

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

ANNUAL FINANCIAL REPORT

2006

WATER AND WASTEWATER UTILITIES

TOWN OF ELLETTSVILLE

MONROE COUNTY, INDIANA



**FILED**  
12/26/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sandra C. Hash	01-01-06 to 12-31-07
President of the Town Council	Patrick Stoffers William Evans Dennis L. Williamson Dan Swafford	01-01-06 to 12-08-06 12-09-06 to 12-31-06 01-01-07 to 07-09-07 07-10-07 to 12-31-07
Superintendent of Water Utility	Michael Farmer	01-01-06 to 12-31-07
Superintendent of Wastewater Utility	Jeffery Farmer	01-01-06 to 12-31-07
Superintendent of Storm Water Utility	James W. Ragle	
Utility Office Manager	Rebecca S. Wines	01-01-06 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

**INDEPENDENT AUDITOR'S REPORT**

TO: THE OFFICIALS OF THE WATER AND WASTEWATER UTILITIES,  
TOWN OF ELLETTSVILLE, MONROE COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Water and Wastewater Utilities, departments of the Town of Ellettsville, as of and for the year ended December 31, 2006. 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 and Wastewater Utilities, Town of Ellettsville, 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 Town that is attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the Town of Ellettsville as of December 31, 2006, 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 and Wastewater Utilities, as of December 31, 2006, 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 Utilities have not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

November 5, 2007



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**REPORT COMMUNICATING INTERNAL CONTROL  
RELATED MATTERS IDENTIFIED IN AN AUDIT**

TO: THE OFFICIALS OF THE WATER AND WASTEWATER UTILITIES,  
TOWN OF ELLETTSVILLE, MONROE COUNTY, INDIANA

In planning and performing our audit of the financial statements of the business-type activities of the Water and Wastewater Utilities, departments of the Town of Ellettsville as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Utilities' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of the Utilities' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined below.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

This communication is intended solely for the information and use of management, the Town Council and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

STATE BOARD OF ACCOUNTS

November 5, 2007

TOWN OF ELLETTSVILLE  
STATEMENT OF NET ASSETS  
December 31, 2006

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Current assets:		
Cash and cash equivalents	\$ 111,306	\$ 203,435
Investments	176,795	200,000
Interest receivable	607	927
Accounts receivable (net of allowance)	112,461	128,074
Inventories	<u>109,463</u>	<u>31,257</u>
Total current assets	<u>510,632</u>	<u>563,693</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Bond and interest cash and investments	14,413	86,856
Debt service reserve cash and investments	132,741	751,615
Improvement cash and investments	49,976	403,297
Capacity user fee cash and investments	-	230,590
Equipment replacement cash and investments	-	500,000
Customer deposits	23,090	13,510
Interest receivable	<u>425</u>	<u>5,099</u>
Total restricted assets	<u>220,645</u>	<u>1,990,967</u>
Deferred charges	<u>22,095</u>	<u>16,575</u>
Capital assets:		
Land, improvements to land and construction in progress	32,500	112,210
Other capital assets (net of accumulated depreciation)	<u>4,536,508</u>	<u>9,492,218</u>
Total capital assets	<u>4,569,008</u>	<u>9,604,428</u>
Total noncurrent assets	<u>4,811,748</u>	<u>11,611,970</u>
Total assets	<u>5,322,380</u>	<u>12,175,663</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	55,296	42,026
Accrued payroll withholdings payable	444	465
Taxes payable	5,039	-
Wages payable	6,244	6,090
Compensated absences	2,354	2,354
Current liabilities payable from restricted assets:		
Customer deposits	23,090	13,510
Revenue bonds payable	70,000	-
Loans payable	<u>-</u>	<u>505,000</u>
Total current liabilities	<u>162,467</u>	<u>569,445</u>
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts)	932,543	-
Loans payable	<u>-</u>	<u>5,440,000</u>
Total noncurrent liabilities	<u>932,543</u>	<u>5,440,000</u>
Total liabilities	<u>1,095,010</u>	<u>6,009,445</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	3,588,560	3,676,003
Restricted for debt service	147,154	838,471
Restricted for improvements and equipment replacement	49,976	1,133,888
Unrestricted	<u>441,680</u>	<u>517,856</u>
Total net assets	<u>\$ 4,227,370</u>	<u>\$ 6,166,218</u>

