

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

EXAMINATION REPORT  
OF  
WATER AND WASTEWATER UTILITIES  
CITY OF VINCENNES  
KNOX COUNTY, INDIANA

January 1, 2008 to December 31, 2008



**FILED**  
09/01/2009



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Beverly S. Marsh	01-01-08 to 12-31-11
Mayor	Alan Baldwin	01-01-08 to 12-31-11
President of the Board of Public Works	Alan Baldwin	01-01-08 to 12-31-11
President of the Common Council	Duane Chattin Shirley S. Rose	01-01-08 to 12-31-08 01-01-09 to 12-31-09
Superintendent of Utilities	Kirk Bouchie	01-01-08 to 12-31-09
President of the Utility Service Board	William Hopper	01-01-08 to 12-31-09



**STATE OF INDIANA**  
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statements of the business-type activities of the Water and Wastewater Utilities, a department of the City of Vincennes, as of and for the year ended December 31, 2008. The Utilities' management is responsible for the financial statements presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statement presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination 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, 2008, 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, 2008, 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.

STATE BOARD OF ACCOUNTS

July 22, 2009

WATER AND WASTEWATER UTILITIES  
CITY OF VINCENNES  
STATEMENT OF NET ASSETS  
December 31, 2008

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Current assets:		
Operating cash and cash equivalents	\$ 903,949	\$ 601,154
Interest receivable	309	821
Accounts receivable (net of allowance)	192,709	349,690
Inventories	95,015	21,585
Prepaid items	<u>21,832</u>	<u>26,683</u>
 Total current assets	 <u>1,213,814</u>	 <u>999,933</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Depreciation cash and investments	1,157,318	3,453,281
Bond and interest cash and investments	52,648	237,811
Reserve cash and investments	325,000	-
Customer deposits	189,862	-
Interest receivable	<u>6,333</u>	<u>20,045</u>
 Total restricted assets	 <u>1,731,161</u>	 <u>3,711,137</u>
Deferred charges	<u>-</u>	<u>25,440</u>
Capital assets:		
Land, improvements to land and construction in progress	259,093	250,623
Other capital assets (net of accumulated depreciation)	<u>17,998,160</u>	<u>40,665,084</u>
 Total capital assets	 <u>18,257,253</u>	 <u>40,915,707</u>
 Total noncurrent assets	 <u>19,988,414</u>	 <u>44,652,284</u>
 Total assets	 <u>21,202,228</u>	 <u>45,652,217</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	54,261	39,987
Customer advance for construction	256,630	197,890
Taxes payable	9,399	-
Payroll withholdings payable	1,981	632
Compensated absences	34,027	4,344
Current liabilities payable from restricted assets:		
Customer deposits	189,862	-
Revenue bonds payable	-	145,000
Loans payable	189,920	625,219
Accrued interest payable	<u>9,949</u>	<u>-</u>
 Total current liabilities	 <u>746,029</u>	 <u>1,013,072</u>
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	-	1,621,472
Loans payable	<u>3,427,993</u>	<u>22,534,840</u>
 Total noncurrent liabilities	 <u>3,427,993</u>	 <u>24,156,312</u>
 Total liabilities	 <u>4,174,022</u>	 <u>25,169,384</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	14,639,340	15,989,176
Restricted for debt service	52,648	237,811
Unrestricted	<u>2,336,218</u>	<u>4,255,846</u>
 Total net assets	 <u>\$ 17,028,206</u>	 <u>\$ 20,482,833</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 OTHER CHANGES IN FUND NET ASSETS  
As Of And For The Year Ended December 31, 2008

