

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

EXAMINATION REPORT
OF

WATER, WASTEWATER, ELECTRIC,
AND TRASH UTILITIES
CITY OF CANNELTON
PERRY COUNTY, INDIANA

January 1, 2008 to December 31, 2008



FILED
12/30/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Arvina Bozarth	01-01-08 to 12-31-11
Mayor	Morris "Smokey" Graves	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Morris "Smokey" Graves	01-01-08 to 12-31-09
President of the Common Council	Adam Goffinet	01-01-08 to 12-31-09
General Manager of the Electric and Water Utilities	Phillip A. Ball	01-01-08 to 12-31-09
Superintendent of the Wastewater Utility	Jerry A. Ball	01-01-08 to 12-31-09
President of the Utility Service Board	James Peters	01-01-08 to 12-31-09



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

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

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statements of the business-type activities of the Water, Wastewater, Electric, and Trash Utilities (Utilities), departments of the City of Cannelton, 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, Wastewater, Electric, and Trash Utilities, City of Cannelton, 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 Cannelton 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, Wastewater, Electric, and Trash 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.

The Water, Wastewater, Electric, and Trash Utilities have not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

November 5, 2009

WATER, WASTEWATER, ELECTRIC, AND TRASH UTILITIES
CITY OF CANNELTON
STATEMENT OF NET ASSETS
December 31, 2008

<u>Assets</u>	<u>Water</u>	<u>Wastewater</u>	<u>Electric</u>	<u>Trash</u>
Current assets:				
Cash	\$ 77,513	\$ 116,732	\$ 342,850	\$ 104,167
Accounts receivable	24,345	20,362	139,092	12,890
Interfund receivables:				
Interfund loans	-	-	15,000	-
Interfund services provided and used	76,923	-	89,659	-
Inventories	28,856	-	51,319	-
Prepaid items	2,779	260	4,355	694
	<u>210,416</u>	<u>137,354</u>	<u>642,275</u>	<u>117,751</u>
Total current assets				
Noncurrent assets:				
Restricted cash:				
Depreciation cash	-	31,500	82,057	-
Bond and interest cash	5,379	17,940	-	-
Debt reserve cash	70,254	25,000	-	-
Customer deposits	7,487	-	34,457	-
	<u>83,120</u>	<u>74,440</u>	<u>116,514</u>	<u>-</u>
Total restricted assets:				
Deferred charges	3,291	11,860	-	-
	<u>3,291</u>	<u>11,860</u>	<u>-</u>	<u>-</u>
Capital assets:				
Land and improvements to land	6,901	3,050	10,500	-
Other capital assets (net of accumulated depreciation)	1,481,126	947,920	924,764	13,367
	<u>1,488,027</u>	<u>950,970</u>	<u>935,264</u>	<u>13,367</u>
Total capital assets				
Total noncurrent assets				
	<u>1,574,438</u>	<u>1,037,270</u>	<u>1,051,778</u>	<u>13,367</u>
Total assets	<u>1,784,854</u>	<u>1,174,624</u>	<u>1,694,053</u>	<u>131,118</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	1,138	2,288	1,196	-
Interfund payables:				
Interfund services provided and used	-	94,971	1,196	70,415
Payroll withholding payable	869	-	1,069	-
Taxes payable	2,211	-	9,447	-
Current liabilities payable from restricted assets:				
Customer deposits	7,487	-	34,457	-
Revenue bonds payable	-	15,000	-	-
Accrued interest payable	-	3,370	-	-
	<u>11,705</u>	<u>115,629</u>	<u>47,365</u>	<u>70,415</u>
Total current liabilities				
Noncurrent liabilities:				
Revenue bonds payable	95,000	155,000	-	-
State revolving loans	309,315	-	-	-
	<u>404,315</u>	<u>155,000</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities				
Total liabilities	<u>416,020</u>	<u>270,629</u>	<u>47,365</u>	<u>70,415</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	1,083,712	780,970	934,539	13,367
Restricted for debt service	75,633	42,940	-	-
Unrestricted	209,489	80,085	712,149	47,336
	<u>1,368,834</u>	<u>903,995</u>	<u>1,646,688</u>	<u>60,703</u>
Total net assets	<u>\$ 1,368,834</u>	<u>\$ 903,995</u>	<u>\$ 1,646,688</u>	<u>\$ 60,703</u>

