

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

ANNUAL FINANCIAL REPORT

2007

WATER, WASTEWATER, AND ELECTRIC UTILITIES

CITY OF TELL CITY

PERRY COUNTY, INDIANA



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Barbara L. Ewing Jenny S. Richter	01-01-04 to 12-31-07 01-01-08 to 12-31-11
Mayor	Gayle A. Strassell Barbara L. Ewing	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Gayle A. Strassell Barbara L. Ewing	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Common Council	Gerald Yackle	01-01-07 to 12-31-08
Superintendent of the Water Utility	Terry L. Rogers (Vacant) Dale Poole	01-01-07 to 01-07-08 01-08-08 to 05-31-08 06-01-08 to 12-31-08
Superintendent of the Wastewater Utility	Bruce W. Badger	01-01-07 to 12-31-08
Superintendent of the Electric Utility	Marlow J. Smethurst	01-01-07 to 12-31-08
Electric Utility Office Manager	Marcia F. Parker	01-01-07 to 12-31-08
President of the Water Utility Service Board	Gerald Yackle	01-01-07 to 12-31-08
President of the Electric Utility Service Board	J.B. Land	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, 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, 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, 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, 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 positions of the business-type activities for the Water, Wastewater, and Electric 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.

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 for purposes of additional analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although it is not a required part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

July 14, 2008

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

<u>Assets</u>	Business-Type Activities			Totals
	Water Utility	Wastewater Utility	Electric Utility	
Current assets:				
Cash and cash equivalents	\$ 648,394	\$ 360,610	\$ 2,864,968	\$ 3,873,972
Accounts receivable (net of allowance Water \$7,135, Wastewater \$500, and Electric \$12,825)	133,468	122,322	371,883	627,673
Other receivable	-	-	47,752	47,752
Loan receivable	-	-	125,000	125,000
Inventories	83,523	-	392,576	476,099
Prepaid items	22,932	25,583	97,250	145,765
Total current assets	888,317	508,515	3,899,429	5,296,261
Noncurrent assets:				
Restricted cash, cash equivalents and investments:				
Depreciation cash and investments	245,798	66,494	-	312,292
Bond and interest cash and investments	28,069	145,670	-	173,739
Debt service reserve cash and investments	526,608	260,884	-	787,492
Construction cash and investments	3,260	33,046	57,975	94,281
Storm water cash and investments	-	10,144	-	10,144
Customer deposits	-	-	226,778	226,778
Total restricted assets	803,735	516,238	284,753	1,604,726
Deferred charges	82,880	62,629	-	145,509
Capital assets:				
Land, improvements to land and construction in progress	11,724	1,788,327	487,135	2,287,186
Other capital assets (net of accumulated depreciation)	6,772,836	7,954,053	11,669,957	26,396,846
Total capital assets	6,784,560	9,742,380	12,157,092	28,684,032
Total noncurrent assets	7,671,175	10,321,247	12,441,845	30,434,267
Total assets	8,559,492	10,829,762	16,341,274	35,730,528
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	59,087	31,210	1,022,825	1,113,122
Accrued wages payable	14,137	7,691	22,751	44,579
Contracts payable	-	18,922	-	18,922
Taxes payable	5,118	-	69,404	74,522
Payroll withholdings payable	-	-	6,397	6,397
Compensated absences	2,413	1,545	29,556	33,514
Current liabilities payable from restricted assets:				
Customer deposits	-	-	226,778	226,778
Revenue bonds payable	-	155,000	-	155,000
Accrued interest payable	-	38,000	-	38,000
Total current liabilities	80,755	252,368	1,377,711	1,710,834
Noncurrent liabilities:				
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	3,533,349	1,218,210	-	4,751,559
State revolving loans payable	925,000	1,265,437	-	2,190,437
Compensated absences	21,720	13,908	-	35,628
Deferred credits	-	-	108,521	108,521
Total noncurrent liabilities	4,480,069	2,497,555	108,521	7,086,145
Total liabilities	4,560,824	2,749,923	1,486,232	8,796,979
<u>Net Assets</u>				
Invested in capital assets, net of related debt	2,173,916	7,006,943	12,157,093	21,337,952
Restricted for debt service	554,677	406,554	-	961,231
Unrestricted	1,270,075	666,342	2,697,949	4,634,366
Total net assets	\$ 3,998,668	\$ 8,079,839	\$ 14,855,042	\$ 26,933,549