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

TOWN OF ELLETTSVILLE  
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS  
As Of And For The Year Ended December 31, 2006

	Water Utility	Wastewater Utility
Operating revenues:		
Unmetered water revenue	\$ 317	\$ -
Metered water revenue:		
Residential	973,731	-
Residential sales	-	675,569
Commercial and industrial sales	-	907,515
Fire protection revenue	92,248	-
Penalties	9,447	23,082
Other water revenue	72,236	-
Flat rate revenues	-	30,796
Other	31,264	55,920
	<u>1,179,243</u>	<u>1,692,882</u>
 Total operating revenues		
	<u>1,179,243</u>	<u>1,692,882</u>
Operating expenses:		
Source of supply and expense - operations		
Purchased water	427,570	-
Transmission and distribution - operation		
Salaries and wages	151,392	-
Employee benefits	43,778	-
Materials and supplies	88,922	-
Purchased power/utilities	8,652	-
Repairs and maintenance	4,388	-
Contractual services	122,673	-
Equipment rental	108	-
Transportation expenses	17,201	-
Customer accounts		
Salaries and wages	66,662	65,861
Employee benefits	25,162	25,672
Materials and supplies	8,054	18,327
Contractual services	4,327	931
Refunds	1,256	1,444
Administrative and general		
Salaries and wages	51,809	51,807
Employee benefits	7,832	7,842
Monthly utility bills	3,352	3,352
Materials and supplies	16,425	14,987
Contractual services	14,023	13,232
Taxes	15,971	-
Insurance	14,172	24,277
Advertising	91	91
Payment in lieu of taxes	13,600	-
Collection system		
Salaries and wages	-	148,563
Employee benefits	-	41,284
Purchased power	-	8,261
Materials and supplies	-	56,149
Repairs and maintenance	-	6,743
Contractual services	-	54,027
Transportation expenses	-	17,225
Treatment/disposal		
Purchased power	-	83,986
Chemicals	-	8,415
Materials and supplies	-	6,731
Sludge disposal	-	15,091
Contractual services	-	243,856
Equipment replacement/repair	-	79,557
Transportation expenses	-	112
Depreciation	96,876	281,708
	<u>1,204,296</u>	<u>1,279,531</u>
 Total operating expenses		
	<u>1,204,296</u>	<u>1,279,531</u>
Operating income (loss)	<u>(25,053)</u>	<u>413,351</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	20,376	95,671
Interest expense	(53,444)	(225,028)
Amortization expense	(3,142)	(1,657)
	<u>(36,210)</u>	<u>(131,014)</u>
 Total nonoperating expenses		
	<u>(36,210)</u>	<u>(131,014)</u>
Change in net assets	(61,263)	282,337
Total net assets - beginning	<u>4,288,633</u>	<u>5,883,881</u>
Total net assets - ending	<u>\$ 4,227,370</u>	<u>\$ 6,166,218</u>

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

TOWN OF ELLETTSVILLE  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
As Of And For The Year Ended December 31, 2006

	Water Utility	Wastewater Utility
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,136,770	\$ 1,623,727
Payments to suppliers and contractors	(738,125)	(663,115)
Payments to employees	(345,902)	(340,374)
Other receipts	228	51,568
Net cash provided by operating activities	52,971	671,806
Cash flows from capital and related financing activities:		
Principal paid on capital debt	(65,000)	(490,000)
Interest paid on capital debt	(53,444)	(225,028)
Acquisition and construction of capital assets	(54,334)	(74,998)
Net cash used by capital and related financing activities	(172,778)	(790,026)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	100,000	-
Interest received	20,376	95,671
Net cash provided by investing activities	120,376	95,671
Net increase(decrease) in cash and cash equivalents	569	(22,549)
Cash and cash equivalents, January 1	203,852	782,762
Cash and cash equivalents, December 31	\$ 204,421	\$ 760,213
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (25,053)	\$ 413,351
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	96,876	281,708
Other nonoperating income	282	1,383
Increase in assets:		
Accounts receivable	(4,959)	(13,865)
Interest receivable	(491)	(4,291)
Inventories	(7,082)	(9,792)
Increase (decrease) in liabilities:		
Accounts payable	(1,085)	2,027
Accrued wages payable	(892)	(991)
Payroll withholdings payable	444	465
Taxes payable	205	-
Compensated absence payable	1,181	1,181
Customer deposits	(6,455)	630
Total adjustments	78,024	258,455
Net cash provided by operating activities	\$ 52,971	\$ 671,806

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

WATER AND WASTEWATER UTILITIES  
TOWN OF ELLETTSVILLE  
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 Town of Ellettsville (Town), and the results of its operations and cash flows of its enterprise funds. The Utilities, whose operations are controlled by the Town, are the Town's only enterprise funds.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and Other 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 activity 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.

