

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

ANNUAL FINANCIAL REPORT

2005

WATER, WASTEWATER AND ELECTRIC UTILITIES
CITY OF TELL CITY
PERRY COUNTY, INDIANA



FILED
09/11/2006

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Auditor's Report.....	3
Statement of Net Assets.....	4
Statement of Revenues, Expenses and Changes in Fund Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7-18
Supplementary Information: Schedule of Funding Progress	19
Exit Conference.....	20

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Barbara L. Ewing	01-01-04 to 12-31-07
Mayor	Gayle A. Strassell	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Gayle A. Strassell	01-01-04 to 12-31-07
President of the Common Council	Gerald Yackle	01-01-05 to 12-31-06
Superintendent of the Water Utility	John D. Little Terry L. Rogers	01-01-05 to 11-04-05 01-30-06 to 12-31-06
Superintendent of the Wastewater Utility	Bruce W. Badger	01-01-05 to 12-31-06
Superintendent of the Electric Utility	Marlow J. Smethurst	01-01-05 to 12-31-06
President of the Electric Utility Service Board	James Schmitt	01-01-05 to 12-31-06
Electric Utility Office Manager	Marcia F. Parker	01-01-05 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE WATER, WASTEWATER, AND ELECTRIC UTILITIES, CITY OF TELL CITY, PERRY COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Water, Wastewater, and Electric Utilities, departments of the City of Tell City, as of and for the year ended December 31, 2005. These financial statements are the responsibility of the Utilities' management. Our responsibility is to express an opinion on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I, the financial statements of the Water, Wastewater, and Electric Utilities, City of Tell City, are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the City of Tell City as of December 31, 2005, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities for the Water, Wastewater, and Electric Utilities, as of December 31, 2005, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Schedule of Funding Progress, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Utilities have not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

July 27, 2006

TELL CITY WATER, WASTEWATER, AND ELECTRIC UTILITIES
STATEMENT OF NET ASSETS
December 31, 2005

Assets	Business-Type Activities			Total
	Water Utility	Wastewater Utility	Electric Utility	
Current assets:				
Cash and cash equivalents	\$ 315,963	\$ 153,276	\$ 2,476,475	\$ 2,945,714
Investments	-	-	500,000	500,000
Interest receivable	-	-	497	497
Accounts receivable (net of allowance Water \$9,740, Wastewater \$500, and Electric \$7,491)	137,587	118,442	399,320	655,349
Loan receivable	-	-	60,677	60,677
Inventories	25,508	-	367,849	393,357
Prepaid items	26,397	27,110	87,899	141,406
Other assets	-	-	73,671	73,671
Total current assets	505,455	298,828	3,966,388	4,770,671
Noncurrent assets:				
Restricted cash and cash equivalents:				
Cash with fiscal agent	444	2,280	-	2,724
Depreciation	163,831	47,456	-	211,287
Bond and interest	27,434	102,602	129,005	259,041
Debt service reserve	526,607	234,415	1,101,433	1,862,455
Construction	3,241	20,004	122,707	145,952
Customer deposits	-	-	216,857	216,857
Total restricted assets	721,557	406,757	1,570,002	2,698,316
Deferred charges	99,942	77,179	16,965	194,086
Capital assets:				
Land, improvements to land and construction in progress	11,724	36,032	728,612	776,368
Other capital assets (net of accumulated depreciation)	7,152,087	8,384,496	10,657,497	26,194,080
Total capital assets	7,163,811	8,420,528	11,386,109	26,970,448
Total noncurrent assets	7,985,310	8,904,464	12,973,076	29,862,850
Total assets	8,490,765	9,203,292	16,939,464	34,633,521
Liabilities				
Current liabilities:				
Accounts payable	2,896	7,337	768,784	779,017
Accrued wages payable	13,390	6,972	12,520	32,882
Interfund payables:				
Interfund loans	-	269,000	-	269,000
Contracts payable	-	2,637	66,323	68,960
Taxes payable	4,638	-	68,074	72,712
Payroll withholdings payable	-	-	8,158	8,158
Matured unpaid bonds and coupons	444	2,280	-	2,724
Compensated absences payable	2,099	1,438	35,820	39,357
Accrued interest payable	-	1,691	-	1,691
Current liabilities payable from restricted assets:				
Customer deposits	-	-	216,857	216,857
Revenue bonds payable	-	145,000	-	145,000
IDOC Loan payable	57,005	-	-	57,005
Accrued interest payable	-	29,766	-	29,766
Total current liabilities	80,472	466,121	1,176,536	1,723,129
Noncurrent liabilities:				
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	3,994,305	1,496,701	1,075,750	6,566,756
State revolving loans payable	945,000	-	-	945,000
Compensated absences	18,896	12,945	-	31,841
Deferred credits	-	-	177,268	177,268
Total noncurrent liabilities	4,958,201	1,509,646	1,253,018	7,720,865
Total liabilities	5,038,673	1,975,767	2,429,554	9,443,994
Net Assets				
Invested in capital assets, net of related debt	1,981,363	6,660,528	10,003,360	18,645,251
Restricted for debt service	554,485	339,297	1,230,438	2,124,220
Unrestricted	916,244	227,700	3,276,112	4,420,056
Total net assets	\$ 3,452,092	\$ 7,227,525	\$ 14,509,910	\$ 25,189,527