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

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

	Business-Type Activities			Totals
	Water Utility	Wastewater Utility	Electric Utility	
Operating revenues:				
Metered water revenue:				
Residential and commercial	\$ 1,233,855	\$ -	\$ -	\$ 1,233,855
Industrial and municipal sales	141,502	-	-	141,502
Residential sales	-	-	2,485,927	2,485,927
Commercial and industrial sales	-	-	8,086,417	8,086,417
Public street and highway lighting	-	-	69,480	69,480
Penalties	5,588	10,223	14,914	30,725
Telecommunications revenue	-	-	43,940	43,940
Fuel cost adjustment revenue	-	-	1,465,552	1,465,552
Rental income	-	-	35,388	35,388
Other water revenue	61,072	-	-	61,072
Measured revenue:				
Residential and commercial	-	1,312,461	-	1,312,461
Other	-	71,733	550,682	622,415
Total operating revenues	<u>1,442,017</u>	<u>1,394,417</u>	<u>12,752,300</u>	<u>15,588,734</u>
Operating expenses:				
Transmission and distribution	-	-	156,190	156,190
Customer accounts	-	-	30,628	30,628
Administration and general	-	-	347,998	347,998
Salaries and wages	420,210	272,974	957,048	1,650,232
Employee pensions and benefits	129,524	80,141	419,343	629,008
Purchased power	104,935	89,173	9,467,193	9,661,301
Sludge removal	-	21,662	-	21,662
Chemicals	10,714	39,282	-	49,996
Materials and supplies	98,373	42,552	-	140,925
Contractual services	86,736	137,991	-	224,727
Repairs	-	96,165	-	96,165
Transportation expenses	15,488	11,720	-	27,208
Insurance expense	50,283	84,518	111,583	246,384
Payments in lieu of taxes	45,996	53,959	72,027	171,982
Telecommunications expense	-	-	34,025	34,025
Bad debt expense	1,764	1,849	17,103	20,716
Building suite expense	-	-	59,028	59,028
Depreciation and amortization	242,556	266,939	631,809	1,141,304
Miscellaneous expenses	69,801	124,366	205,543	399,710
Total operating expenses	<u>1,276,380</u>	<u>1,323,291</u>	<u>12,509,518</u>	<u>15,109,189</u>
Operating income	<u>165,637</u>	<u>71,126</u>	<u>242,782</u>	<u>479,545</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	61,510	25,443	112,221	199,174
Interest expense	(119,942)	(84,771)	-	(204,713)
Amortization expense	(30,552)	(18,029)	-	(48,581)
Total nonoperating revenues (expenses)	<u>(88,984)</u>	<u>(77,357)</u>	<u>112,221</u>	<u>(54,120)</u>
Income (loss) before contributions	76,653	(6,231)	355,003	425,425
Capital contributions	<u>216,731</u>	<u>457,912</u>	<u>-</u>	<u>674,643</u>
Change in net assets	293,384	451,681	355,003	1,100,068
Total net assets - beginning	<u>3,705,284</u>	<u>7,628,158</u>	<u>14,500,039</u>	<u>25,833,481</u>
Total net assets - ending	<u>\$ 3,998,668</u>	<u>\$ 8,079,839</u>	<u>\$ 14,855,042</u>	<u>\$ 26,933,549</u>