	Water Utility	Wastewater Utility
Operating revenues:		
Unmetered water revenue	\$ 239,982	\$ -
Metered water revenue:		
Residential	1,975,729	-
Measured revenue	-	4,000,872
Other	<u>550,955</u>	<u>-</u>
Total operating revenues	<u>2,766,666</u>	<u>4,000,872</u>
Operating expenses:		
Source of supply and expense - operations and maintenance	247,609	-
Water treatment expense - operations and maintenance	216,708	-
Water - operations and maintenance	822,313	-
Collection system - operations and maintenance	-	1,308,428
Pumping - operations and maintenance	467,367	-
Treatment and disposal - operations and maintenance	-	3,639
Customer accounts	292,016	491,448
Administration and general	171,114	328,230
Depreciation and amortization	756,116	1,368,053
Storm water expense	-	267,578
Other	<u>42,533</u>	<u>81,397</u>
Total operating expenses	<u>3,015,776</u>	<u>3,848,773</u>
Operating income (loss)	<u>(249,110)</u>	<u>152,099</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	72,819	168,591
Gain on sale of fixed assets	27,005	14,106
Miscellaneous revenue	54,834	194,231
Interest expense	(123,447)	(902,118)
Amortization of bond issue costs	<u>-</u>	<u>(9,127)</u>
Total nonoperating revenues (expenses)	<u>31,211</u>	<u>(534,317)</u>
Loss before contributions	(217,899)	(382,218)
Capital contributions	<u>6,942</u>	<u>-</u>
Change in net assets	<u>(210,957)</u>	<u>(382,218)</u>
Total net assets - beginning	<u>17,239,163</u>	<u>20,865,051</u>
Total net assets - ending	<u>\$ 17,028,206</u>	<u>\$ 20,482,833</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, 2008

	Water Utility	Wastewater Utility
Cash flows from operating activities:		
Receipts from customers and users	\$ 2,238,376	\$ 4,153,903
Payments to suppliers and contractors	(611,665)	(1,443,981)
Payments to employees	(1,609,524)	(962,792)
Other receipts	593,903	149,818
	<u>611,090</u>	<u>1,896,948</u>
Net cash provided by operating activities		
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(233,412)	(1,074,284)
Principal paid on capital debt	(183,804)	(1,481,942)
Interest paid on capital debt	(123,953)	(902,118)
Capital contributions	6,942	-
Proceeds (losses) from sales of capital assets	(11,537)	252,138
	<u>(545,764)</u>	<u>(3,206,206)</u>
Net cash used by capital and related financing activities		
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	7,399,000	13,142,000
Purchase of investments	(7,420,000)	(12,441,000)
Interest received	72,819	168,591
	<u>51,819</u>	<u>869,591</u>
Net cash provided by investing activities		
Net increase (decrease) in cash and cash equivalents	117,145	(439,667)
Cash and cash equivalents, January 1	<u>1,977,632</u>	<u>2,822,913</u>
Cash and cash equivalents, December 31	<u>\$ 2,094,777</u>	<u>\$ 2,383,246</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (249,110)	\$ 152,099
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	756,116	1,368,053
Nonoperating income	54,834	194,231
Gain on sale of fixed assets	27,005	14,106
(Increase) decrease in assets:		
Accounts receivable	17,105	111,851
Interest receivable	3,642	22,878
Inventories	(20,112)	(2,696)
Prepaid items	8,666	(767)
Increase (decrease) in liabilities:		
Accounts payable	10,795	(5,790)
Payroll withholdings payable	(11)	1,803
Customer advances for construction	(3,380)	41,180
Taxes payable	1,287	-
Customer deposits	4,253	-
	<u>860,200</u>	<u>1,744,849</u>
Total adjustments		
Net cash provided by operating activities	<u>\$ 611,090</u>	<u>\$ 1,896,948</u>

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 a substantial portion of 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 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 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.

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, 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 fund 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 and improvements	\$ 400	Straight-line	20-50 years
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.
- 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. Employees may accumulate 2 years of earned vacation leave. Accumulated vacation leave is paid to employees through cash payments upon retirement or termination of employment.