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

TELL CITY WATER, WASTEWATER, AND ELECTRIC UTILITIES
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2005

	Business-Type Activities			Total
	Water Utility	Wastewater Utility	Electric Utility	
Operating revenues:				
Metered water revenue:				
Residential and commercial	\$ 1,182,434	\$ -	\$ -	\$ 1,182,434
Industrial and municipal sales	104,582	-	-	104,582
Residential sales	-	-	2,463,561	2,463,561
Commercial and industrial sales	-	-	7,767,440	7,767,440
Public street and highway lighting	-	-	64,826	64,826
Penalties	4,937	8,605	13,513	27,055
Other water revenue	69,595	-	-	69,595
Measured revenue:				
Residential and commercial	-	1,200,986	-	1,200,986
Other	-	92,682	732,346	825,028
Total operating revenues	<u>1,361,548</u>	<u>1,302,273</u>	<u>11,041,686</u>	<u>13,705,507</u>
Operating expenses:				
Transmission and distribution	-	-	127,451	127,451
Customer accounts	-	-	25,780	25,780
Administration and general	-	-	296,015	296,015
Salaries and wages	391,234	243,594	821,658	1,456,486
Employee pensions and benefits	96,324	63,693	350,424	510,441
Purchased power	90,672	85,583	8,423,118	8,599,373
Sludge removal	-	19,076	-	19,076
Chemicals	11,207	43,341	-	54,548
Materials and supplies	66,280	22,597	-	88,877
Contractual services	89,906	107,293	-	197,199
Repairs	-	226,567	-	226,567
Transportation expense	12,560	11,468	-	24,028
Insurance expense	62,030	80,222	138,799	281,051
Payments in lieu of taxes	48,124	56,474	68,300	172,898
Bad debt expense	1,671	1,115	18,909	21,695
Depreciation and amortization	227,688	268,574	593,000	1,089,262
Miscellaneous expenses	50,149	121,779	100,872	272,800
Total operating expenses	<u>1,147,845</u>	<u>1,351,376</u>	<u>10,964,326</u>	<u>13,463,547</u>
Operating income (loss)	<u>213,703</u>	<u>(49,103)</u>	<u>77,360</u>	<u>241,960</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	27,360	10,208	114,698	152,266
Interest expense	(136,325)	(77,347)	(115,521)	(329,193)
Amortization expense	(17,743)	(18,029)	(8,502)	(44,274)
Total nonoperating revenues (expenses)	<u>(126,708)</u>	<u>(85,168)</u>	<u>(9,325)</u>	<u>(221,201)</u>
Income (loss) before contributions	86,995	(134,271)	68,035	20,759
Capital contributions	<u>183,628</u>	<u>37,936</u>	<u>-</u>	<u>221,564</u>
Change in net assets	270,623	(96,335)	68,035	242,323
Total net assets - beginning	<u>3,181,469</u>	<u>7,323,860</u>	<u>14,441,875</u>	<u>24,947,204</u>
Total net assets - ending	<u>\$ 3,452,092</u>	<u>\$ 7,227,525</u>	<u>\$ 14,509,910</u>	<u>\$ 25,189,527</u>

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

TELL CITY WATER, WASTEWATER, AND ELECTRIC UTILITIES
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Year Ended December 31, 2005