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

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

	Business-Type Activities			Totals
	Water Utility	Wastewater Utility	Electric Utility	
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,442,548	\$ 1,382,554	\$ 12,773,943	\$ 15,599,045
Payments to suppliers and contractors	(485,723)	(664,346)	(10,386,186)	(11,536,255)
Payments to employees	(547,337)	(354,048)	(1,377,236)	(2,278,621)
Net cash provided by operating activities	<u>409,488</u>	<u>364,160</u>	<u>1,010,521</u>	<u>1,784,169</u>
Cash flows from capital and related financing activities:				
Capital contributions	216,731	457,912	-	674,643
Acquisition and construction of capital assets	(47,843)	(430,808)	(510,859)	(989,510)
Principal paid on capital debt	(295,000)	(145,000)	-	(440,000)
Interest paid on capital debt	(228,856)	(106,455)	-	(335,311)
Interest subsidy from Waupaca	108,470	14,195	-	122,665
Net cash used by capital and related financing activities	<u>(246,498)</u>	<u>(210,156)</u>	<u>(510,859)</u>	<u>(967,513)</u>
Cash flows from investing activities:				
Interest received	61,510	25,443	112,221	199,174
Net increase in cash and cash equivalents	224,500	179,447	611,883	1,015,830
Cash and cash equivalents, January 1 (Including \$752,419, \$442,733 and \$321,166 for the Water, Wastewater, and Electric Utilities, respectively, reported in restricted accounts)				
	<u>1,227,629</u>	<u>697,401</u>	<u>2,537,838</u>	<u>4,462,868</u>
Cash and cash equivalents, December 31 (Including \$803,735, \$516,238 and \$284,753 for the Water, Wastewater, and Electric Utilities, respectively, reported in restricted accounts)				
	<u>\$ 1,452,129</u>	<u>\$ 876,848</u>	<u>\$ 3,149,721</u>	<u>\$ 5,478,698</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	<u>\$ 165,637</u>	<u>\$ 71,126</u>	<u>\$ 242,782</u>	<u>\$ 479,545</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	242,556	266,939	631,809	1,141,304
(Increase) decrease in assets:				
Accounts receivable	3,008	(10,014)	34,404	27,398
Allowance for uncollectible accounts	(713)	-	-	(713)
Other receivable	-	-	4,342	4,342
Inventories	(54,744)	-	(43,320)	(98,064)
Prepaid items	2,008	3,306	(5,675)	(361)
Increase (decrease) in liabilities:				
Accounts payable	48,589	14,814	169,598	233,001
Accrued wages payable	318	207	8,059	8,584
Accrued payroll withholdings payable	-	-	(533)	(533)
Contracts payable	-	18,922	-	18,922
Taxes payable	750	-	3,798	4,548
Compensated absences payable	2,079	(1,140)	(8,904)	(7,965)
Customer deposits	-	-	5,063	5,063
Deferred credits	-	-	(30,902)	(30,902)
Total adjustments	<u>243,851</u>	<u>293,034</u>	<u>767,739</u>	<u>1,304,624</u>
Net cash provided by operating activities	<u>\$ 409,488</u>	<u>\$ 364,160</u>	<u>\$ 1,010,521</u>	<u>\$ 1,784,169</u>

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, represents 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. No repayments have been made to the Electric Utility as of December 31, 2007. 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 Riverside Communications can be obtained from Perry-Spencer Communications, Inc., 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
NOTES TO FINANCIAL STATEMENTS
(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.

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 last in/first out (LIFO) 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
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
Electric Utility:			
Buildings	5,000	Composite	33 years
Improvements other than buildings	0 or 5,000	Composite	33 years
Machinery and Equipment	5,000	Composite	10 or 33 years
Transportation Equipment	5,000	Composite	10 years

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

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets 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 1 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.

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.

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

B. Receivables – Electric Utility

The following receivable account has timing and credit characteristics different from typical accounts receivable:

Other Receivable – This line item on the Statement of Net Assets primarily includes receivables due from Riverside Communications, Inc. (See "Joint Venture" Note I.A.) for connection charges associated with internet services and amounts due from City of Cannelton Utilities for various electrical services provided.