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

WATER, WASTEWATER, ELECTRIC, AND TRASH UTILITIES
CITY OF CANNELTON
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2008

	<u>Water</u>	<u>Wastewater</u>	<u>Electric</u>	<u>Trash</u>
Operating revenues:				
Metered water revenue:				
Residential	\$ 164,403	\$ -	\$ -	\$ -
Commercial	62,050	-	-	-
Residential sales	-	-	626,491	-
Commercial and industrial sales	-	-	650,596	-
Public street and highway lighting	-	-	24,764	-
Fire protection revenue	40,648	-	-	-
Penalties	1,897	4,598	6,690	2,588
Other water revenue	435	-	-	-
Flat rate revenues	-	-	-	122,424
Measured revenue:				
Residential and commercial	-	224,991	-	-
Other	-	192	54,375	-
	<u>269,433</u>	<u>229,781</u>	<u>1,362,916</u>	<u>125,012</u>
Total operating revenues				
Operating expenses:				
Salaries and wages	68,105	69,227	194,323	35,114
Employee pensions and benefits	11,516	3,106	27,195	2,369
Purchased power	-	-	1,094,429	-
Purchased wastewater treatment	-	61,192	-	-
Disposal fees	-	-	-	25,282
Chemicals	-	1,099	-	506
Materials and supplies	12,167	2,941	77,611	1,591
Contractual services	27,688	6,215	24,205	2,622
Transportation expenses	4,598	3,854	8,179	3,183
Insurance expense	41,040	12,185	83,646	5,761
Taxes	3,426	-	18,330	1,669
Bad debt expense	658	469	6,573	170
Depreciation and amortization	100,088	65,311	82,605	8,389
Miscellaneous expenses	12,082	10,181	5,107	704
	<u>281,368</u>	<u>235,780</u>	<u>1,622,203</u>	<u>87,360</u>
Total operating expenses				
Operating income (loss)	<u>(11,935)</u>	<u>(5,999)</u>	<u>(259,287)</u>	<u>37,652</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	2,577	2,337	8,393	1,099
Interest expense	(16,894)	(10,161)	-	-
Miscellaneous expense	(822)	(1,318)	-	-
	<u>(15,139)</u>	<u>(9,142)</u>	<u>8,393</u>	<u>1,099</u>
Total nonoperating revenues (expenses)				
Change in net assets	(27,074)	(15,141)	(250,894)	38,751
Total net assets - beginning	<u>1,395,908</u>	<u>919,136</u>	<u>1,897,582</u>	<u>21,952</u>
Total net assets - ending	<u>\$ 1,368,834</u>	<u>\$ 903,995</u>	<u>\$ 1,646,688</u>	<u>\$ 60,703</u>

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

WATER, WASTEWATER, ELECTRIC, AND TRASH UTILITIES
CITY OF CANNELTON
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Year Ended December 31, 2008