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

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

Deposits, made in accordance with IC 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, 2008, was as follows:

	<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	\$ 259,093	\$ -	\$ -	\$ 259,093
Capital assets, being depreciated:				
Buildings	5,770,170	44,147	240,184	5,574,133
Improvements other than buildings	19,165,063	139,477	711,640	18,592,900
Machinery and equipment	1,210,359	956,267	62,992	2,103,634
Transportation equipment	<u>209,541</u>	<u>30,972</u>	<u>29,200</u>	<u>211,313</u>
Totals	<u>26,355,133</u>	<u>1,170,863</u>	<u>1,044,016</u>	<u>26,481,980</u>
Less accumulated depreciation for:				
Buildings	(1,492,506)	(155,949)	(1,057,692)	(590,763)
Improvements other than buildings	(5,559,055)	(1,222,426)	(33,449)	(6,748,032)
Machinery and equipment	(692,335)	(357,437)	(62,310)	(987,462)
Transportation equipment	<u>(101,910)</u>	<u>(77,996)</u>	<u>(22,343)</u>	<u>(157,563)</u>
Totals	<u>(7,845,806)</u>	<u>(1,813,808)</u>	<u>(1,175,794)</u>	<u>(8,483,820)</u>
Total capital assets, being depreciated, net	<u>18,509,327</u>	<u>(642,945)</u>	<u>(131,778)</u>	<u>17,998,160</u>
Total Water Utility capital assets, net	<u>\$ 18,768,420</u>	<u>\$ (642,945)</u>	<u>\$ (131,778)</u>	<u>\$ 18,257,253</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	\$ 104,862	\$ 16,962	\$ 1,270	\$ 120,554
Construction in progress	-	130,069	-	130,069
Total capital assets, not being depreciated	<u>104,862</u>	<u>147,031</u>	<u>1,270</u>	<u>250,623</u>
Capital assets, being depreciated:				
Buildings	27,203,544	570,999	6,163,850	21,610,693
Improvements other than buildings	16,974,367	6,341,913	1,752,193	21,564,087
Machinery and equipment	5,091,933	1,482,634	166,374	6,408,193
Transportation equipment	347,594	447,750	189,775	605,569
Totals	<u>49,617,438</u>	<u>8,843,296</u>	<u>8,272,192</u>	<u>50,188,542</u>
Less accumulated depreciation for:				
Buildings	(3,351,724)	(1,867,057)	(2,908,380)	(2,310,401)
Improvements other than buildings	(4,035,571)	(2,036,872)	(135,581)	(5,936,862)
Machinery and equipment	(659,699)	(474,633)	(84,656)	(1,049,676)
Transportation equipment	(213,692)	(61,648)	(48,821)	(226,519)
Totals	<u>(8,260,686)</u>	<u>(4,440,210)</u>	<u>(3,177,438)</u>	<u>(9,523,458)</u>
Total capital assets, being depreciated, net	<u>41,356,752</u>	<u>4,403,086</u>	<u>5,094,754</u>	<u>40,665,084</u>
Total Wastewater Utility capital assets, net	<u>\$ 41,461,614</u>	<u>\$ 4,550,117</u>	<u>\$ 5,096,024</u>	<u>\$ 40,915,707</u>
Total business-type activities capital assets, net	<u>\$ 60,230,034</u>	<u>\$ 3,907,172</u>	<u>\$ 4,964,246</u>	<u>\$ 59,172,960</u>

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

Water	\$ 756,116
Wastewater	<u>1,368,053</u>
Total depreciation expense	<u>\$ 2,124,169</u>

C. Construction Commitments

Construction work in progress is composed of the following:

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

Project	Total Project Authorized	Expended December 31, 2008	Committed	Required Future Funding
McKinley Ditch stormwater	\$ 262,450	\$ 77,207	\$ -	\$ 185,243
Old Terre Haute Road sewer	77,000	52,862	-	24,138
Totals	<u>\$ 339,450</u>	<u>\$ 130,069</u>	<u>\$ -</u>	<u>\$ 209,381</u>

D. 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 Sewage works revenue refunding bonds	4.2% to 4.4%	<u>\$ 1,820,000</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Wastewater Utility	
	Principal	Interest
2009	\$ 145,000	\$ 39,699
2010	305,000	70,010
2011	320,000	56,640
2012	335,000	42,570
2013	350,000	27,610
2014-2018	<u>365,000</u>	<u>12,100</u>
Totals	<u>\$ 1,820,000</u>	<u>\$ 248,629</u>