	Business-Type Activities			
	Water Utility	Wastewater Utility	Electric Utility	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,342,946	\$ 1,286,157	\$ 11,016,346	\$ 13,645,449
Payments to suppliers and contractors	(440,397)	(778,288)	(9,103,288)	(10,321,973)
Payments to employees	(478,450)	(301,762)	(1,171,609)	(1,951,821)
Net cash provided by operating activities	<u>424,099</u>	<u>206,107</u>	<u>741,449</u>	<u>1,371,655</u>
Cash flows from noncapital financing activities:				
Loan made to the joint venture	-	-	(125,000)	(125,000)
Loan repayments received from the joint venture	-	-	64,323	64,323
Net cash used by noncapital financing activities	<u>-</u>	<u>-</u>	<u>(60,677)</u>	<u>(60,677)</u>
Cash flows from capital and related financing activities:				
Defeasance of bonds	(143,682)	-	-	(143,682)
Capital contributions	183,628	37,936	-	221,564
Acquisition and construction of capital assets	(71,577)	(2,604)	(640,313)	(714,494)
Principal paid on capital debt	(140,324)	(135,000)	(310,000)	(585,324)
Interest paid on capital debt	(244,580)	(97,399)	(115,521)	(457,500)
Interest subsidy from Waupaca	141,571	18,927	-	160,498
Proceeds from sales of capital assets	-	-	113,715	113,715
Net cash used by capital and related financing activities	<u>(274,964)</u>	<u>(178,140)</u>	<u>(952,119)</u>	<u>(1,405,223)</u>
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	-	-	1,352,000	1,352,000
Purchase of investments	-	-	(500,000)	(500,000)
Interest received	27,360	10,208	116,342	153,910
Net cash provided by investing activities	<u>27,360</u>	<u>10,208</u>	<u>968,342</u>	<u>1,005,910</u>
Net increase in cash and cash equivalents	176,495	38,175	696,995	911,665
Cash and cash equivalents, January 1 (Including \$825,405, \$433,468 and \$1,707,539 for the Water, Wastewater, and Electric Utilities, respectively, reported in restricted accounts)				
	<u>861,025</u>	<u>521,858</u>	<u>3,349,482</u>	<u>4,732,365</u>
Cash and cash equivalents, December 31 (Including \$721,557, \$406,757 and \$1,570,002 for the Water, Wastewater, and Electric Utilities, respectively, reported in restricted accounts)				
	<u>\$ 1,037,520</u>	<u>\$ 560,033</u>	<u>\$ 4,046,477</u>	<u>\$ 5,644,030</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	<u>\$ 213,703</u>	<u>\$ (49,103)</u>	<u>\$ 77,360</u>	<u>\$ 241,960</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	227,688	268,574	593,000	1,089,262
(Increase) decrease in assets:				
Accounts receivable	(16,695)	(15,001)	(9,045)	(40,741)
Allowance for uncollectible accounts	(236)	-	2,614	2,378
Inventories	(2,513)	-	(13,390)	(15,903)
Prepaid items	(1,446)	(314)	26,324	24,564
Increase (decrease) in liabilities:				
Accounts payable	(5,584)	(3,574)	49,549	40,391
Accrued wages payable	7,120	3,600	(5,360)	5,360
Accrued payroll withholdings payable	-	-	862	862
Contracts payable	-	-	66,323	66,323
Taxes payable	74	-	7,665	7,739
Compensated absence payable	1,988	1,925	5,832	9,745
Customer deposits	-	-	(22,440)	(22,440)
Deferred credits	-	-	(37,845)	(37,845)
Total adjustments	<u>210,396</u>	<u>255,210</u>	<u>664,089</u>	<u>1,129,695</u>
Net cash provided by operating activities	<u>\$ 424,099</u>	<u>\$ 206,107</u>	<u>\$ 741,449</u>	<u>\$ 1,371,655</u>
Noncash investing, capital and financing activities:				
Loans to and repayments from joint venture (net)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (60,677)</u>	<u>\$ (60,677)</u>

On September 29, 2005, the Water Utility issued \$2,620,000 in refunding revenue bonds to refund \$2,510,000 of outstanding 1993 and 1996 series bonds. The net proceeds of \$2,520,351 (after payment of \$61,687 in issuance cost and \$37,962 in bond discounts) and local contributions of \$143,682 were deposited in an irrevocable trust with an escrow agent. The accounting loss of \$190,368 has been recognized on the Statement of Net Assets as a deferral of loss on refunding (as an offset to Revenue Bonds Payable) and will be amortized using the straight-line method and charged to interest expense over the next 11 years.

