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June 30, 2021

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

We have reviewed the audit report of City of Anderson Department of Municipal Light and Power (the Utility), which was opined upon by RSM US LLP, Independent Public Accountants, for the period January 1, 2020 to December 31, 2020. Per the *Independent Auditor's Report*, the financial statement included in the report presents fairly the cash and investment balances of each fund of the Utility as of December 31, 2020, and their respective cash receipts and disbursements, for the year 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, 2020

## Contents

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Independent auditor's report	1-2
------------------------------	-----

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Financial statement	
Statement of receipts, disbursements and cash and investment balances - regulatory basis	3
Notes to financial statement	4-7

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Other information (Unaudited)	
Combining schedule of receipts, disbursements, and cash and investment balances - regulatory basis	8
Schedule of payables and receivables	9
Schedule of leases and debt	10
Schedule of capital assets	11

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Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	12-13
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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), Indiana, which comprises the statement of cash receipts, disbursements and cash and investment balances - regulatory basis, for the year ended December 31, 2020, 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 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 this financial statement 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 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 of the financial statement, the financial statement is prepared by the Utility on the basis of the financial reporting provisions of 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 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 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 each fund of the Utility as of December 31, 2020, or changes in net position or cash flows thereof for the year then ended.

**Unmodified Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash and investment balances of each fund of the Utility as of December 31, 2020, and their respective 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 Matters**

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprises the Utility's financial statements. The combining schedule of receipts, disbursements, and cash and investment balances - regulatory basis, schedule of payables and receivables, schedule of leases and debt and schedule of capital assets are presented for purposes of additional analysis and are not a required part of the financial statement.

The other information identified above has not been subjected to the auditing procedures applied in the audit of the 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 June 25, 2021 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  
June 25, 2021

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, 2020

Fund	Cash and Investments 01-01-20	Receipts	Disbursements	Cash and Investments 12-31-20
Operating	\$ 6,012,337	\$ 83,370,797	\$ 85,503,188	\$ 3,879,946
Petty Cash	1,000	-	-	1,000
Mail Permit Deposit	3,000	-	-	3,000
UPS Deposit	152	-	-	152
Bond and Interest	106	1,037,709	1,037,815	-
Customer Deposit	1,750,909	341,511	274,745	1,817,675
Construction- 2014	1,301,125	-	362,959	938,166
Depreciation	4,701,966	228,000	127,380	4,802,586
Equipment Lease	216,812	524,142	719,228	21,726
Garage Reserve	32,560	-	-	32,560
Fiber	322,587	299,992	288,906	333,673
Reserve- PILOT	942,376	929,629	942,376	929,629
Totals	<u>\$ 15,284,930</u>	<u>\$ 86,731,780</u>	<u>\$ 89,256,597</u>	<u>\$ 12,760,113</u>

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 (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 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. 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 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 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 their 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 District to set aside money for claim settlements. The self-insurance fund would be included in the financial statements of the City of Anderson. 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 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 City 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.

*Financial Report*

INPRS 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. (844) 464-6777

*Contributions*

Members' contributions are set by state statute at 3 percent of compensation for the defined contribution component of PERF Hybrid. The employer may elect to make the contribution on behalf of the member of the defined contribution component of PERF Hybrid. Contributions to the PERF DB are determined by INPRS Board based on actuarial valuation.

**Note 6. Other Postemployment Benefits**

The City of Anderson 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 of Anderson 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.

**OTHER INFORMATION (Unaudited)**

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, 2020

	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	\$ 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
Receipts:													
Utility fees	83,064,716	-	-	-	-	341,511	-	-	-	-	299,992	-	83,706,219
Other receipts	306,081	-	-	-	1,037,709	-	-	228,000	524,142	-	-	929,629	3,025,561
Total receipts	83,370,797	-	-	-	1,037,709	341,511	-	228,000	524,142	-	299,992	929,629	86,731,780
Disbursements:													
Utility operating expenses	82,783,708	-	-	-	-	-	-	-	-	-	-	-	82,783,708
Other disbursements	2,719,480	-	-	-	-	274,745	-	-	-	-	-	942,376	3,936,601
Debt service - principal and interest	-	-	-	-	1,037,815	-	-	-	719,228	-	-	-	1,757,043
Capital outlay	-	-	-	-	-	-	362,959	127,380	-	-	288,906	-	779,245
Total disbursements	85,503,188	-	-	-	1,037,815	274,745	362,959	127,380	719,228	-	288,906	942,376	89,256,597
Excess (deficiency) of receipts over disbursements	(2,132,391)	-	-	-	(106)	66,766	(362,959)	100,620	(195,086)	-	11,086	(12,747)	(2,524,817)
Cash and investments - ending	\$ 3,879,946	\$ 1,000	\$ 3,000	\$ 152	\$ -	\$ 1,817,675	\$ 938,166	\$ 4,802,586	\$ 21,726	\$ 32,560	\$ 333,673	\$ 929,629	\$ 12,760,113

CITY OF ANDERSON  
ELECTRIC UTILITY - MUNICIPAL LIGHT AND POWER  
SCHEDULE OF PAYABLES AND RECEIVABLES  
December 31, 2020

Accounts Payable	Accounts Receivable
<u>\$ 4,865,169</u>	<u>\$ 7,444,736</u>

CITY OF ANDERSON  
 ELECTRIC UTILITY - MUNICIPAL LIGHT AND POWER  
 SCHEDULE OF LEASES AND DEBT  
 December 31, 2020

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
CHASE	AUTO METER READ	\$ 310,223	2/25/2008	1/1/2023
STAR FINANCIAL BANK	MLP HEAVY EQUIPMENT	<u>410,248</u>	12/2/2019	1/1/2024
Total		<u>\$ 720,471</u>		

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Revenue bonds	ELECTRIC UTILITY REFUNDING REV BONDS SERIES 2013		\$ 2,525,000	\$ 667,513
Revenue bonds	ELECTRIC UTILITY REVENUE BONDS OF 2014		<u>720,000</u>	<u>373,578</u>
Total			<u>\$ 3,245,000</u>	<u>\$ 1,041,091</u>

CITY OF ANDERSON  
 ELECTRIC UTILITY - MUNICIPAL LIGHT AND POWER  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2020

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
Electric:	
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 Electric	\$ 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***

**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 comprises the statement of receipts, disbursements and cash and investment balances - regulatory basis, as of and for the year ended December 31, 2020, and the related notes to the financial statement, which collectively comprise the Utility's basic financial statement, and have issued our report thereon dated June 25, 2021. We have issued an adverse opinion on the financial statement as a result of the financial statement 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) as a basis for designing 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 financial statement. 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 compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 and compliance. Accordingly, this communication is not suitable for any other purpose.

*RSM US LLP*

Indianapolis, Indiana  
June 25, 2021