

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

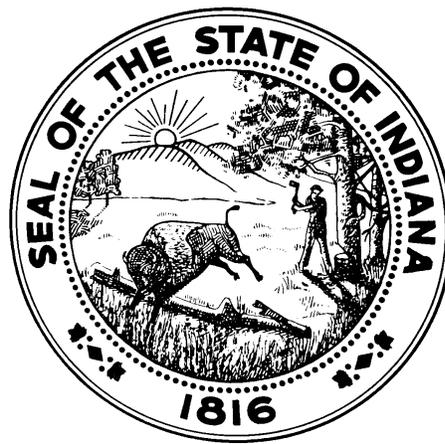
ANNUAL FINANCIAL REPORT

2007

WATER AND WASTEWATER UTILITIES

CITY OF VINCENNES

KNOX COUNTY, INDIANA



**FILED**  
07/17/2008



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Beverly S. Marsh	01-01-04 to 12-31-11
Mayor	Terry D. Mooney Alan Baldwin	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Terry D. Mooney Alan Baldwin	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Common Council	Mark R. Hill Duane Chattin	01-01-07 to 12-31-07 01-01-08 to 12-31-08
Superintendent of Utilities	Kirk Bouchie	01-01-07 to 12-31-08
President of the Utility Service Board	William Hopper	01-01-07 to 12-31-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE WATER AND WASTEWATER UTILITIES,  
CITY OF VINCENNES, KNOX COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Water and Wastewater Utilities, departments of the City of Vincennes, as of and for the year ended December 31, 2007. 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, City of Vincennes, 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 Vincennes as of December 31, 2007, 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, 2007, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Utilities' management has 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

May 29, 2008

WATER AND WASTEWATER UTILITIES  
CITY OF VINCENNES  
STATEMENT OF NET ASSETS  
December 31, 2007

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Current assets:		
Cash and cash equivalents	\$ 839,352	\$ 1,157,284
Interest receivable	2,136	2,730
Accounts receivable (net of allowance)	209,814	461,541
Inventories	74,903	18,889
Prepaid items	<u>30,498</u>	<u>25,916</u>
Total current assets	<u>1,156,703</u>	<u>1,666,360</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Depreciation cash and investments	1,095,540	4,051,944
Bond and interest cash and investments	50,131	223,685
Reserve cash and investments	320,000	-
Customer deposits	185,609	-
Interest receivable	<u>8,148</u>	<u>41,014</u>
Total restricted assets	<u>1,659,428</u>	<u>4,316,643</u>
Deferred charges	<u>-</u>	<u>34,567</u>
Capital assets:		
Land, improvements to land	259,093	104,862
Other capital assets (net of accumulated depreciation)	<u>18,509,327</u>	<u>41,356,752</u>
Total capital assets	<u>18,768,420</u>	<u>41,461,614</u>
Total noncurrent assets	<u>20,427,848</u>	<u>45,812,824</u>
Total assets	<u>21,584,551</u>	<u>47,479,184</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	43,466	45,777
Customer advances for construction	260,010	156,710
Payroll withholdings payable	1,992	(1,171)
Compensated absences	34,027	4,344
Current liabilities payable from restricted assets:		
Customer deposits	185,609	-
Revenue bonds payable	-	145,000
Sales tax payable	8,112	-
Loans payable	183,804	599,109
Accrued interest payable	<u>10,455</u>	<u>-</u>
Total current liabilities	<u>727,475</u>	<u>949,769</u>
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	-	1,892,266
Loans payable	<u>3,617,913</u>	<u>23,772,098</u>
Total noncurrent liabilities	<u>3,617,913</u>	<u>25,664,364</u>
Total liabilities	<u>4,345,388</u>	<u>26,614,133</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	14,966,703	15,053,141
Restricted for debt service	50,131	223,685
Unrestricted	<u>2,222,329</u>	<u>5,588,225</u>
Total net assets	<u>\$ 17,239,163</u>	<u>\$ 20,865,051</u>

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

WATER AND WASTEWATER UTILITIES  
CITY OF VINCENNES  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
As Of And For The Year Ended December 31, 2007