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.

Debt securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency.

WATER AND WASTEWATER UTILITIES  
TOWN OF ELLETTSVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Open-end mutual funds are reported at fair value.

Money market investments that mature within one year or less at the date of their acquisition are reported at amortized cost. Other money market investments are reported at fair value.

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 applicable 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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and improvements	\$ 10,000	Straight-line	50 to 75 years
Equipment	10,000	Straight-line	5 to 15 years
Water collection systems	10,000	Straight-line	50 to 75 years
Wastewater distribution and collection systems	10,000	Straight-line	50 to 75 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.

WATER AND WASTEWATER UTILITIES  
TOWN OF ELLETTSVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

5. Compensated Absences

- a. Sick Leave – Utilities employees earn sick leave at the rate of 1 day per month. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is not paid to employees upon termination.
- b. Paid Time-off – Utilities employees earn paid time-off hours at rates from 108 hours to 224 hours per year based upon the number of years of service. Paid time-off does not accumulate from year to year. Paid time-off which is unused at year end may be carried over to the next year, provided the supervisor approves the carryover. No more than 50% of the employee's total paid time-off hours credited and earned for a year may be carried over as paid time-off for the following year. Any remaining balance may be converted to the employee's sick bank, provided the Supervisor approves the conversion.

Paid time-off is accrued when incurred.

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.

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, 2006, was as follows:

WATER AND WASTEWATER UTILITIES  
TOWN OF ELLETTSVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 32,500	\$ -	\$ -	\$ 32,500
Capital assets, being depreciated:				
Improvements other than buildings	4,772,368	-	-	4,772,368
Buildings	1,260,179	-	-	1,260,179
Machinery and equipment	299,790	54,334	-	354,124
Less accumulated depreciation for:				
Improvements other than buildings	(1,217,049)	(63,660)	-	(1,280,709)
Buildings	(337,385)	(20,267)	-	(357,652)
Machinery and equipment	(198,853)	(12,949)	-	(211,802)
Total Water Utility capital assets, net	4,611,550	(42,542)	-	4,569,008
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	112,210	-	-	112,210
Capital assets, being depreciated:				
Improvements other than buildings	3,509,971	-	-	3,509,971
Buildings	8,164,631	-	-	8,164,631
Machinery and equipment	702,444	74,998	-	777,442
Less accumulated depreciation for:				
Improvements other than buildings	(665,758)	(70,199)	-	(735,957)
Buildings	(1,589,565)	(163,293)	-	(1,752,858)
Machinery and equipment	(422,795)	(48,216)	-	(471,011)
Total Wastewater Utility capital assets, net	9,811,138	(206,710)	-	9,604,428
Total business-type activities capital assets, net	\$ 14,422,688	\$ (249,252)	\$ -	\$ 14,173,436

Depreciation expense was charged to functions/programs of the Utility as follows:

Water	\$ 96,876
Wastewater	281,708
Total depreciation expense	\$ 378,584

C. Long-Term Liabilities

1. Revenue Bonds

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

WATER AND WASTEWATER UTILITIES  
TOWN OF ELLETTSVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Purpose	Interest Rates	Amount
1998 Water Utility Revenue Bonds Storage Tank and Supply Main	4.65% to 5.2%	<u>\$ 1,015,000</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Water Utility	
	Principal	Interest
2007	\$ 70,000	\$ 50,455
2008	75,000	47,200
2009	80,000	43,637
2010	80,000	39,797
2011	85,000	35,917
2012-2016	505,000	110,945
2017-2021	<u>120,000</u>	<u>6,745</u>
Totals	<u>\$ 1,015,000</u>	<u>\$ 334,696</u>

2. Loans Payable

The Wastewater Utility has entered into a state revolving fund loan. Annual debt service requirements to maturity for the loan, including interest of \$1,203,846, are as follows:

2007	\$ 713,080
2008	715,404
2009	717,028
2010	712,952
2011	713,352
2012-2016	<u>3,577,030</u>
Total	<u>\$ 7,148,846</u>

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006, was as follows:

WATER AND WASTEWATER UTILITIES  
TOWN OF ELLETTSVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds payable:					
Water Utility	\$ 1,080,000	\$ -	\$ 65,000	\$ 1,015,000	\$ 70,000
Loans payable:					
Wastewater Utility	<u>6,435,000</u>	<u>-</u>	<u>490,000</u>	<u>5,945,000</u>	<u>505,000</u>
Total long-term liabilities	<u>\$ 7,515,000</u>	<u>\$ -</u>	<u>\$ 555,000</u>	<u>\$ 6,960,000</u>	<u>\$ 575,000</u>

D. Restricted Assets

The balances of restricted asset accounts in the enterprise funds are as follows:

	<u>Water Utility</u>	<u>Wastewater Utility</u>
Customer deposits	\$ 23,090	\$ 13,510
Bond and interest account	14,413	86,856
Debt service reserve account	132,741	751,615
Improvement account	49,976	403,297
Capacity user fee account	-	230,590
Equipment replacement account	<u>-</u>	<u>500,000</u>
Total restricted assets	<u>\$ 220,220</u>	<u>\$ 1,985,868</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; 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 AND WASTEWATER UTILITIES  
TOWN OF ELLETTSVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Subsequent Events

The Town Council of Ellettsville created a Storm Water Utility. Ordinance 06-26 passed January 22, 2007, established rates and charges for the users of the Storm Water Utility.

C. Rate Structure

1. Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on January 11, 2006. The Utility has 4,520 customers.

2. Wastewater Utility

The current rate structure was approved by the Town Council on August 5, 1996. The Utility has 1,818 customers.

D. Pension Plan

Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town, including the 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.

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

WATER AND WASTEWATER UTILITIES  
TOWN OF ELLETTSVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Utilities' 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 Town and the Utilities is not available. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the Town 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).

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 114,713
Interest on net pension obligation	(2,835)
Adjustment to annual required contribution	3,231
Annual pension cost	115,109
Contributions made	87,637
Increase in net pension obligation	27,472
Net pension obligation, beginning of year	(39,108)
Net pension obligation, end of year	\$ (11,636)
Contribution rates:	
Utilities	6.5%
Plan members	3%
Actuarial valuation date	07-01-04
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

WATER AND WASTEWATER UTILITIES  
TOWN OF ELLETTSVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Assumptions	PERF
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	06-30-04	\$ 76,355	118%	\$ (35,659)
	06-30-05	84,534	104%	(39,108)
	06-30-06	115,109	104%	(11,636)

WATER AND WASTEWATER UTILITIES  
TOWN OF ELLETTSVILLE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement 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)
07-01-04	\$ 1,147,881	\$ 1,410,059	\$ (262,178)	81%	\$ 1,356,258	(19%)
07-01-05	1,217,582	1,703,567	(485,985)	71%	1,479,992	(33%)
07-01-06	1,496,614	1,764,007	(267,393)	85%	1,425,281	(19%)

WATER AND WASTEWATER UTILITIES  
TOWN OF ELLETTSVILLE  
AUDIT RESULTS AND COMMENTS

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
  - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
  - (B) a description of the premises, as shown by the records of the county auditor; and
  - (C) the amount of the delinquent fees, together with the penalty; or
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

A similar comment appeared in a prior audit.

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

The Utilities do not have a written policy concerning procedures for writing off bad debts or uncollectible accounts. For the year ended December 31, 2006, the accounts receivable balances in arrears 90 days or more were: Water Utility - \$22,367 and Wastewater Utility - \$27,943. Payments have not been made on some of the accounts since 1987.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment appeared in a prior audit.

WATER AND WASTEWATER UTILITIES  
TOWN OF ELLETTSVILLE  
EXIT CONFERENCE

The contents of this report were discussed on November 5, 2007, with Dan Swafford, President of the Town Council; Sandra C. Hash, Clerk-Treasurer; Rebecca S. Wines, Utility Office Manager; Michael Farmer, Superintendent of Water Utility; Jeffrey Farmer, Superintendent of Wastewater Utility; and Phil Smith, Council member. The officials concurred with our audit findings.