C. Capital Assets

Capital asset activity for the year ended December 31, 2007, 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	43,814	-	-	43,814
Improvements other than buildings	8,928,151	25,180	-	8,953,331
Machinery and equipment	545,474	22,663	-	568,137
Transportation equipment	45,700	-	-	45,700
Totals	<u>9,563,139</u>	<u>47,843</u>	<u>-</u>	<u>9,610,982</u>
Less accumulated depreciation for:				
Buildings	23,713	876	-	24,589
Improvements other than buildings	2,106,828	178,563	-	2,285,391
Machinery and equipment	443,074	58,547	-	501,621
Transportation equipment	21,975	4,570	-	26,545
Totals	<u>2,595,590</u>	<u>242,556</u>	<u>-</u>	<u>2,838,146</u>
Total capital assets, being depreciated, net	<u>6,967,549</u>	<u>(194,713)</u>	<u>-</u>	<u>6,772,836</u>
Total capital assets, net	<u>\$ 6,979,273</u>	<u>\$ (194,713)</u>	<u>\$ -</u>	<u>\$ 6,784,560</u>
 <u>Wastewater Utility</u>				
Capital assets, not being depreciated:				
Land	\$ 10,936	\$ -	\$ -	\$ 10,936
Construction in progress	785,993	991,398	-	1,777,391
Total capital assets, not being depreciated	<u>796,929</u>	<u>991,398</u>	<u>-</u>	<u>1,788,327</u>

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

<u>Wastewater Utility (continued)</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Buildings	342,670	-	-	342,670
Improvements other than buildings	11,614,846	-	-	11,614,846
Machinery and equipment	483,400	-	-	483,400
Transportation equipment	157,149	14,500	-	171,649
	<u>12,598,065</u>	<u>14,500</u>	<u>-</u>	<u>12,612,565</u>
Totals				
Less accumulated depreciation for:				
Buildings	196,489	6,425	-	202,914
Improvements other than buildings	3,591,000	232,297	-	3,823,297
Machinery and equipment	470,898	12,502	-	483,400
Transportation equipment	133,186	15,715	-	148,901
	<u>4,391,573</u>	<u>266,939</u>	<u>-</u>	<u>4,658,512</u>
Totals				
Total capital assets, being depreciated, net	<u>8,206,492</u>	<u>(252,439)</u>	<u>-</u>	<u>7,954,053</u>
Total capital assets, net	<u>\$ 9,003,421</u>	<u>\$ 738,959</u>	<u>\$ -</u>	<u>\$ 9,742,380</u>
 <u>Electric Utility</u>				
Capital assets, not being depreciated:				
Land	\$ 232,226	\$ -	\$ -	\$ 232,226
Construction in progress	465,052	662,087	872,230	254,909
	<u>697,278</u>	<u>662,087</u>	<u>872,230</u>	<u>487,135</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	350,665	-	-	350,665
Improvements other than buildings	13,116,433	679,254	37,971	13,757,716
Machinery and equipment	4,688,380	231,338	309,423	4,610,295
Transportation equipment	688,042	39,024	-	727,066
	<u>18,843,520</u>	<u>949,616</u>	<u>347,394</u>	<u>19,445,742</u>
Totals				
Less accumulated depreciation for:				
Buildings	94,170	10,520	-	104,690
Improvements other than buildings	4,547,881	424,418	37,507	4,934,792
Machinery and equipment	2,013,610	189,595	154,944	2,048,261
Transportation equipment	680,766	7,276	-	688,042
	<u>7,336,427</u>	<u>631,809</u>	<u>192,451</u>	<u>7,775,785</u>
Totals				
Total capital assets, being depreciated, net	<u>11,507,093</u>	<u>317,807</u>	<u>154,943</u>	<u>11,669,957</u>
Total capital assets, net	<u>\$ 12,204,371</u>	<u>\$ 979,894</u>	<u>\$ 1,027,173</u>	<u>\$ 12,157,092</u>

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

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

Water	\$ 242,556
Wastewater	266,939
Electric	<u>631,809</u>
 Total depreciation expense	 <u>\$ 1,141,304</u>

D. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2007	Committed	Required Future Funding
Wastewater Utility - sewer line extension	\$ 1,922,391	\$ 1,777,391	\$ 145,000	\$ -
Electric Utility - various projects	<u>500,000</u>	<u>254,909</u>	<u>245,091</u>	<u>-</u>
 Totals	 <u>\$ 2,422,391</u>	 <u>\$ 2,032,300</u>	 <u>\$ 390,091</u>	 <u>\$ -</u>