	Water Utility	Wastewater Utility
Operating revenues:		
Unmetered water revenue	\$ 242,772	\$ -
Metered water revenue:		
Residential	2,055,970	-
Measured revenue	-	4,145,655
Other	<u>672,291</u>	<u>-</u>
Total operating revenues	<u>2,971,033</u>	<u>4,145,655</u>
Operating expenses:		
Source of supply and expense - operations and maintenance	304,804	-
Water treatment expense - operations and maintenance	191,181	-
Water - operations and maintenance	622,752	-
Collection system - operations and maintenance	-	813,889
Pumping - operations and maintenance	572,940	-
Treatment and disposal - operations and maintenance	-	16,487
Customer accounts	231,563	601,692
Administration and general	105,962	215,259
Depreciation	739,125	886,606
Storm water expense	-	497,944
Other	<u>77,402</u>	<u>96,469</u>
Total operating expenses	<u>2,845,729</u>	<u>3,128,346</u>
Operating income	<u>125,304</u>	<u>1,017,309</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	118,437	300,666
Miscellaneous revenue	137,357	265,741
Interest expense	(153,990)	(954,994)
Amortization of bond issue costs	(18,707)	(10,408)
Miscellaneous expense	<u>(400)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>82,697</u>	<u>(398,995)</u>
Change in net assets	208,001	618,314
Total net assets - beginning	<u>17,031,162</u>	<u>20,246,737</u>
Total net assets - ending	<u>\$ 17,239,163</u>	<u>\$ 20,865,051</u>

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

WATER AND WASTEWATER UTILITIES  
CITY OF VINCENNES  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
As Of And For The Year Ended December 31, 2007

	Water Utility	Wastewater Utility
Cash flows from operating activities:		
Receipts from customers and users	\$ 2,318,240	\$ 4,143,484
Payments to suppliers and contractors	(562,263)	(812,648)
Payments to employees	(1,429,116)	(1,418,521)
Other receipts	698,386	164,477
Net cash provided by operating activities	1,025,247	2,076,792
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(242,515)	(787,003)
Principal paid on capital debt	(822,671)	(1,450,364)
Interest paid on capital debt	(145,390)	(933,097)
Proceeds from sales of capital assets	-	56,286
Net cash used by capital and related financing activities	(1,210,576)	(3,114,178)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	6,595,128	16,622,000
Purchase of investments	(5,512,128)	(13,851,000)
Interest received	118,437	300,666
Net cash provided by investing activities	1,201,437	3,071,666
Net increase in cash and cash equivalents	1,016,108	2,034,280
Cash and cash equivalents, January 1	961,524	788,633
Cash and cash equivalents, December 31	\$ 1,977,632	\$ 2,822,913
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 125,304	\$ 1,017,309
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	739,125	886,606
Nonoperating income	101,076	265,741
(Increase) decrease in assets:		
Accounts receivable	6,954	(21,044)
Interest receivable	2,421	(4,795)
Inventories	(633)	(4,566)
Prepaid items	14,314	492
Increase (decrease) in liabilities:		
Accounts payable	(55,402)	(84,212)
Payroll withholdings payable	10,453	(1,956)
Customer advances for construction	35,064	18,873
Taxes payable	8,112	-
Compensated absence payable	34,027	4,344
Customer deposits	4,432	-
Total adjustments	899,943	1,059,483
Net cash provided by operating activities	\$ 1,025,247	\$ 2,076,792

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

WATER AND WASTEWATER UTILITIES  
CITY OF VINCENNES  
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 Vincennes (City), and the results of its operations and cash flows of its enterprise funds. The Utilities whose operations are controlled by the City, represent the City's enterprise funds.

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 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.

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

WATER AND WASTEWATER UTILITIES  
CITY OF VINCENNES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 the financial statements.

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds and loans, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond and loan 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>
Buildings	\$ 400	Straight-line	25-50 years
Improvements other than buildings	400	Straight-line	20-50 years
Machinery and equipment	400	Straight-line	5-25 years
Water collection systems	400	Straight-line	25-50 years
Wastewater distribution and collection systems	400	Straight-line	25-50 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.

5. Compensated Absences

- a. Sick Leave – Utilities employees earn sick leave at the rate of 10 days per year. Unused sick leave may be accumulated to a maximum of 90 days. Accumulated sick leave is not paid to employees.

WATER AND WASTEWATER UTILITIES  
CITY OF VINCENNES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

- b. Vacation Leave – Utilities employees earn vacation leave at rates from 5 days to 25 days per year based upon the number of years of service. Vacation leave accrued may not exceed the allotted time accrued in a 2 year period. Any time not taken by the employee's anniversary date will be forfeited. Accumulated vacation leave is paid to employees through cash payments upon retirement.

Vacation leave is accrued when incurred.

No liability is reported for sick leave.

