



STATE OF INDIANA
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June 23, 2021

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

We have reviewed the audit report of the 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, 2021 to December 31, 2021. Per the *Independent Auditor's Report*, the financial statement included in the report presents fairly, in all material respects, the regulatory basis cash and investment balances of each fund of the Utility as of December 31, 2021 and the respective cash receipts and disbursements, for the year the 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) of the State of Indiana described in Note 1.

We call your attention to the Emphasis of Matter paragraph included in the Independent Auditor's Report and further detailed in Note 1.

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 cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

City of Anderson Department of Municipal Light and Power

Financial Report
December 31, 2021

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RSM US LLP

Independent Auditor's Report

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

Opinions

We have audited the financial statement of the City of Anderson Department of Municipal Light and Power (the Utility), Indiana, which comprise the statement of receipts, disbursements, and cash and investment balances—regulatory basis, for the year ended December 31, 2021, and the related notes to the financial statement.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement presents fairly, in all material respects, the regulatory basis cash and investment balances of each fund of the Utility as of December 31, 2021 and the respective cash receipts and disbursements, for the year the 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) of the State of Indiana described in Note 1.

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 section of our report, the financial statements 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, 2021, or the changes in net position and cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Utility, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1 of the financial statements, the financial statements are 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) of the State of Indiana, 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) of the State of Indiana. 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 and pervasive.

Emphasis of Matter

As discussed in Note 1, the financial statement of the Department of Municipal Light and Power of the City of Anderson is intended only to present the receipts, disbursements, and cash and investment balances—regulatory basis that is attributable to the transactions of the Utility. They do not purport to, and do not, present fairly the receipts, disbursements, and cash and investment balances—regulatory basis of the City of Anderson, as of December 31, 2021, in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6) of the State of Indiana. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the 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) of the State of Indiana. 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 Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Utility's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the combining schedule of receipts, disbursements, and cash and investment balances—regulatory basis, the schedule of payables and receivables, the schedule of leases and debt and the schedule of capital assets but does not include the financial statement and our auditor's report thereon. Our opinions on the financial statement does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2022 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
June 3, 2022

CITY OF ANDERSON
DEPARTMENT OF MUNICIPAL LIGHT AND POWER
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2021

Fund	Cash and Investments 01-01-21	Receipts	Disbursements	Cash and Investments 12-31-21
Operating	\$ 3,879,946	\$ 92,330,285	\$ 90,651,866	\$ 5,558,365
Petty Cash	1,000	-	-	1,000
Mail Permit Deposit	3,000	-	-	3,000
UPS Deposit	152	-	-	152
Bond and Interest	-	1,041,090	1,040,996	94
Customer Deposit	1,817,675	372,318	376,354	1,813,639
Construction - 2014	938,166	-	326,185	611,981
Depreciation	4,802,586	60,000	1,955,168	2,907,418
Equipment Lease	21,726	719,228	719,228	21,726
Garage Reserve	32,560	-	-	32,560
Fiber	333,673	375,250	389,997	318,926
Reserve- PILOT	929,629	929,629	929,630	929,628
	<u>929,629</u>	<u>929,629</u>	<u>929,630</u>	<u>929,628</u>
Totals	<u>\$ 12,760,113</u>	<u>\$ 95,827,800</u>	<u>\$ 96,389,424</u>	<u>\$ 12,198,489</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 electric utility, Municipal Light and Power (Utility) is a Department of the City of Anderson and was established under the laws of the State of Indiana. The Utility's operations are overseen by the Board of Public Works. The accompanying financial statement includes the financial information of only the Utility and not the full City of Anderson. The City operates under a council-mayor form of government and provides a multitude of municipal services including electric utility services.

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 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: 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, 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 Deposit 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 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 Plan (PERF DB) is a cost-sharing multiple-employer defined benefit plan and provides retirement, disability, and survivor benefits to plan members. PERF 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 plan.

The Public Employees' Hybrid Plan (PERF Hybrid) consists of two components: PERF DB, the employer-funded monthly defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account, 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 both the defined contribution component of PERF Hybrid and My Choice. The employer may elect to make the contribution on behalf of the member of the defined contribution component of PERF Hybrid and My Choice members may receive additional employer contribution in lieu of the PERF DB. 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 offers to eligible Utility retirees and their spouses the following benefits: medical, dental, vision, and life insurance. Information regarding the benefits can be obtained by contacting the City.

CITY OF ANDERSON
DEPARTMENT OF MUNICIPAL LIGHT AND POWER
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2021

	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	\$ 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
Receipts:													
Utility fees	90,102,885	-	-	-	-	-	-	-	-	-	375,250	-	90,478,135
Penalties	120,230	-	-	-	-	-	-	-	-	-	-	-	120,230
Other receipts	2,107,170	-	-	-	1,041,090	372,318	-	60,000	719,228	-	-	929,629	5,229,435
Total receipts	92,330,285	-	-	-	1,041,090	372,318	-	60,000	719,228	-	375,250	929,629	95,827,800
Disbursements:													
Utility operating expenses	87,901,919	-	-	-	-	376,354	-	-	-	-	389,997	929,630	89,597,900
Debt service - principal and interest	-	-	-	-	1,040,996	-	-	-	719,228	-	-	-	1,760,224
Capital outlay	-	-	-	-	-	-	326,185	106,238	-	-	-	-	432,423
Other disbursements	2,749,947	-	-	-	-	-	-	1,848,930	-	-	-	-	4,598,877
Total disbursements	90,651,866	-	-	-	1,040,996	376,354	326,185	1,955,168	719,228	-	389,997	929,630	96,389,424
Excess (deficiency) of receipts over disbursements	1,678,419	-	-	-	94	(4,036)	(326,185)	(1,895,168)	-	-	(14,747)	(1)	(561,624)
Cash and investments - ending	\$ 5,558,365	\$ 1,000	\$ 3,000	\$ 152	\$ 94	\$ 1,813,639	\$ 611,981	\$ 2,907,418	\$ 21,726	\$ 32,560	\$ 318,926	\$ 929,628	\$ 12,198,489

CITY OF ANDERSON
DEPARTMENT OF MUNICIPAL LIGHT AND POWER
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2021

<u>Accounts Payable</u>	<u>Accounts Receivable</u>
<u>\$ 5,375,457</u>	<u>\$ 6,176,249</u>

CITY OF ANDERSON
DEPARTMENT OF MUNICIPAL LIGHT AND POWER
SCHEDULE OF LEASES AND DEBT
December 31, 2021

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Chase	Automated meter reader system	\$ 310,223	2/25/2008	1/1/2023
STAR Financial Bank	MLP heavy equipment	<u>409,500</u>	12/2/2019	1/1/2024
Total		<u>\$ 719,723</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Revenue bonds	Electric utility refunding revenue bonds, Series 2013	<u>\$ 1,290,000</u>	<u>\$ 640,000</u>

CITY OF ANDERSON
DEPARTMENT OF MUNICIPAL LIGHT AND POWER
SCHEDULE OF CAPITAL ASSETS
December 31, 2021

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	83,634,303
Improvements other than buildings	3,130,552
Machinery, equipment, and vehicles	23,913,527
Construction in progress	5,913,631
 Total	 \$ 116,728,961

**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

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, 2021, 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 3, 2022. 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.

Report on 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.

Report on 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 3, 2022