

B37364

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

EXAMINATION REPORT
OF

WATER, WASTEWATER, AND ELECTRIC UTILITIES
CITY OF TELL CITY
PERRY COUNTY, INDIANA

January 1, 2009 to December 31, 2009



FILED
08/16/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jenny S. Richter	01-01-08 to 12-31-11
Mayor	Barbara L. Ewing	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Barbara L. Ewing	01-01-08 to 12-31-11
President of the Common Council	Gerald W. Yackle	01-01-09 to 12-31-10
Superintendent of the Water Utility	R. Dale Poole	01-01-09 to 12-31-10
Superintendent of the Wastewater Utility	Bruce W. Badger	01-01-09 to 12-31-10
Superintendent of the Electric Utility	Marlow J. Smethurst	01-01-09 to 12-31-10
Electric Utility Office Manager	Marcia F. Parker	01-01-09 to 12-31-10
Water Utility Bookkeeper	Bonnie S. Stiff	01-01-09 to 12-31-10
Wastewater Utility Bookkeeper	Shelly R. Linne	01-01-09 to 12-31-10
President of the Water Utility Service Board	Gerald W. Yackle	01-01-09 to 12-31-10
President of the Electric Utility Service Board	J.B. Land	01-01-09 to 12-31-10



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined 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, 2009. 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, 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, 2009, 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, 2009, and the respective changes in financial positions 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, and Electric 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

July 7, 2010

WATER, WASTEWATER, AND ELECTRIC UTILITIES
CITY OF TELL CITY
STATEMENT OF NET ASSETS
December 31, 2009

<u>Assets</u>	<u>Water</u>	<u>Wastewater</u>	<u>Electric</u>
Current assets:			
Cash	\$ 219,289	\$ 158,053	\$ 2,423,126
Accounts receivable (net of allowance)	142,929	118,293	342,087
Other receivables	-	-	27,530
Interfund receivables:			
Interfund loans	400,000	-	-
Loans receivable	-	-	125,000
Inventories	67,855	-	410,067
Prepaid items	26,344	25,447	98,251
Total current assets	856,417	301,793	3,426,061
Noncurrent assets:			
Restricted cash:			
Depreciation cash	291,979	86,248	-
Bond and interest cash	31,221	157,072	-
Construction cash	3,257	31,567	-
Debt service reserve cash	526,608	288,138	-
Reserve cash	-	-	1,832,164
Storm water cash	-	119,324	-
Customer deposits	-	-	229,570
Total restricted assets	853,065	682,349	2,061,734
Deferred charges	65,817	48,079	-
Capital assets:			
Land, improvements to land and construction in progress	11,724	517,216	821,130
Other capital assets (net of accumulated depreciation)	6,380,651	9,247,960	11,636,782
Total capital assets	6,392,375	9,765,176	12,457,912
Total noncurrent assets	7,311,257	10,495,604	14,519,646
Total assets	8,167,674	10,797,397	17,945,707
Liabilities			
Current liabilities:			
Accounts payable	54,415	23,838	1,040,218
Interfund payables:			
Interfund loans	-	400,000	-
Payroll withholdings payable	-	-	1,253
Taxes payable	9,070	-	81,143
Accrued wages payable	7,113	3,674	77,636
Compensated absences	2,963	1,674	-
Current liabilities payable from restricted assets:			
Customer deposits	-	-	229,570
Revenue bonds payable	-	175,000	-
Accrued interest payable	-	33,654	-
Total current liabilities	73,561	637,840	1,429,820
Noncurrent liabilities:			
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	2,982,394	899,719	-
State revolving loans payable	890,000	1,278,433	-
Compensated absences	26,663	15,068	-
Deferred credits	-	-	46,715
Total noncurrent liabilities	3,899,057	2,193,220	46,715
Total liabilities	3,972,618	2,831,060	1,476,535
Net Assets			
Invested in capital assets, net of related debt	2,401,530	7,336,743	12,457,912
Restricted for debt service	557,829	445,210	-
Unrestricted	1,235,697	184,384	4,011,260
Total net assets	\$ 4,195,056	\$ 7,966,337	\$ 16,469,172

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 OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2009