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

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. Balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Investment Policies

Indiana Code 5-13-9 authorizes the Utilities to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the

WATER AND WASTEWATER UTILITIES  
CITY OF VINCENNES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

funds held by the Utilities and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise; or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the Utilities may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

B. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 259,093	\$ -	\$ -	\$ 259,093
Capital assets, being depreciated:				
Buildings	5,758,408	11,762	-	5,770,170
Improvements other than buildings	19,023,980	158,349	17,266	19,165,063
Machinery and equipment	1,157,281	55,404	2,326	1,210,359
Transporation equipment	231,132	17,000	38,591	209,541
Less accumulated depreciation for:				
Buildings	(1,359,740)	(132,766)	-	(1,492,506)
Improvements other than buildings	(5,120,881)	(489,187)	(51,013)	(5,559,055)
Machinery and equipment	(613,321)	(83,474)	(4,460)	(692,335)
Transporation equipment	(106,803)	(33,698)	(38,591)	(101,910)
Total Water Utility capital assets, net	<u>\$ 19,229,149</u>	<u>\$ (496,610)</u>	<u>\$ (35,881)</u>	<u>\$ 18,768,420</u>

WATER AND WASTEWATER UTILITIES  
CITY OF VINCENNES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities (continued):				
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 95,000	\$ 9,862	\$ -	\$ 104,862
Construction in progress	29,621,403	-	29,621,403	-
Capital assets, being depreciated:				
Buildings	8,004,461	19,347,301	148,218	27,203,544
Improvements other than buildings	9,594,842	7,392,631	13,106	16,974,367
Machinery and equipment	1,553,211	3,621,225	82,503	5,091,933
Transportation equipment	374,417	37,387	64,210	347,594
Less accumulated depreciation for:				
Buildings	(3,129,190)	(360,206)	(137,672)	(3,351,724)
Improvements other than buildings	(3,771,858)	(263,713)	-	(4,035,571)
Machinery and equipment	(530,695)	(211,507)	(82,503)	(659,699)
Transportation equipment	(194,088)	(51,180)	(31,576)	(213,692)
Total Wastewater Utility capital assets, net	\$ 41,617,503	\$ 29,521,800	\$ 29,677,689	\$ 41,461,614
Total business-type activities capital assets, net	\$ 60,846,652	\$ 29,025,190	\$ 29,641,808	\$ 60,230,034

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

Water	\$ 739,125
Wastewater	886,606
Total depreciation expense	\$ 1,625,731

C. Long-Term Liabilities

1. Revenue Bonds

The Wastewater Utility issues 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	Amount
2003 Sewageworks revenue refunding bonds	4.2% to 4.4%	\$ 2,110,000

Revenue bonds debt service requirements to maturity are as follows:

WATER AND WASTEWATER UTILITIES  
CITY OF VINCENNES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Year Ended December 31	Wastewater Utility	
	Principal	Interest
2008	\$ 145,000	\$ 45,825
2009	290,000	82,479
2010	305,000	70,010
2011	320,000	56,640
2012	335,000	42,570
2013-2017	<u>715,000</u>	<u>39,710</u>
Totals	<u>\$ 2,110,000</u>	<u>\$ 337,234</u>

2. Loans Payable

The Utilities have entered into various loans. Annual debt service requirements to maturity for the loans, including interest of \$1,122,072 and \$6,559,207, respectively, are as follows:

	Water Utility	Wastewater Utility
2008	\$ 307,757	\$ 1,001,234
2009	307,757	2,011,639
2010	307,757	2,009,107
2011	307,757	2,007,478
2012	307,757	2,006,548
2013-2017	1,538,744	11,165,878
2018-2022	1,538,794	10,728,530
2023-2027	<u>307,466</u>	<u>-</u>
Totals	<u>\$ 4,923,789</u>	<u>\$ 30,930,414</u>

3. Advance Refunding

In prior years, the Utilities 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 Utilities' financial statements. The following outstanding bonds, at December 31, 2007, were considered defeased:

Amount
<u>\$ 2,190,000</u>

WATER AND WASTEWATER UTILITIES  
CITY OF VINCENNES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable:					
Water Utility	\$ 645,000	\$ -	\$ 645,000	\$ -	\$ -
Wastewater Utility	2,390,000	-	280,000	2,110,000	145,000
Less deferred amount on refunding	(100,819)	-	(31,626)	(69,193)	-
Less unamortized discount	(4,607)	-	(1,066)	(3,541)	-
 Total revenue bonds payable	 2,929,574	 -	 892,308	 2,037,266	 145,000
Loans payable:					
Water Utility	3,979,388	-	177,671	3,801,717	183,804
Wastewater Utility	25,541,571	-	1,170,364	24,371,207	599,109
 Total long-term liabilities	 <u>\$ 32,450,533</u>	 <u>\$ -</u>	 <u>\$ 2,240,343</u>	 <u>\$ 30,210,190</u>	 <u>\$ 927,913</u>