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

WATER, WASTEWATER AND ELECTRIC UTILITIES
CITY OF TELL CITY
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the Utilities and are not intended to present fairly the position of the City of Tell City (City), and the results of its operations and cash flows of its enterprise funds. The Utilities, whose operations are controlled by the City, represent a substantial portion of the City's enterprise funds.

Joint Venture

The Electric Utility is a participant with Perry-Spencer Communications, Inc., in a joint venture to operate Riverside Communications which was created to provide certain information and telecommunications services. On September 8, 2005, the Tell City Electric Utility advanced funds in the amount of \$125,000 to Riverside Communications. Repayments totaling \$64,323 have been repaid to the Electric Utility as of December 31, 2005. All proceeds or losses realized shall be borne equally by the two parties in the joint venture. The Tell City Electric Utility and Perry-Spencer Communications will share equally in any debts Riverside Communications may incur. Complete financial statements for the Riverside Communications can be obtained from Perry-Spencer Communications, Inc., at 11877 E. State Road 62, St. Meinrad, Indiana 47577.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the business-type activities are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Utilities' cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

WATER, WASTEWATER AND ELECTRIC UTILITIES
CITY OF TELL CITY
(Continued)

State statute (IC 5-13-9) authorizes the Utilities' to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets balance sheet because their use is limited by bond covenants.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

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.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Water and Wastewater Utilities			
Buildings	\$ 5,000	Composite	50 years
Improvements other than buildings	5,000	Composite	50 years
Machinery and equipment	5,000	Composite	10 years
Transportation equipment	5,000	Composite	10 years

WATER, WASTEWATER AND ELECTRIC UTILITIES
CITY OF TELL CITY
(Continued)

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Electric Utility			
Buildings	\$ 5,000	Composite	33 years
Improvements other than buildings	- or 5,000	Composite	33 years
Machinery and equipment	5,000	Composite	10 or 33 years
Transportation equipment	5,000	Composite	10 years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

5. Compensated Absences

- a. Sick Leave – Water and Wastewater Utility employees earn sick leave at the rate of 5 days per year. Unused sick leave for Water and Wastewater Utility employees may be accumulated to a maximum of 45 days. Accumulated sick leave is paid to employees through cash payments upon termination. Electric Utility employees earn sick leave at a rate of 7 days per year. Each January, Electric Utility employees are paid through cash payments for any unused sick leave from the prior year.
- b. Vacation Leave - Water and Wastewater Utility employees earn vacation leave at rates from 5 days to 15 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year. Electric Utility employees earn vacation leave at rates from 5 days to 20 days per year based upon the number of years of service. Each January, Electric Utility employees are paid through cash payments for any unused vacation leave from the prior year.
- c. Personal Leave – Water and Wastewater Utility employees earn personal leave at the rate of 3 days per year. Personal leave does not accumulate from year to year. Electric Utility employees earn personal leave at the rate of one day per year. Each January, Electric Utility employees are paid through cash payments for any unused personal leave from the prior year.

Sick leave is accrued when incurred in the Water, Wastewater, and Electric Utilities.

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

WATER, WASTEWATER AND ELECTRIC UTILITIES
CITY OF TELL CITY
(Continued)

II. Detailed Notes on All Funds

A. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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.

B. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

<u>Water Utility</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 11,724	\$ -	\$ -	\$ 11,724
Capital assets, being depreciated:				
Buildings	27,313	-	-	27,313
Improvements other than buildings	8,928,151	-	-	8,928,151
Machinery and equipment	440,090	71,577	-	511,667
Transportation equipment	45,700	-	-	45,700
Totals	<u>9,441,254</u>	<u>71,577</u>	<u>-</u>	<u>9,512,831</u>
Less accumulated depreciation for:				
Buildings	22,621	546	-	23,167
Improvements other than buildings	1,749,702	178,563	-	1,928,265
Machinery and equipment	347,898	44,009	-	391,907
Transportation equipment	12,835	4,570	-	17,405
Totals	<u>2,133,056</u>	<u>227,688</u>	<u>-</u>	<u>2,360,744</u>
Total capital assets, being depreciated, net	<u>7,308,198</u>	<u>(156,111)</u>	<u>-</u>	<u>7,152,087</u>
Total capital assets, net	<u>\$ 7,319,922</u>	<u>\$ (156,111)</u>	<u>\$ -</u>	<u>\$ 7,163,811</u>