E. Long-Term Liabilities

1. Revenue Bonds

The 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
2005 Waterworks refunding revenue bonds	3% to 6%	\$ 2,075,000
1999 Waterworks improvement revenue bonds	5%	1,660,000
1999 Wastewater refunding revenue bonds	4% to 5%	1,320,000
1996 Wastewater improvement revenue bonds	8%	<u>150,000</u>
 Total		 <u>\$ 5,205,000</u>

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

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2008	\$ -	\$ 94,420	\$ 155,000	\$ 73,710
2009	290,000	182,403	165,000	65,628
2010	305,000	169,069	175,000	56,855
2011	300,000	154,492	180,000	47,440
2012	325,000	138,460	145,000	37,800
2013-2017	1,885,000	417,361	650,000	79,960
2018-2019	<u>630,000</u>	<u>30,798</u>	-	-
Totals	<u>\$ 3,735,000</u>	<u>\$ 1,187,003</u>	<u>\$ 1,470,000</u>	<u>\$ 361,393</u>

2. State Revolving Loans Payable

The Water and Wastewater Utilities have entered into state revolving loans. Under the terms of the State Revolving Loan Fund, revenue bonds are purchased by the Indiana Bond Bank, the proceeds of which are set aside to finance the construction of the water and wastewater plant expansions. Funds are loaned to the Utilities as construction costs are accrued to the maximum allowed. At completion of construction on the 2000 Water Utility loan the principal balance was \$1,040,000. At December 31, 2007, the outstanding principal balance on the Water Utility loan was \$925,000. The 2006 Wastewater Utility loan established a maximum draw of \$1,425,000. As of December 31, 2007, the loan principal balance was \$1,265,437. Annual debt service requirements for the 2006 Wastewater Utility loan will not be determined until the planned construction project is completed. Annual debt service requirements to maturity for the Water Utility state revolving loan, including interest of \$274,195, are as follows:

2008	\$ 13,412
2009	46,535
2010	41,028
2011	60,302
2012	54,360
2013-2017	267,590
2018-2022	<u>715,968</u>
Total	<u>\$ 1,199,195</u>

3. Advance Refunding

In prior years, the Water and Wastewater 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:

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

	Amount
Water Utility - 1993 and 1996 Issues	\$ 2,185,000
Wastewater Utility - 1990 and 1991 Issues	1,045,000

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
Water Utility:					
Revenue bonds payable	\$ 4,015,000	\$ -	\$ 280,000	\$ 3,735,000	\$ -
Less unamortized bond discount	(54,457)		(5,101)	(49,356)	
Less deferred amount on refunding	(169,216)	-	(16,921)	(152,295)	-
Total revenue bonds payable long-term (net)	3,791,327	-	257,978	3,533,349	-
State revolving loan payable	940,000	-	15,000	925,000	-
Compensated absences	22,054	2,079	-	24,133	2,413
Total long-term liabilities, Water Utility	4,753,381	2,079	272,978	4,482,482	2,413
Wastewater Utility:					
Revenue bonds payable	1,615,000	-	145,000	1,470,000	155,000
Less deferred amount on refunding	(107,544)	-	(10,754)	(96,790)	-
Total revenue bonds payable long-term (net)	1,507,456	-	134,246	1,373,210	155,000
State revolving loan payable	545,634	719,803	-	1,265,437	-
Compensated absences	16,593	-	1,140	15,453	1,545
Total long-term liabilities, Wastewater Utility	2,069,683	719,803	135,386	2,654,100	156,545
Electric Utility:					
Compensated absences	38,460	-	8,904	29,556	29,556
Deferred credits	139,423	-	30,902	108,521	-
Total long-term liabilities, Electric Utility	177,883	-	39,806	138,077	29,556
Total long-term liabilities	\$ 6,962,487	\$ 721,882	\$ 439,266	\$ 7,245,103	\$ 158,958

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

F. Restricted Assets

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

<u>Restricted Assets Accounts</u>	<u>Water Utility</u>	<u>Water Utility</u>	<u>Electric Utility</u>
Customer deposits	\$ -	\$ -	\$ 226,778
Depreciation account	245,798	66,494	-
Bond and interest account	28,069	145,670	-
Storm water account	-	10,144	-
Debt service reserve account	526,608	260,884	-
Construction account	<u>3,260</u>	<u>33,046</u>	<u>57,975</u>
Total restricted assets	<u>\$ 803,735</u>	<u>\$ 516,238</u>	<u>\$ 284,753</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.