D. Restricted Assets

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

	Water Utility	Wastewater Utility
Depreciation	\$ 1,101,346	\$ 4,092,958
Bond and interest	50,186	223,685
Debt reserve	321,874	-
Customer deposits	186,022	-
 Total restricted assets	 <u>\$ 1,659,428</u>	 <u>\$ 4,316,643</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.

WATER AND WASTEWATER UTILITIES  
CITY OF VINCENNES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

Job Related Injuries

During 1994, the City, including the Utilities, joined together with other governmental entities in the Indiana Public Employer's Plan, Inc., a public entity risk pool currently operating as a common risk management and insurance program for member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of workers' compensation claims. The City, including the Utilities, pays an annual premium to the risk pool for its job related injuries coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. Rate Structure

1. Water Utility

The current rate structure was approved by the Utility on March 25, 2002. The Utility has 8,239 customers.

2. Wastewater Utility

The current rate structure was approved by the Utility on March 25, 2002. The Utility has 6,936 customers.

C. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City, 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 Utilities 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:

WATER AND WASTEWATER UTILITIES  
CITY OF VINCENNES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 Utilities' annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 50,488
Interest on net pension obligation	1,162
Adjustment to annual required contribution	(1,324)
Annual pension cost	50,326
Contributions made	91,133
Decrease in net pension obligation	(40,807)
Net pension obligation, beginning of year	16,023
Net pension obligation, end of year	\$ (24,784)
Contribution rates:	
Utilities	8%
Plan members	3%
Actuarial valuation date	07-01-06
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%

WATER AND WASTEWATER UTILITIES  
 CITY OF VINCENNES  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-04	\$ 58,519	98%	\$ 13,967
	06-30-05	65,681	97%	16,023
	06-30-06	50,326	139%	(24,784)

WATER AND WASTEWATER UTILITIES  
CITY OF VINCENNES  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund - City of Vincennes Utilities

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (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	\$ 1,141,048	\$ 1,478,411	\$ (337,363)	77%	\$ 912,814	(37%)
07-01-05	1,194,460	1,441,131	(246,671)	83%	731,973	(34%)
07-01-06	1,201,505	1,659,380	(457,875)	72%	853,947	(54%)

WATER AND WASTEWATER UTILITIES  
CITY OF VINCENNES  
AUDIT RESULTS AND COMMENTS

CELL PHONE USAGE AND POLICY

A review of 2007 Wastewater Utility cell phone bills disclosed bills of \$790 for March and \$1,100 for April. An average amount for a cell phone bill in the Wastewater Utility during 2007 was approximately \$150 per month. Several Utility employees have cell phones provided and paid for by the Utilities, which are used during working hours and outside of normal work hours. Usage logs were not presented for audit.

Assets of the governmental unit may not be used in a manner unrelated to the functions and purposes of the governmental unit. Whenever an item or other asset owned by the political subdivision is entrusted to an officer or employee, to be used at times outside the normal work time for business purposes, such as a cellular phone, or vehicle, a log should be maintained which clearly shows the business use. (Uniform and Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CREDIT CARDS

The Utilities paid for numerous business meals involving consultants and employees. It was noted that many of these meal payments were made on a credit card slip only and some of them did not have a detail of who was present or what utility business was discussed. Also, it was noted that Utility funds were used to purchase food and supplies for employee appreciation cookouts.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.

WATER AND WASTEWATER UTILITIES  
CITY OF VINCENNES  
AUDIT RESULTS AND COMMENTS

(8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Furthermore, utility funds should not be used to pay for personal items. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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. . . ."

SALES TAX

Sales tax was paid on some credit card purchases during the audit period.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

WATER AND WASTEWATER UTILITIES  
CITY OF VINCENNES  
EXIT CONFERENCE

The contents of this report were discussed on May 29, 2008, with Kirk Bouchie, Superintendent of Utilities; Rebecca J. Willis, Utilities Bookkeeper; Gary Hall, Vincennes Utilities Services Board; Duane Chattin, President of the Common Council; Beverly S. Marsh, Clerk-Treasurer; Alan Baldwin, Mayor; and Lori S. Buehlien, Chief of Staff. The officials concurred with our audit findings.