WATER, WASTEWATER AND ELECTRIC UTILITIES
CITY OF TELL CITY
(Continued)

<u>Wastewater Utility</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 10,936	\$ -	\$ -	\$ 10,936
Construction in progress	44,547	38,156	57,607	25,096
				-
Total capital assets, not being depreciated	<u>55,483</u>	<u>38,156</u>	<u>57,607</u>	<u>36,032</u>
Capital assets, being depreciated:				
Buildings	321,260	-	-	321,260
Improvements other than buildings	11,550,269	22,890	-	11,573,159
Machinery and equipment	469,096	1,802	-	470,898
Transportation equipment	157,149	-	-	157,149
Totals	<u>12,497,774</u>	<u>24,692</u>	<u>-</u>	<u>12,522,466</u>
Less accumulated depreciation for:				
Buildings	183,639	6,425	-	190,064
Improvements other than buildings	3,128,532	231,005	-	3,359,537
Machinery and equipment	455,469	15,429	-	470,898
Transportation equipment	101,756	15,715	-	117,471
Totals	<u>3,869,396</u>	<u>268,574</u>	<u>-</u>	<u>4,137,970</u>
Total capital assets, being depreciated, net	<u>8,628,378</u>	<u>(243,882)</u>	<u>-</u>	<u>8,384,496</u>
Total capital assets, net	<u>\$ 8,683,861</u>	<u>\$ (205,726)</u>	<u>\$ 57,607</u>	<u>\$ 8,420,528</u>
 <u>Electric Utility</u>				
Capital assets, not being depreciated:				
Land	\$ 170,058	\$ 66,000	\$ 21,847	\$ 214,211
Construction in progress	353,446	688,144	527,189	514,401
Total capital assets, not being depreciated	<u>523,504</u>	<u>754,144</u>	<u>549,036</u>	<u>728,612</u>

WATER, WASTEWATER AND ELECTRIC UTILITIES
CITY OF TELL CITY
(Continued)

<u>Electric Utility</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Buildings	367,783	105,386	122,504	350,665
Improvements other than buildings	11,745,510	138,460	154,817	11,729,153
Machinery and equipment	4,481,359	161,946	150	4,643,155
Transportation equipment	<u>685,026</u>	<u>20,434</u>	<u>23,000</u>	<u>682,460</u>
Totals	<u>17,279,678</u>	<u>426,226</u>	<u>300,471</u>	<u>17,405,433</u>
Less accumulated depreciation for:				
Buildings	103,252	11,034	30,636	83,650
Improvements other than buildings	4,008,775	352,366	154,817	4,206,324
Machinery and equipment	1,652,581	173,965	150	1,826,396
Transportation equipment	<u>586,063</u>	<u>68,503</u>	<u>23,000</u>	<u>631,566</u>
Totals	<u>6,350,671</u>	<u>605,868</u>	<u>208,603</u>	<u>6,747,936</u>
Total capital assets, being depreciated, net	<u>10,929,007</u>	<u>(179,642)</u>	<u>91,868</u>	<u>10,657,497</u>
Total capital assets, net	<u>\$ 11,452,511</u>	<u>\$ 574,502</u>	<u>\$ 640,904</u>	<u>\$ 11,386,109</u>

C. Construction Commitments

Construction work in progress is composed of the following:

<u>Project</u>	<u>Total Project Authorized</u>	<u>Expended to December 31, 2005</u>	<u>Committed</u>	<u>Required Future Funding</u>
Wastewater Utility - sewer line extension	\$ 1,950,000	\$ 25,096	\$ 1,924,904	\$ -
Electric Utility - various projects	<u>1,068,364</u>	<u>514,401</u>	<u>553,963</u>	<u>-</u>
Totals	<u>\$ 3,018,364</u>	<u>\$ 539,497</u>	<u>\$ 2,478,867</u>	<u>\$ -</u>

WATER, WASTEWATER AND ELECTRIC UTILITIES
CITY OF TELL CITY
(Continued)

D. Interfund Balances

Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2005, is as follows:

Due To	Due From Wastewater Utility
General fund	\$ 119,000
EDIT Fund	150,000
Total	\$ 269,000

Interfund balances resulted from the time lag between the dates that interfund loans are repaid.