Medical Benefits to Employees, Retirees, and Dependents

The Utilities have chosen to establish a risk financing fund for risks associated with health and life insurance claims. The risk financing fund is accounted for in the Employee Benefit Fund, an internal service fund, 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 self insurance 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 affected fund's number of employees and are reported as quasi-external interfund transactions.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred. These losses include an estimate of claims that have been incurred but not reported (IBNRs).

However, claim liabilities cannot be reasonably estimated.

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

B. Postemployment Benefits

In addition to the pension benefits described below, the Utility provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the Utility on or after attaining age 55 with at least 20 years of creditable service with a public employer, with the immediately preceding 10 years of service having been with the Utility. Dependents of an eligible retiree may also receive these benefits until two years after the death of the retiree. In order to receive these benefits, the retiree or dependent must not be eligible for Medicare. Currently, no retirees meet these eligibility requirements. The Utility and retirees provide 20% and 80%, respectively, of these postemployment benefits. Expenditures for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2007, expenditures of \$0 were recognized for postemployment benefits.

C. 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 Tell City Common Council on June 28, 2004. The Utility has 3,404 customers.

2. Wastewater Utility

The current rate structure was approved by the Tell City Common Council on January 2, 2007. A separate rate structure exists for the Branchville wastewater line and the Waupaca Foundry. The current rate structures for both the Branchville wastewater line and the Waupaca Foundry were approved on January 2, 2007. The Utility has 3,244 customers. A storm water rate was approved by Tell City Common Council on July 2, 2007. There are 3,165 storm water 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 Tell City Common Council on April 7, 2008. The Utility has 4,253 customers.

D. Pension Plans

Agent Multiple-Employer Defined Benefit Pension Plans

1. 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

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

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 three percent 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

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.

2. 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 \$0.94 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
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Public Employees' Retirement Plan

	PERF
Annual required contribution	\$ 94,628
Interest on net pension obligation	(6,579)
Adjustment to annual required contribution	7,498
Annual pension cost	95,547
Contributions made	94,697
Increase in net pension obligation	850
Net pension obligation, beginning of year	(90,748)
Net pension obligation, end of year	\$ (89,898)
Contribution rates:	
Water and Wastewater Utilities	6.25%
Plan members	3%
Actuarial valuation date	07-01-07
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	06-30-05	\$ 60,159	150%	\$ (92,393)
	06-30-06	88,620	98%	(90,748)
	06-30-07	95,547	99%	(89,898)

WATER, WASTEWATER, AND ELECTRIC UTILITIES
CITY OF TELL CITY
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)
07-01-05	\$ 1,477,609	\$ 1,703,463	\$ (225,854)	87%	\$ 1,438,773	(16%)
07-01-06	1,571,917	1,773,575	(201,658)	89%	1,416,232	(14%)
07-01-07	1,764,510	2,014,573	(250,063)	88%	1,675,806	(15%)

WATER, WASTEWATER, AND ELECTRIC UTILITIES
CITY OF TELL CITY
AUDIT RESULTS AND COMMENTS

APPROVAL OF CLAIMS (Applies to the Electric Utility)

Claims were approved only by the Utility's Finance Committee, which consisted of only two of the five members of the Utility Service Board.

Indiana Code 5-11-10-2(a) states in part:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

COMPENSATION - NONEMPLOYEE (Applies to Wastewater Utility)

Payments totaling \$27,500 for plant operator services were made to Duwayne Johnson, who was not an employee of the Tell City Wastewater Utility.

All payments for services should be supported by a written contract. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

The contents of this report were discussed on July 23, 2008, with Barbara L. Ewing, Mayor; Jenny S. Richter, Clerk-Treasurer; Dale Poole, Superintendent of the Water Utility; Bruce W. Badger, Superintendent of the Wastewater Utility; Marlow J. Smethurst, Superintendent of the Electric Utility; and Marcia F. Parker, Electric Utility Office Manager. A separate telephone exit conference was held on July 23, 2008, with Gayle A. Strassell, former Mayor.