	<u>Water</u>	<u>Wastewater</u>	<u>Electric</u>	<u>Trash</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 269,536	\$ 230,545	\$ 1,330,265	\$ 123,798
Payments to suppliers and contractors	(100,396)	(95,108)	(1,310,776)	(43,930)
Payments to employees	(79,621)	(72,333)	(221,518)	(37,483)
Interfund services provided (used)	(9,217)	10,544	(9,769)	8,442
	<u>80,302</u>	<u>73,648</u>	<u>(211,798)</u>	<u>50,827</u>
Net cash provided (used) by operating activities				
Cash flows from noncapital financing activities:				
Interfund loans	-	-	10,500	-
Cash flows from capital and related financing activities:				
Principal paid on capital debt	(50,000)	(15,000)	-	-
Interest paid on capital debt	(16,894)	(10,377)	-	-
	<u>(66,894)</u>	<u>(25,377)</u>	<u>-</u>	<u>-</u>
Net cash used by capital and related financing activities				
Cash flows from investing activities:				
Interest received	2,577	2,337	8,393	1,099
Net increase (decrease) in cash and cash equivalents	15,985	50,608	(192,905)	51,926
Cash and cash equivalents, January 1	144,648	140,564	652,269	52,241
Cash and cash equivalents, December 31	<u>\$ 160,633</u>	<u>\$ 191,172</u>	<u>\$ 459,364</u>	<u>\$ 104,167</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (11,935)	\$ (5,999)	\$ (259,287)	\$ 37,652
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	100,088	65,311	82,605	8,389
(Increase) decrease in assets:				
Accounts receivable	761	1,233	(26,078)	(1,044)
Interfund services provided or used	(9,217)	-	(9,927)	-
Inventories	2,074	-	4,334	-
Prepaid items	(2,296)	271	(3,707)	(642)
Increase (decrease) in liabilities:				
Accounts payable	1,138	2,288	889	(1,970)
Interfund payables	-	10,544	158	8,442
Payroll withholding payable	51	-	99	-
Taxes payable	233	-	3,729	-
Customer deposits	(595)	-	(4,613)	-
	<u>92,237</u>	<u>79,647</u>	<u>47,489</u>	<u>13,175</u>
Total adjustments				
Net cash provided (used) by operating activities	<u>\$ 80,302</u>	<u>\$ 73,648</u>	<u>\$ (211,798)</u>	<u>\$ 50,827</u>

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

WATER, WASTEWATER, ELECTRIC, AND TRASH UTILITY
CITY OF CANNELTON
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 Cannelton (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.

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

2. Inventories and Prepaid Items

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

WATER, WASTEWATER, ELECTRIC, AND TRASH UTILITY
CITY OF CANNELTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

3. Restricted Assets

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

4. Capital Assets

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

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 2,000	Composite	50 years
Improvements other than buildings	2,000	Composite	25 years
Machinery and equipment	2,000	Composite	10 years
Transportation equipment	2,000	Composite	10 years

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

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

Union employees of the Water Utility and Electric Utility earn sick leave at the rate of ½ day per month. Union employees may accumulate sick leave to a maximum of 36 days. Nonunion employees of the Water Utility and Electric Utility earn sick leave at the rate of 1 day per month. Nonunion employees may accumulate sick leave to a maximum of 60 days. Union employees may be reimbursed yearly at their normal rate of pay for all unused days in excess of 30 days. Nonunion employees may be reimbursed yearly at their normal rate of pay for 50% of all unused days in excess of 60 days. Accumulated sick leave is not paid to union or nonunion employees upon termination or retirement.

WATER, WASTEWATER, ELECTRIC, AND TRASH UTILITY
CITY OF CANNELTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Wastewater and Trash Utilities

Wastewater Utility and Trash Utility employees earn sick leave at rates from 1 day to 5 days per year based upon the number of years of service. Unused sick leave may be accumulated to a maximum of 45 days. Accumulated sick leave is not paid to employees upon termination or retirement.

b. Vacation Leave

Water and Electric Utilities

All Water Utility and Electric Utility employees, union and nonunion, earn vacation leave at rates from 5 days to 25 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year. Union employees of the Water and Electric Utilities are paid for any year end unused vacation leave up to 10 days. This payment is included in the first pay period of the subsequent year.

Wastewater and Trash Utilities

Wastewater Utility and Trash 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.

