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

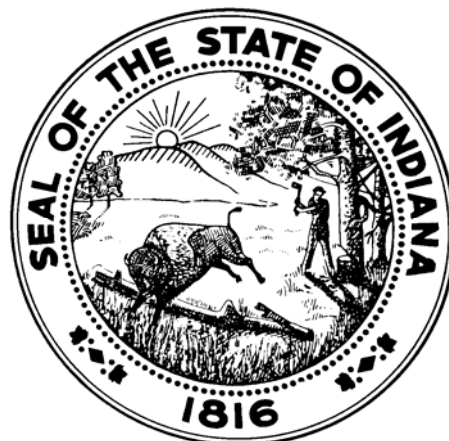
ANNUAL FINANCIAL REPORT

2006

WATER AND WASTEWATER UTILITIES

CITY OF VINCENNES

KNOX COUNTY, INDIANA



**FILED**  
10/25/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Beverly S. Marsh	01-01-04 to 12-31-07
Mayor	Terry D. Mooney	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Terry D. Mooney	01-01-04 to 12-31-07
President of the Common Council	Mark R. Hill	01-01-06 to 12-31-07
Superintendent of Utilities	Kirk Bouchie	01-01-06 to 12-31-07
President of the Utility Service Board	William Hopper	01-01-06 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities of the Water and Wastewater Utilities (Utilities), departments of the City of Vincennes, as of and for the year ended December 31, 2006. These financial statements are the responsibility of the Utilities' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I, the financial statements of the Water and Wastewater Utilities, City of Vincennes, are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the City of Vincennes as of December 31, 2006, 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, 2006, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Utilities' management has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

August 20, 2007



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REPORT COMMUNICATING INTERNAL CONTROL  
RELATED MATTERS IDENTIFIED IN AN AUDIT

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

In planning and performing our audit of the financial statements of the business-type activities of the Water and Wastewater Utilities (Utilities), departments of the City of Vincennes, as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Utilities' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of the Utilities' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

This communication is intended solely for the information and use of management, the Common Council and Board of Public Works and Safety, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

STATE BOARD OF ACCOUNTS

August 20, 2007

WATER AND WASTEWATER UTILITIES  
CITY OF VINCENNES  
STATEMENT OF NET ASSETS  
December 31, 2006

<u>Assets</u>	Water Utility	Wastewater Utility
<b>Current assets:</b>		
Cash and cash equivalents	\$ 828,717	\$ 545,464
Investments	-	1,000,000
Interest receivable	3,361	4,193
Accounts receivable (net of allowance)	216,768	440,497
Inventories	74,270	14,323
Prepaid items	<u>44,812</u>	<u>26,408</u>
Total current assets	<u>1,167,928</u>	<u>2,030,885</u>
<b>Noncurrent assets:</b>		
Restricted cash, cash equivalents and investments:		
Depreciation cash and investments	795,659	4,395,958
Bond and interest cash and investments	111,810	228,211
Reserve cash and investments	640,161	-
Customer deposits	181,177	-
Interest receivable	<u>9,344</u>	<u>34,756</u>
Total restricted assets	<u>1,738,151</u>	<u>4,658,925</u>
Deferred charges	<u>18,707</u>	<u>44,975</u>
<b>Capital assets:</b>		
Land, improvements to land and construction in progress	259,093	29,716,403
Other capital assets (net of accumulated depreciation)	<u>18,970,056</u>	<u>11,901,100</u>
Total capital assets	<u>19,229,149</u>	<u>41,617,503</u>
Total noncurrent assets	<u>20,986,007</u>	<u>46,321,403</u>
Total assets	<u>22,153,935</u>	<u>48,352,288</u>
<u>Liabilities</u>		
<b>Current liabilities:</b>		
Accounts payable	98,868	129,989
Customer advances for construction	224,946	137,837
Payroll w/h's payable	(8,461)	785
Current liabilities payable from restricted assets:		
Customer deposits	181,177	-
Revenue bonds payable	634,205	140,000
Loans payable	177,671	578,953
Accrued interest payable	<u>12,650</u>	<u>-</u>
Total current liabilities	<u>1,321,056</u>	<u>987,564</u>
<b>Noncurrent liabilities:</b>		
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	-	2,155,369
Loans payable	<u>3,801,717</u>	<u>24,962,618</u>
Total noncurrent liabilities	<u>3,801,717</u>	<u>27,117,987</u>
Total liabilities	<u>5,122,773</u>	<u>28,105,551</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	14,615,556	13,780,563
Restricted for debt service	111,810	228,211
Unrestricted	<u>2,303,796</u>	<u>6,237,963</u>
Total net assets	<u>\$ 17,031,162</u>	<u>\$ 20,246,737</u>

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

WATER AND WASTEWATER UTILITIES  
CITY OF VINCENNES  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
As Of And For The Year Ended December 31, 2006