E. Long-Term Liabilities

1. Revenue Bonds

The Utilities issue bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Balance December 31	Unamortized Discount	Less: Unamortized Deferred Loss on Advance Refunding	Amount
2005 Water Utility	3% to 6%	\$ 2,560,000	\$ 37,119	\$ 186,138	\$ 2,336,743
1999 Water Utility	5%	1,680,000	22,438	-	1,657,562
1999 Wastewater Utility	4% to 5%	1,550,000	-	118,299	1,431,701
1996 Wastewater Utility	8%	210,000	-	-	210,000
1997 Electric Utility	8%	1,085,000	9,250	-	1,075,750
Totals		\$ 7,085,000	\$ 68,807	\$ 304,437	\$ 6,711,756

Revenue bonds debt service requirements to maturity are as follows:

WATER, WASTEWATER AND ELECTRIC UTILITIES
CITY OF TELL CITY
(Continued)

Year Ended December 31	Water Utility		Wastewater Utility		Electric Utility	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ -	\$ 105,520	\$ 145,000	\$ 88,322	\$ -	\$ 45,062
2007	225,000	206,321	145,000	81,045	335,000	76,390
2008	280,000	195,447	155,000	73,710	360,000	47,805
2009	290,000	182,852	165,000	65,628	390,000	16,478
2010	305,000	169,519	175,000	56,855	-	-
2011-2015	1,690,000	515,656	975,000	165,200	-	-
2016-2019	1,450,000	139,051	-	-	-	-
Totals	<u>\$ 4,240,000</u>	<u>\$ 1,514,366</u>	<u>\$ 1,760,000</u>	<u>\$ 530,760</u>	<u>\$ 1,085,000</u>	<u>\$ 185,735</u>

2. Water Utility Loan Payable to Indiana Department of Commerce

The Water Utility has entered into a loan with the Indiana Department of Commerce. Annual debt service requirements to maturity for the loan, including interest of \$931, are as follows:

2006	<u>\$ 57,936</u>
------	------------------

3. State Revolving Loan Fund

Under the terms of the State Revolving Loan Fund, revenue bonds were purchased by the Indiana Bond Bank, the proceeds of which were used to finance the construction of the water plant expansion. Funds were loaned to the City as construction costs accrued to the maximum allowed. The 2000 loan established a maximum draw of \$1,040,000. At the completion of construction, the outstanding principal balance of \$960,000 was amortized over a period of 17 years. Annual debt service requirements to maturity for this loan, including \$328,860 in interest, are as follows:

2006	\$ 13,702
2007	32,333
2008	42,042
2009	46,535
2010	41,028
2011-2015	281,942
2016-2020	537,290
2021	<u>278,988</u>
Total	<u>\$ 1,273,860</u>

4. Advance Refunding

In prior years, the Utility defeased certain revenue and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. The following outstanding bonds, at December 31, 2005, were considered defeased:

WATER, WASTEWATER AND ELECTRIC UTILITIES
CITY OF TELL CITY
(Continued)

Amount
Water Utility \$ 1,125,000

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Water Utility:					
Revenue bonds payable	\$ 4,200,000	\$ 4,240,000	\$ 4,200,000	\$ 4,240,000	\$ -
State revolving loan payable	960,000	-	15,000	945,000	-
IDOC loan payable	112,329	-	55,324	57,005	57,005
Compensated absences	<u>19,007</u>	<u>1,988</u>	<u>-</u>	<u>20,995</u>	<u>2,099</u>
Total Water Utility long-term liabilities	<u>5,291,336</u>	<u>4,241,988</u>	<u>4,270,324</u>	<u>5,263,000</u>	<u>59,104</u>
Wastewater Utility:					
Revenue bonds payable	1,895,000		135,000	1,760,000	145,000
Interfund payable	269,000	-	-	269,000	269,000
Compensated absences	<u>12,458</u>	<u>1,925</u>	<u>-</u>	<u>14,383</u>	<u>1,438</u>
Total Wastewater Utility long-term liabilities	<u>2,176,458</u>	<u>1,925</u>	<u>135,000</u>	<u>2,043,383</u>	<u>415,438</u>
Electric Utility:					
Revenue bonds payable	1,395,000	-	310,000	1,085,000	-
Compensated absences	<u>29,988</u>	<u>5,832</u>	<u>-</u>	<u>35,820</u>	<u>35,820</u>
Total Electric Utility long-term liabilities	<u>1,424,988</u>	<u>5,832</u>	<u>310,000</u>	<u>1,120,820</u>	<u>35,820</u>
Total long-term liabilities	<u>\$ 8,892,782</u>	<u>\$ 4,249,745</u>	<u>\$ 4,715,324</u>	<u>\$ 8,427,203</u>	<u>\$ 510,362</u>