No liability is reported for vacation and 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

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

B. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

WATER, WASTEWATER, ELECTRIC, AND TRASH UTILITY
CITY OF CANNELTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Water Utility</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 6,901	\$ -	\$ -	\$ 6,901
Capital assets, being depreciated:				
Buildings	40,204	-	-	40,204
Improvements other than buildings	2,359,530	-	-	2,359,530
Machinery and equipment	107,700	-	-	107,700
Totals	<u>2,507,434</u>	<u>-</u>	<u>-</u>	<u>2,507,434</u>
Less accumulated depreciation for:				
Buildings	20,088	804	-	20,892
Improvements other than buildings	809,898	92,806	-	902,704
Machinery and equipment	96,234	6,478	-	102,712
Totals	<u>926,220</u>	<u>100,088</u>	<u>-</u>	<u>1,026,308</u>
Total capital assets, being depreciated, net	<u>1,581,214</u>	<u>(100,088)</u>	<u>-</u>	<u>1,481,126</u>
Total capital assets, net	<u>\$ 1,588,115</u>	<u>\$ (100,088)</u>	<u>\$ -</u>	<u>\$ 1,488,027</u>
 <u>Wastewater Utility</u>				
Capital assets, not being depreciated:				
Land	\$ 3,050	\$ -	\$ -	\$ 3,050
Capital assets, being depreciated:				
Buildings	595,675	-	-	595,675
Improvements other than buildings	956,871	-	-	956,871
Machinery and equipment	126,881	-	-	126,881
Transportation equipment	24,352	-	-	24,352
Totals	<u>1,703,779</u>	<u>-</u>	<u>-</u>	<u>1,703,779</u>
Less accumulated depreciation for:				
Buildings	304,341	11,913	-	316,254
Improvements other than buildings	270,915	38,275	-	309,190
Machinery and equipment	107,987	12,688	-	120,675
Transportation equipment	7,305	2,435	-	9,740
Totals	<u>690,548</u>	<u>65,311</u>	<u>-</u>	<u>755,859</u>
Total capital assets, being depreciated, net	<u>1,013,231</u>	<u>(65,311)</u>	<u>-</u>	<u>947,920</u>
Total capital assets, net	<u>\$ 1,016,281</u>	<u>\$ (65,311)</u>	<u>\$ -</u>	<u>\$ 950,970</u>

WATER, WASTEWATER, ELECTRIC, AND TRASH UTILITY
CITY OF CANNELTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Electric Utility</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 10,500	\$ -	\$ -	\$ 10,500
Capital assets, being depreciated:				
Buildings	198,668	-	-	198,668
Improvements other than buildings	1,990,836	-	-	1,990,836
Machinery and equipment	104,010	-	-	104,010
Transportation equipment	210,427	-	-	210,427
Totals	<u>2,503,941</u>	<u>-</u>	<u>-</u>	<u>2,503,941</u>
Less accumulated depreciation for:				
Buildings	80,275	3,973	-	84,248
Improvements other than buildings	1,101,860	78,632	-	1,180,492
Machinery and equipment	104,010	-	-	104,010
Transportation equipment	210,427	-	-	210,427
Totals	<u>1,496,572</u>	<u>82,605</u>	<u>-</u>	<u>1,579,177</u>
Total capital assets, being depreciated, net	<u>1,007,369</u>	<u>(82,605)</u>	<u>-</u>	<u>924,764</u>
Total capital assets, net	<u>\$ 1,017,869</u>	<u>\$ (82,605)</u>	<u>\$ -</u>	<u>\$ 935,264</u>
 <u>Trash Utility</u>				
Capital assets, being depreciated:				
Machinery and equipment	\$ 83,896	\$ -	\$ -	\$ 83,896
Less accumulated depreciation for:				
Machinery and equipment	62,140	8,389	-	70,529
Total capital assets, being depreciated, net	<u>21,756</u>	<u>(8,389)</u>	<u>-</u>	<u>13,367</u>
Total capital assets, net	<u>\$ 21,756</u>	<u>\$ (8,389)</u>	<u>\$ -</u>	<u>\$ 13,367</u>

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

Water	\$ 100,088
Wastewater	65,311
Electric	82,605
Trash	<u>8,389</u>
Total depreciation expense	<u>\$ 256,393</u>

WATER, WASTEWATER, ELECTRIC, AND TRASH UTILITY
CITY OF CANNELTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Interfund Balances and Activity

Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2008, is as follows:

Due To	Due From				Totals
	General Fund	Wastewater Utility	Electric Utility	Trash Utility	
Water Utility	\$ -	\$ 44,759	\$ 1,196	\$ 30,968	\$ 76,923
Electric Utility	15,000	50,212	-	39,447	104,659
Totals	<u>\$ 15,000</u>	<u>\$ 94,971</u>	<u>\$ 1,196</u>	<u>\$ 70,415</u>	<u>\$ 181,582</u>

Interfund balances resulted from the time lag between the dates that (1) interfund loans are repaid, (2) interfund goods and services are provided or reimbursable expenditures occur, (3) transactions are recorded in the accounting system and (4) payments between funds are made.

D. Long-Term Liabilities

1. Revenue Bonds

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

Purpose	Interest Rates	Amount
1996 Waterworks improvement bonds	6%	\$ 95,000
2002 Wastewater refunding revenue bonds	4.3 to 7.0%	<u>170,000</u>
Total		<u>\$ 265,000</u>

WATER, WASTEWATER, ELECTRIC, AND TRASH UTILITY
CITY OF CANNELTON
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
2009	\$ -	\$ 2,791	\$ 15,000	\$ 9,710
2010	30,000	4,700	16,000	8,973
2011	30,000	2,937	17,000	8,139
2012	35,000	1,028	17,000	7,230
2013	-	-	18,000	6,240
2014-2018	-	-	87,000	12,191
Totals	<u>\$ 95,000</u>	<u>\$ 11,456</u>	<u>\$ 170,000</u>	<u>\$ 52,483</u>

2. State Revolving Loan Payable

The Water Utility has entered into a state revolving loan. Annual debt service requirements to maturity for the loan, including interest of \$60,836, are as follows:

2009	\$ 4,485
2010	28,680
2011	33,028
2012	32,303
2013	31,577
2014-2018	149,970
2019-2023	<u>90,108</u>
Total	<u>\$ 370,151</u>

3. Advance Refunding

In prior years, the Utility defeased certain revenue and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. The following outstanding bonds, at December 31, 2008, were considered defeased:

	<u>Amount</u>
Wastewater Utility – 1989 Issue	<u>\$ 138,000</u>

WATER, WASTEWATER, ELECTRIC, AND TRASH UTILITY
CITY OF CANNELTON
NOTES TO FINANCIAL STATEMENTS
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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:					
Water Utility	\$ 125,000	\$ -	\$ 30,000	\$ 95,000	\$ -
Wastewater Utility	185,000	-	15,000	170,000	15,000
Total revenue bonds payable	310,000	-	45,000	265,000	15,000
State revolving loan payable:					
Water Utility	329,315	-	20,000	309,315	-
Total long-term liabilities	<u>\$ 639,315</u>	<u>\$ -</u>	<u>\$ 65,000</u>	<u>\$ 574,315</u>	<u>\$ 15,000</u>

E. 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>Wastewater Utility</u>	<u>Electric Utility</u>
Depreciation account	\$ -	\$ 31,500	\$ 82,057
Bond and interest account	5,379	17,940	-
Debt service reserve account	70,254	25,000	-
Customer deposits account	7,487	-	34,457
Total restricted assets	<u>\$ 83,120</u>	<u>\$ 74,440</u>	<u>\$ 116,514</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; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

WATER, WASTEWATER, ELECTRIC, AND TRASH UTILITY
CITY OF CANNELTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Rate Structure

1. Water Utility

On January 21, 1994, the Common Council adopted Ordinance No. 93-12 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Utility on March 8, 2004. The Utility has 671 customers.

2. Wastewater Utility

The current rate structure was approved by the Utility on March 25, 2002. The Utility has 595 customers.

3. Electric Utility

On December 8, 1997, the Common Council adopted Ordinance No. 97-10 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Utility on August 5, 2008. The Utility has 966 customers.

4. Trash Utility

The current rate structure was approved by the Utility on March 1, 2004. The Utility has 608 customers.

C. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Electric and Water Utilities Union Employees Pension

Plan Description

The Electric and Water Utilities have 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

WATER, WASTEWATER, ELECTRIC, AND TRASH UTILITY
CITY OF CANNELTON
NOTES TO FINANCIAL STATEMENTS
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Funding Policy and Annual Pension Cost

Plan members contributions are required by written plan agreement. Employer's contributions are \$1.83 per hour of annual covered payroll. Employer and employee contributions to the plan for the year ended December 31, 2008, were \$10,770 and \$4,655, respectively.

No actuarial information was available for the Electric and Water Utilities' Union Employees Pension Plan.

2. Defined Contribution Pension Plans

a. Electric and Water Utilities Nonunion Employees Pension

Plan Description

The Electric and Water Utilities' nonunion employees have a defined contribution pension plan administered by Capital Bank and Trust as authorized by Indiana Code 8-1.5-3-7. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by written agreement between the Utilities and the Plan Administrator. The assets of the plan consist of individual mutual fund investments as reported by the trustee and are valued at market. Contributions were made in accordance with defined contribution requirements. Employees are entitled to receive benefits after 10 years of service and the first anniversary date on or after each participant's 65th birthday. Benefits are based solely upon contributions plus net earnings; therefore, there is no unfunded past service cost. Employees who leave employment before qualifying for benefits receive the accumulated contributions plus the invested earnings for each contract. Additional information may be obtained by contacting:

Capital Bank and Trust
P.O. Box 6164
Indianapolis, IN 46206
Ph. (800)-421-0180

Funding Policy and Annual Pension Cost

The contribution requirements of plan members are established by the written agreement between the Utilities and the Plan Administrator. Plan members are required to contribute 3% of the annual covered salary. The Utilities are required to contribute at an actuarially determined rate. The current rate is 7% of annual covered payroll. Employer and employee contributions to the plan for the year ended December 31, 2008, were \$5,035, and \$2,145, respectively.

No actuarial information was available for the Electric and Water Utilities' Nonunion Employees Pension Plan.

WATER, WASTEWATER, ELECTRIC, AND TRASH UTILITY
CITY OF CANNELTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

b. Wastewater and Trash Utilities Employees Pension

Plan Description

Wastewater and Trash Utilities employees have a defined contribution pension plan administered by Capital Select Investments Corporation as authorized by Indiana Code 8-1.5-3-7. This SIMPLE IRA plan provides retirement benefits to plan members and beneficiaries. The plan was established by written agreement between the Wastewater and Trash Utilities and the Plan Administrator in July 1997. All assets of the plan are held by and invested by Oppenheimer Pension Fund. The assets of the plan consist of individual mutual fund investments as reported by the trustee. All full-time employees are eligible to participate after one year of continuous employment. Benefits are based solely upon contributions plus net earnings. Additional information may be obtained by contacting:

Oppenheimer Funds ATTN Retirement Plan
P.O. Box 5390
Denver, CO 80217-5390
Ph. (800)-835-7305

Funding Policy and Annual Pension Cost

The contribution requirements of plan members are established by the written agreement between the Wastewater and Trash Utilities and the Plan Administrator. Each individual employee is given the choice of a salary deduction to be withheld each pay period and contributed to the plan. The employer has elected to contribute up to 3% of each employee's compensation for each year. Each employee may choose the Oppenheimer Funds in which they want their contributions to be invested. Employer and employee contributions to the plan for the year ended December 31, 2008, were \$1,742, and \$1,730, respectively.

No actuarial information was available for the Wastewater and Trash Utilities' Employees Pension Plan.

WATER, WASTEWATER, ELECTRIC, AND TRASH UTILITY
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EXIT CONFERENCE

The contents of this report were discussed on November 5, 2009, with Morris "Smokey" Graves, Mayor; Arvina Bozarth, Clerk-Treasurer; and Phillip A. Ball, General Manager of the Electric and Water Utilities. Our examination disclosed no material items that warrant comment at this time.