	<u>Water</u>	<u>Wastewater</u>	<u>Electric</u>
Operating revenues:			
Metered water revenue:			
Residential and commercial	\$ 1,157,703	\$ -	\$ -
Municipal	19,509	-	-
Industrial	126,490	-	-
Residential sales	-	-	3,130,509
Commercial and industrial sales	-	-	8,811,887
Public street and highway lighting	-	-	90,346
Fuel cost adjustment revenue	-	-	2,369,687
Penalties	6,639	11,568	36,731
Other water revenue	85,204	-	-
Flat rate revenues (Storm water)	-	87,087	-
Measured revenue:			
Residential and commercial	-	1,265,118	-
Other	-	20,723	243,376
	<u>1,395,545</u>	<u>1,384,496</u>	<u>14,682,536</u>
Total operating revenues			
Operating expenses:			
Transmission and distribution	-	-	492,951
Customer accounts	-	-	151,063
Administration and general	-	-	459,996
Salaries and wages	445,826	282,416	242,117
Employee pensions and benefits	150,027	108,358	530,949
Purchased power	155,150	148,190	10,898,557
Sludge removal	-	21,167	-
Chemicals	13,421	58,943	-
Materials and supplies	151,733	24,502	-
Contractual services	170,266	-	-
Repairs	-	96,464	-
Transportation expenses	35,614	15,062	-
Insurance expense	66,210	77,191	123,342
Regulatory Commission Expense	-	-	32,288
Payment in lieu of taxes	50,464	58,359	83,004
Bad debt expense	1,697	2,611	30,190
Depreciation and amortization	222,533	257,165	624,648
Miscellaneous expenses	52,666	173,541	62,034
	<u>1,515,607</u>	<u>1,323,969</u>	<u>13,731,139</u>
Total operating expenses			
Operating income (loss)	<u>(120,062)</u>	<u>60,527</u>	<u>951,397</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	13,716	6,657	36,558
Rental Income	-	-	38,776
Fiber optic lease income	-	-	3,220
Telecommunications revenue	-	-	14,840
Telecommunications expense	-	-	(37,470)
Building suite expense	-	-	(14,272)
Interest expense	(109,227)	(99,469)	(1,550)
Amortization expense	(30,554)	(18,030)	-
	<u>(126,065)</u>	<u>(110,842)</u>	<u>40,102</u>
Total nonoperating revenues (expenses)			
Income (loss) before contributions and transfers	(246,127)	(50,315)	991,499
Capital contributions	<u>232,218</u>	<u>47,207</u>	<u>-</u>
Change in net assets	(13,909)	(3,108)	991,499
Total net assets - beginning	<u>4,208,965</u>	<u>7,969,445</u>	<u>15,477,673</u>
Total net assets - ending	<u>\$ 4,195,056</u>	<u>\$ 7,966,337</u>	<u>\$ 16,469,172</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, 2009

	<u>Water</u>	<u>Wastewater</u>	<u>Electric</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,384,655	\$ 1,379,737	\$ 14,706,489
Payments to suppliers and contractors	(730,157)	(731,231)	(12,176,245)
Payments to employees	(603,505)	(396,562)	(767,613)
Other receipts (payments)	-	-	(13,114)
	<u>50,993</u>	<u>251,944</u>	<u>1,749,517</u>
Net cash provided by operating activities			
Cash flows from noncapital financing activities:			
Interfund loans	(400,000)	400,000	-
	<u>(400,000)</u>	<u>400,000</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities			
Cash flows from capital and related financing activities:			
Capital contributions	232,218	47,207	-
Acquisition and construction of capital assets	(27,500)	(506,280)	(954,930)
Principal paid on capital debt	(320,000)	(166,000)	-
Interest paid on capital debt	(202,210)	(109,768)	-
Interest subsidy from Waupaca	92,983	8,593	-
Rental income	-	-	38,776
	<u>(224,509)</u>	<u>(726,248)</u>	<u>(916,154)</u>
Net cash used by capital and related financing activities			
Cash flows from investing activities:			
Interest received	13,716	6,657	36,558
	<u>13,716</u>	<u>6,657</u>	<u>36,558</u>
Net increase in cash and cash equivalents	(559,800)	(67,647)	869,921
Cash and cash equivalents, January 1	1,632,154	908,049	3,614,939
Cash and cash equivalents, December 31	<u>\$ 1,072,354</u>	<u>\$ 840,402</u>	<u>\$ 4,484,860</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ (120,062)	\$ 60,527	\$ 951,397
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	222,533	257,165	624,648
Nonoperating miscellaneous revenue	-	-	18,060
Nonoperating miscellaneous expense	-	-	(53,292)
(Increase) decrease in assets:			
Accounts receivable	(7,773)	(2,148)	55,938
Other receivables	-	-	22,118
Allowance for uncollectible accounts	(1,420)	-	(1,795)
Inventories	(5,116)	-	(7,384)
Prepaid items	1,877	2,590	(92,761)
Increase (decrease) in liabilities:			
Accounts payable	(34,593)	(4,644)	253,407
Contracts payable	-	(55,758)	-
Accrued wages payable	(9,862)	(5,091)	39,935
Payroll withholding payable	-	-	(5,667)
Taxes payable	3,199	-	7,174
Compensated absences payable	2,210	(697)	(34,482)
Deferred credits	-	-	(30,903)
Customer deposits	-	-	3,124
	<u>171,055</u>	<u>191,417</u>	<u>798,120</u>
Total adjustments			
Net cash provided by operating activities	<u>\$ 50,993</u>	<u>\$ 251,944</u>	<u>\$ 1,749,517</u>