2. Loans Payable

The Utilities have entered into various loans. Annual debt service requirements to maturity for the loans, including interest of \$998,121 and \$5,764,843, are as follows:

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

	Water Utility		Wastewater Utility
2009	\$ 307,757	\$	1,007,360
2010	307,757		2,009,107
2011	307,757		2,007,478
2012	307,757		2,006,548
2013	307,757		2,006,508
2014-2018	1,538,744		11,543,488
2019-2023	1,538,505		8,344,413
Totals	\$ 4,616,034	\$	28,924,902

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, 2008, were considered defeased:

Amount  
  
\$ 1,930,000

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable:					
Wastewater Utility	\$ 2,110,000	\$ -	\$ 290,000	\$ 1,820,000	\$ 145,000
Less deferred amount on refunding	(69,193)	-	(18,271)	(50,922)	-
Less unamortized discount	(3,541)	-	(935)	(2,606)	-
Total revenue bonds payable	2,037,266	-	270,794	1,766,472	145,000
Loans payable:					
Water Utility	3,801,717	-	183,804	3,617,913	189,920
Wastewater Utility	24,371,207	-	1,211,148	23,160,059	625,219
Total loans payable	28,172,924	-	1,394,952	26,777,972	815,139
Total long-term liabilities	\$ 30,210,190	\$ -	\$ 1,665,746	\$ 28,544,444	\$ 960,139

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

E. Restricted Assets

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

	Water Utility	Wastewater Utility
Depreciation	\$ 1,163,651	\$ 3,473,326
Bond and interest	52,648	237,811
Debt reserve	325,000	-
Customer deposits	189,862	-
 Total restricted assets	 \$ 1,731,161	 \$ 3,711,137

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.

Job Related Injuries

During 1994, the Utilities joined together with other governmental entities to form 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 Utilities pay 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 8,402 customers.

2. Wastewater Utility

The current rate structure was approved by the Utility on March 25, 2002. The Utility has 7,065 customers.

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

C. Pension Plan

Agent Multiple-Employer Defined Benefit 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 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.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 115,420
Interest on net pension obligation	(4,446)
Adjustment to annual required contribution	5,067
Annual pension cost	116,041
Contributions made	115,444
Increase in net pension obligation	597
Net pension obligation, beginning of year	(61,324)
Net pension obligation, end of year	\$ (60,727)

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

	<u>PERF</u>
Contribution rates:	
Utilities	8%
Plan members	3%
Actuarial valuation date	07-01-08
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

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-06	\$ 50,326	181%	\$ (24,784)
	06-30-07	78,768	146%	(61,324)
	06-30-08	116,041	99%	(60,727)

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

Public Employees' Retirement Fund Plan - City of Vincennes Utilities

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 1,201,505	\$ 1,659,380	\$ (457,875)	72%	\$ 853,947	(54%)
07-01-07	1,428,906	1,921,591	(492,685)	74%	1,370,267	(36%)
07-01-08	1,662,816	2,116,871	(454,055)	79%	1,490,527	(30%)

WATER AND WASTEWATER UTILITIES  
CITY OF VINCENNES  
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS (Applies to Water Utility)

Depository reconciliations of the fund balances to the bank account balances were incorrect at December 31, 2008. There was \$478.94 more in the bank account than what was reported in the ledger, which results in a cash long.

IC 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CUSTOMER DEPOSIT REGISTER (Applies to Water Utility)

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger. The general ledger has \$1,643.85 more in the account than what was posted to the detailed customer deposit register at December 31, 2008.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (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 July 22, 2009, with Kirk Bouchie, Superintendent of Utilities; Rebecca J. Willis, Accounting Supervisor; Gary Hall, Vice President of the Utility Service Board; Alan Baldwin, Mayor; Beverly S. Marsh, Clerk-Treasurer; Don Kirk, City Council member; and Shirley S. Rose, President of Common Council. The officials concurred with our examination findings.