III. Other Information

A. Risk Management

The Utilities are 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 (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

WATER, WASTEWATER AND ELECTRIC UTILITIES
CITY OF TELL CITY
(Continued)

Medical Benefits to Employees, Retirees, and Dependents

The City, including the Utilities, has chosen to establish a risk financing fund for risks associated with health and life insurance claims. The risk financing fund is where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$20,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are paid into the fund by all insured funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based primarily upon each fund's number of employees and are reported as quasi-external interfund transactions.

However, claim liabilities cannot be reasonably estimated.

B. Rate Structure

1. Water Utility

On May 20, 1996, the Common Council adopted Ordinance No. 780 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on June 28, 2004. The Utility has 3,431 customers.

2. Wastewater Utility

The current rate structure was approved by the Common Council on June 28, 2004. A separate rate structure exists for the Branchville Wastewater Line and the Waupaca Foundry. The current rate structure for the Branchville Wastewater Line was approved by the Common Council on June 28, 2004. The current rate structure for the Waupaca Foundry was approved by the Common Council on June 28, 2004. The Utility has 3,237 customers.

3. Electric Utility

On February 2, 1998, the Common Council adopted Ordinance No. 801 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on February 3, 2003. The Utility has 4,199 customers.

C. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The City, including the Water and Wastewater Utilities, contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF 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 member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

WATER, WASTEWATER AND ELECTRIC UTILITIES
CITY OF TELL CITY
(Continued)

PERF 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. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Utility's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the City as a whole and is presented in the governmental activities of the financial statements and is not presented as an asset/liability of the proprietary funds.

b. Electric Utility Pension

Plan Description

The Electric Utility contributes to the IUE-CWA Pension Fund, a defined benefit pension plan covering eligible employees. An employee becomes a participant upon employment. Benefits are based upon continuous credited service and the monthly benefit rate in effect on the date actual employment is terminated. Contributions are intended to provide not only for benefits attributed to service to date but also of those expected to be earned in the future.

The IUE-CWA Pension Fund does not issue a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and its participants. Additional information may be obtained by contacting:

IUE-CWA Pension Fund
1460 Broad Street
Bloomfield, New Jersey 07003-3073
Ph. (973)-893-0333

Funding Policy and Annual Pension Cost

Plan members contributions are required by the written plan agreement. Employer's contributions are \$1.71 per hour of annual covered payroll.

Information is not available to provide additional disclosures required by GASB Statement No. 27.

WATER, WASTEWATER AND ELECTRIC UTILITIES
CITY OF TELL CITY
(Continued)

Actuarial Information for the Public Employees' Retirement Plan

	PERF
Annual required contribution	\$ 59,531
Interest on net pension obligation	(4,498)
Adjustment to annual required contribution	5,126
Annual pension cost	60,159
Contributions made	90,510
Decrease in net pension obligation	(30,351)
Net pension obligation, beginning of year	(62,042)
Net pension obligation, end of year	\$ (92,393)

Contribution rates:	
Utilities	5.5%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 79,761	99%	\$ (42,612)
	06-30-04	70,292	128%	(62,042)
	06-30-05	60,159	129%	(92,393)

TELL CITY WATER, WASTEWATER, AND ELECTRIC UTILITIES
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 1,369,811	\$ 1,539,874	\$ (170,063)	89%	\$ 1,292,598	(13%)
07-01-04	1,406,063	1,472,486	(66,423)	95%	1,195,591	(6%)
07-01-05	1,477,609	1,703,463	(225,854)	87%	1,438,773	(16%)

WATER, WASTEWATER AND ELECTRIC UTILITIES
CITY OF TELL CITY
EXIT CONFERENCE

The contents of this report were discussed on July 27, 2006, with Gayle A. Strassell, Mayor; and Barbara L. Ewing, Clerk-Treasurer. Our audit disclosed no material items that warrant comment at this time.