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

WATER, WASTEWATER, AND ELECTRIC UTILITY
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 telecommunication and information services. On September 8, 2005, the Tell City Electric Utility advanced funds in the amount of \$125,000 to Riverside Communications. No repayments of the advanced funds have been received by December 31, 2009. All proceeds or losses realized are to be borne equally by the two parties in the joint venture. As of December 31, 2009, it appears unlikely that Riverside Communications is producing sufficient revenue to repay the advances it received or to repay the full amount due to the two parties. Tell City Electric Utility and Perry-Spencer Communications, Inc., are to share equally in any debts Riverside Communications may incur. Complete financial statements for the 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Utilities have elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

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

When both restricted and unrestricted resources are available for use, the Utilities' policy is to use restricted resources first, then unrestricted resources as they are needed.

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 Utility 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.

2. Inventories and Prepaid Items

All inventories are valued at cost. The Electric Utility uses the last in/first out (LIFO) method, and the Water and Wastewater Utilities use the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

3. Restricted Assets

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

4. Capital Assets

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

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

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Water and Wastewater Utilities:			
Buildings and improvements	\$ 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

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.

5. Compensated Absences

- a. Sick Leave – Water and Wastewater Utility employees earn sick leave at the rate of five days per year. Unused sick leave for Water and Wastewater Utility employees may be accumulated to a maximum of forty-five days. Accumulated sick leave is paid to employees through cash payments upon termination. Electric Utility employees earn sick leave at a rate of seven 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 five days to fifteen 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 five days to twenty-eight 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 three days per year. Personal leave does not accumulate from year to year. Electric Utility employees earn personal leave at the rate of one 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. The Electric Utility pays employees for unused sick leave in January of each year.

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

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

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Utilities do not have a deposit policy for custodial credit risk. At December 31, 2009, the Utilities had deposit balances in the amount of \$6,397,616.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Receivables

The following receivable accounts have timing and credit characteristics different from typical accounts receivable.

Other Receivables - 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.

C. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Water Utility</u>				
Capital assets, not being depreciated:				
Land	\$ 11,724	\$ -	\$ -	\$ 11,724
Total capital assets, not being depreciated	<u>11,724</u>	<u>-</u>	<u>-</u>	<u>11,724</u>
Capital assets, being depreciated:				
Buildings	43,814	-	-	43,814
Improvements other than buildings	8,953,331	-	-	8,953,331
Machinery and equipment	550,637	27,500	-	578,137
Transportation equipment	93,875	-	-	93,875
Totals	<u>9,641,657</u>	<u>27,500</u>	<u>-</u>	<u>9,669,157</u>
Less accumulated depreciation for:				
Buildings	25,465	877	-	26,342
Improvements other than buildings	2,464,458	179,066	-	2,643,524
Machinery and equipment	544,935	33,202	-	578,137
Transportation equipment	31,115	9,388	-	40,503
Totals	<u>3,065,973</u>	<u>222,533</u>	<u>-</u>	<u>3,288,506</u>
Total capital assets, being depreciated, net	<u>6,575,684</u>	<u>(195,033)</u>	<u>-</u>	<u>6,380,651</u>
Total capital assets, net	<u>\$ 6,587,408</u>	<u>\$ (195,033)</u>	<u>\$ -</u>	<u>\$ 6,392,375</u>
<u>Wastewater Utility</u>				
Capital assets, not being depreciated:				
Land	\$ 10,936	\$ -	\$ -	\$ 10,936
Construction in progress	1,793,887	506,280	1,793,887	506,280
Total capital assets, not being depreciated	<u>1,804,823</u>	<u>506,280</u>	<u>1,793,887</u>	<u>517,216</u>
Capital assets, being depreciated:				
Buildings	342,670	-	-	342,670
Improvements other than buildings	11,614,846	1,793,887	-	13,408,733
Machinery and equipment	483,400	-	7,389	476,011
Transportation equipment	180,149	-	-	180,149
Totals	<u>12,621,065</u>	<u>1,793,887</u>	<u>7,389</u>	<u>14,407,563</u>
Less accumulated depreciation for:				
Buildings	209,767	6,854	-	216,621
Improvements other than buildings	4,055,594	232,297	-	4,287,891
Machinery and equipment	483,400	-	7,389	476,011
Transportation equipment	161,066	18,014	-	179,080
Totals	<u>4,909,827</u>	<u>257,165</u>	<u>7,389</u>	<u>5,159,603</u>
Total capital assets, being depreciated, net	<u>7,711,238</u>	<u>1,536,722</u>	<u>-</u>	<u>9,247,960</u>
Total capital assets, net	<u>\$ 9,516,061</u>	<u>\$ 2,043,002</u>	<u>\$ 1,793,887</u>	<u>\$ 9,765,176</u>

