health benefits, which is a Single Employer Defined Benefit plan. The plan is administered by the City. The retiree health benefits pose a liability to the City, with a portion of the liability being borne by the Utility.

*Benefits Provided*

The City provides the following benefits to its employees, including those of the utility: medical, dental, vision, and life insurance. Information regarding the benefits can be obtained by contacting the City.

**Note 10. Subsequent Event**

On March 11, 2020 the World Health Organization characterized the novel COVID-19 virus as a global pandemic. The spread of COVID-19, a novel strain of coronavirus, is altering the behavior of businesses and individuals throughout the world. Further, financial markets have recently experienced a significant decline attributed to coronavirus concerns. The continued spread of COVID-19 may adversely impact the local, regional, and national economies. COVID-19 has not adversely impacted the cash flows of the Utility as of the date of this report and management does not expect a significant impact going forward. However, the extent to which COVID-19 impacts the Utility's results could depend on future developments, which are highly uncertain and cannot be predicted.

**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**

**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, 2019 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 5, 2020. We have issued an adverse opinion on the financial statement 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*

Indianapolis, Indiana  
May 5, 2020