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Electric Utility</u>				
Capital assets, not being depreciated:				
Land	\$ 232,226	\$ -	\$ -	\$ 232,226
Construction in progress	391,008	1,091,004	893,108	588,904
	<u>623,234</u>	<u>1,091,004</u>	<u>893,108</u>	<u>821,130</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	350,665	1,581,386	-	1,932,051
Improvements other than buildings	13,974,943	329,424	1,632,583	12,671,784
Machinery and equipment	4,851,675	325,392	-	5,177,067
Transportation equipment	727,066	139,806	727,066	139,806
Fully depreciated assets	-	727,066	-	727,066
	<u>19,904,349</u>	<u>3,103,074</u>	<u>2,359,649</u>	<u>20,647,774</u>
Totals				
Less accumulated depreciation for:				
Buildings	115,210	213,525	-	328,735
Improvements other than buildings	5,321,777	419,714	216,614	5,524,877
Machinery and equipment	2,235,900	194,414	-	2,430,314
Transportation equipment	727,066	-	727,066	-
Fully depreciated assets	-	727,066	-	727,066
	<u>8,399,953</u>	<u>1,554,719</u>	<u>943,680</u>	<u>9,010,992</u>
Totals				
Total capital assets, being depreciated, net	<u>11,504,396</u>	<u>1,548,355</u>	<u>1,415,969</u>	<u>11,636,782</u>
Total capital assets, net	<u>\$ 12,127,630</u>	<u>\$ 2,639,359</u>	<u>\$ 2,309,077</u>	<u>\$ 12,457,912</u>

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

	<u>2009</u>
Water	\$ 222,533
Wastewater	257,165
Electric	<u>624,648</u>
Total depreciation expense	<u>\$ 1,104,346</u>

D. Construction Commitments

Construction work in progress is composed of the following:

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

<u>Project</u>	<u>Total Project Authorized</u>	<u>Expended to December 31,</u>	<u>Committed</u>	<u>Required Future Funding</u>
Wastewater Utility - CSO Long-term Control Plan	\$ 12,913,567	\$ 506,280	\$ 12,407,287	\$ -
Electric Utility - various projects	600,000	588,904	11,096	-
Totals	<u>\$ 13,513,567</u>	<u>\$ 1,095,184</u>	<u>\$ 12,418,383</u>	<u>\$ -</u>

E. Interfund Balances and Activity

Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2009, is as follows:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>2009</u>
Water Utility	Wastewater Utility	<u>\$ 400,000</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.

An interfund loan was made from the Water Utility to the Wastewater Utility in 2009 to assist the Wastewater Utility in timely payment of some preliminary bills related to its construction project. This loan was repaid in full in March 2010.

F. 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:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Balance at December 31</u>
2005 Waterworks refunding revenue bonds	3% to 6%	\$ 1,500,000
1999 Waterworks improvement revenue bonds	5%	1,640,000
1999 Wastewater refunding revenue bonds	4% to 5%	1,070,000
1996 Wastewater improvement revenue bonds	8%	<u>80,000</u>
Total		<u>\$ 4,290,000</u>

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

Revenue bonds debt service requirements to maturity are as follows:

	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2010	\$ -	\$ 81,087	\$ 175,000	\$ 56,855
2011	300,000	154,492	180,000	47,440
2012	325,000	138,460	145,000	37,800
2013	335,000	121,628	150,000	31,057
2014	355,000	104,015	160,000	24,008
2015-2019	1,825,000	222,516	340,000	24,895
Totals	<u>\$ 3,140,000</u>	<u>\$ 822,198</u>	<u>\$ 1,150,000</u>	<u>\$ 222,055</u>

2. State Revolving Loans Payable – Water and Wastewater Utilities

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, the 2000 Water Utility loan principal balance was \$1,040,000. At December 31, 2009, the outstanding principal balance on the Water Utility loan was \$890,000. The 2006 Wastewater Utility loan established a maximum draw of \$1,425,000. As of December 31, 2009, the loan principal balance was \$1,278,433. 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 \$221,125, are as follows:

	Water Utility	
	Principal	Interest
2010	\$ -	\$ 12,905
2011	35,000	25,302
2012	30,000	24,360
2013	35,000	23,418
2014	35,000	22,402
2015-2019	210,000	96,860
2020-2021	545,000	15,878
Totals	<u>\$ 890,000</u>	<u>\$ 221,125</u>

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

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 out-standing bonds, at December 31, 2009, were considered defeased:

Water Utility - 1993 and 1996 Issues	\$	1,710,000
Wastewater Utility - 1990 and 1991 Issues		725,000

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Water Utility:					
Revenue bonds payable	\$ 3,445,000	\$ -	\$ 305,000	\$ 3,140,000	\$ -
Less unamortized bond discount	44,256	-	5,101	39,155	-
Less deferred amount on refunding	<u>135,373</u>	<u>-</u>	<u>16,922</u>	<u>118,451</u>	<u>-</u>
Total revenue bonds payable	3,265,371	-	282,977	2,982,394	-
State revolving loan payable	905,000	-	15,000	890,000	-
Compensated absences	<u>27,416</u>	<u>2,210</u>	<u>-</u>	<u>29,626</u>	<u>2,963</u>
Total long-term liabilities	<u>\$ 4,197,787</u>	<u>\$ 2,210</u>	<u>\$ 297,977</u>	<u>\$ 3,902,020</u>	<u>\$ 2,963</u>
Wastewater Utility:					
Revenue bonds payable	\$ 1,315,000	\$ -	\$ 165,000	\$ 1,150,000	\$ 175,000
Less deferred amount on refunding	<u>86,036</u>	<u>-</u>	<u>10,755</u>	<u>75,281</u>	<u>-</u>
Total revenue bonds payable	1,228,964	-	154,245	1,074,719	175,000
State revolving loan payable	1,279,433	-	1,000	1,278,433	-
Compensated absences	<u>17,439</u>	<u>-</u>	<u>697</u>	<u>16,742</u>	<u>1,674</u>
Total long-term liabilities	<u>\$ 2,525,836</u>	<u>\$ -</u>	<u>\$ 155,942</u>	<u>\$ 2,369,894</u>	<u>\$ 176,674</u>
Electric Utility:					
Deferred credits	<u>\$ 77,618</u>	<u>\$ -</u>	<u>\$ 30,903</u>	<u>\$ 46,715</u>	<u>\$ -</u>

G. Restricted Assets

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

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

	Water Utility	Wastewater Utility	Electric Utility
Depreciation account	\$ 291,979	\$ 86,248	\$ -
Bond and interest account	31,221	157,072	-
Construction account	3,257	31,567	-
Debt service reserve account	526,608	288,138	-
Reserve accounts	-	-	1,832,164
Storm water account	-	119,324	-
Customer deposits	-	-	229,570
	\$ 853,065	\$ 682,349	\$ 2,061,734
Total restricted assets			

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, 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 Employee Benefit Fund (or 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 current year payroll (number of employees) as it relates to total payroll, and are reported as quasi-external interfund transactions. The total charge allocated to each of the funds is calculated using trends in actual claims experience. Provisions are also made for unexpected and unusual claims.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

However, claim liabilities cannot be reasonably estimated.

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

B. Subsequent Events

Wastewater Utility Rates

The Common Council adopted Ordinance 1027 at its meeting on March 1, 2010, to increase sewage rates effective with the May 1, 2010, billing. The increase amounted to a 98% increase for residential and commercial customers. Storm water rates were not affected by this ordinance.

Memorandum of Understanding-Electric Utility

The Common Council adopted Ordinance 1027 at its meeting on March 1, 2010, to increase sewage rates effective with the May 1, 2010, billing. The increase amounted to a 98% increase for residential and commercial customers. Storm water rates were not affected by this ordinance.

C. Contingent Liabilities

Settlement Motion Pending-Electric Utility

The Tell City Electric Utility is a third party defendant in a lawsuit concerning a hazardous waste site in Vanderburgh County, Indiana. On September 11, 2009, Tell City Electric paid \$75,000 to Evansville Greenway PRP Group as its share of an out-of-court settlement in this case. A settlement motion has been filed and is pending in United States District Court.

D. Other Postemployment Benefits

In addition to the pension benefits described below, the Utilities provide postemployment health insurance benefits, as authorized by IC 5-10-8, to all employees who retire from the Utilities on or after attaining age 55 with at least 20 years of service. Currently, 0 retirees meet these eligibility requirements. The Utilities 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, 2009, expenditures of \$0 were recognized for postemployment benefits.

E. Rate Structure

1. Water Utility

On May 20, 1996, the Common Council adopted Ordinance 780 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Common Council on June 28, 2004. The Utility has 3,367 customers.

2. Wastewater Utility

The current rate structure was approved by the Common Council on January 2, 2007. Separate rate structures exist 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 by the Common Council on January 2, 2007. The current rate structure for storm water billings was approved by the Common Council on July 2, 2007. The Utility has 3,275 wastewater customers and 3,134 storm water customers. (See Note III. C. Subsequent Events – Wastewater Utility Rates)

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

3. Electric Utility

On February 2, 1998, the Common Council adopted Ordinance 801 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on April 7, 2008. The Utility has 4,154 customers.

F. 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 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

PERF members are required to contribute 3% percent of their annual covered salary. The Water and Wastewater Utilities are required to contribute at an actuarially determined rate; the current rate is 7.25% percent of annual covered payroll. The contribution requirements of plan members and the Utilities are established and may be amended by the PERF Board of Trustees.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Water and Wastewater Utilities is not available. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the City as a whole.

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

Annual Pension Cost

For 2009, the Water and Wastewater Utilities' annual pension costs of \$48,500 (Water); and \$19,018 (Wastewater) for PERF were equal to the respective Utilities' required and actual contributions.

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

Funding Policy

Plan members contributions are required by written plan agreement. Employer's contributions are \$1.14 per hour of annual covered payroll.

Annual Pension Cost

Information is not available to provide additional disclosures required by GASB Statement No. 27.

Actuarial Information for the Public Employees' Retirement Fund Plan

	PERF
Annual required contribution	\$ 118,129
Interest on net pension obligation	(5,390)
Adjustment to annual required contribution	6,143
Annual pension cost	118,882
Contributions made	112,450
Increase (decrease) in net pension obligation	6,432
Net pension obligation, beginning of year	(74,347)
Net pension obligation, end of year	\$ (67,915)

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

Contribution rates:	
Water and Wastewater Utilities	7.25%
Plan members	3%
Actuarial valuation date	07-01-09
Actuarial cost method	Entry age normal cost
Amortization method	Level dollar, closed amortization period
Amortization period	30 years
Amortization period (from date)	07-01-07
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	4.00%
Cost-of-living adjustments	1.50%

Three Year Trend Information				
	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-07	\$ 95,547	99.1%	\$ (89,898)
	06-30-08	118,094	86.8%	(74,347)
	06-30-09	118,882	94.6%	(67,915)

Funded Status and Funding Progress for the Public Employees' Retirement Fund Plan

The funded status of the Public Employees Retirement Fund Plan as of July 1, 2009, the most recent actuarial valuation date is as follows:

	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL or (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
Retirement Plan						
PERF	\$ 1,680,993	\$ 2,391,657	\$ (710,664)	70%	\$ 1,718,824	(41)%

The Schedule of Funding Progress, presented as RSI for the above plans following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

WATER, WASTEWATER, AND ELECTRIC UTILITIES
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

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)
07-01-07	\$ 1,764,510	\$ 2,014,573	\$ (250,063)	88%	\$ 1,675,806	(15%)
07-01-08	1,973,849	2,246,061	(272,212)	88%	1,575,055	(17%)
07-01-09	1,680,993	2,391,657	(710,664)	70%	1,718,824	(41%)

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

The contents of this report were discussed on July 7, 2010, with Barbara L. Ewing, Mayor; Jenny S. Richter, Clerk-Treasurer; Bruce W. Badger, Superintendent of the Wastewater Utility; Marlow J. Smethurst, Superintendent of the Electric Utility; Marcia F. Parker, Electric Utility Office Manager; Bonnie S. Stiff, Water Utility Bookkeeper; and Shelly R. Linne, Wastewater Utility Bookkeeper. Our examination disclosed no material items that warrant comment at this time.