	Water Utility	Wastewater Utility
Operating revenues:		
Unmetered water revenue	\$ 246,660	\$ -
Metered water revenue:		
Residential	2,011,548	-
Measured revenue	-	4,361,972
Other	<u>548,051</u>	<u>-</u>
Total operating revenues	<u>2,806,259</u>	<u>4,361,972</u>
Operating expenses:		
Source of supply and expense - operations and maintenance	301,741	-
Water treatment expense - operations and maintenance	186,609	-
Water - operations and maintenance	609,690	-
Collection system - operations and maintenance	-	1,196,405
Pumping - operations and maintenance	427,577	-
Treatment and disposal - operations and maintenance	-	86,812
Customer accounts	323,954	455,221
Administration and general	174,309	293,365
Depreciation	620,804	518,204
Storm water expense	-	194,525
Other	<u>71,954</u>	<u>103,757</u>
Total operating expenses	<u>2,716,638</u>	<u>2,848,289</u>
Operating income	<u>89,621</u>	<u>1,513,683</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	114,812	314,117
Miscellaneous revenue	280,406	238,722
Interest expense	(179,633)	(1,006,166)
Amortization of bond issue costs	(20,408)	(11,613)
Miscellaneous expense	<u>(52,967)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>142,210</u>	<u>(464,940)</u>
Income before contributions and transfers	231,831	1,048,743
Capital contributions	<u>234,794</u>	<u>-</u>
Change in net assets	466,625	1,048,743
Total net assets - beginning	<u>16,564,537</u>	<u>19,197,994</u>
Total net assets - ending	<u>\$ 17,031,162</u>	<u>\$ 20,246,737</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, 2006

	Water Utility	Wastewater Utility
Cash flows from operating activities:		
Receipts from customers and users	\$ 2,256,480	\$ 4,270,853
Payments to suppliers and contractors	(462,131)	(805,347)
Payments to employees	(1,443,079)	(1,337,638)
Interfund services provided	246,229	34,177
Other receipts	472,740	130,381
Net cash provided by operating activities	1,070,239	2,292,426
Cash flows from capital and related financing activities:		
Capital contributions	234,794	-
Acquisition and construction of capital assets	(444,431)	(448,943)
Principal paid on capital debt	(802,158)	(1,401,453)
Interest paid on capital debt	(169,855)	(981,733)
Proceeds from sales of capital assets	45,212	-
Net cash used by capital and related financing activities	(1,136,438)	(2,832,129)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	9,644,500	20,631,000
Purchase of investments	(9,114,500)	(20,148,000)
Interest received	114,812	314,117
Net cash provided by investing activities	644,812	797,117
Net increase in cash and cash equivalents	578,613	257,414
Cash and cash equivalents, January 1	382,911	531,219
Cash and cash equivalents, December 31	\$ 961,524	\$ 788,633
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 89,621	\$ 1,513,683
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	620,804	518,204
Other nonoperating income	280,406	238,722
(Increase) decrease in assets:		
Accounts receivable	(4,602)	(75,146)
Interest receivable	(3,357)	(4,584)
Inventories	(3,453)	(14,323)
Prepaid items	3,908	4,956
Interfund receivables	-	34,177
Increase (decrease) in liabilities:		
Accounts payable	35,094	91,925
Interfund payables	(34,177)	-
Customer advances for construction	92,855	(15,973)
Taxes payable	(191)	-
Payroll w/h's payable	(9,734)	785
Customer deposits	3,065	-
Total adjustments	980,618	778,743
Net cash provided by operating activities	\$ 1,070,239	\$ 2,292,426

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

WATER AND WASTEWATER UTILITIES  
CITY OF VINCENNES  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the Utilities and are not intended to present fairly the position of the City of Vincennes (City), and the results of its operations and cash flows of its enterprise funds. The Utilities, whose operations are controlled by the City, represent the City's enterprise funds.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Utilities' cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes the Utilities to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

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

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

2. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

3. Restricted Assets

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

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

5. Compensated Absences

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

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

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

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 and Investments

1. Deposits

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

2. Investments

Investment Policies

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

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Utilities and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations

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

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

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

B. Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 259,093	\$ -	\$ -	\$ 259,093
Construction in progress	5,761,345	42,750	5,804,095	-
Capital assets, being depreciated:				
Buildings	2,781,017	2,977,391	-	5,758,408
Improvements other than buildings	16,061,021	2,964,491	1,532	19,023,980
Machinery and equipment	1,093,511	211,695	147,925	1,157,281
Transportation equipment	231,132	-	-	231,132
Less accumulated depreciation for:				
Buildings	(1,272,972)	(86,768)	-	(1,359,740)
Improvements other than buildings	(4,735,759)	(423,156)	(38,034)	(5,120,881)
Machinery and equipment	(605,802)	(73,730)	(66,211)	(613,321)
Transportation equipment	(69,653)	(37,150)	-	(106,803)
Total Water Utility capital assets, net	19,502,933	5,575,523	5,849,307	19,229,149
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	95,000	-	-	95,000
Construction in progress	29,481,912	139,491	-	29,621,403
Capital assets, being depreciated:				
Improvements other than buildings	7,978,367	26,094	-	8,004,461
Buildings	9,523,066	71,776	-	9,594,842
Machinery and equipment	1,250,479	302,732	-	1,553,211
Transportation equipment	326,075	48,342	-	374,417

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

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities (continued):				
Wastewater Utility (continued):				
Less accumulated depreciation for:				
Improvements other than buildings	(2,944,995)	(184,195)	-	(3,129,190)
Buildings	(3,583,049)	(188,809)	-	(3,771,858)
Machinery and equipment	(431,625)	(99,070)	-	(530,695)
Transportation equipment	(147,958)	(46,130)	-	(194,088)
Total Wastewater Utility capital assets, net	41,547,272	70,231	-	41,617,503
Total business-type activities capital assets, net	\$ 61,050,205	\$ 5,645,754	\$ 5,849,307	\$ 60,846,652

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

Water	\$ 620,804
Wastewater	518,204
Total depreciation expense	\$ 1,139,008

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2006
Wastewater Utility improvements	\$ 29,621,403	\$ 29,621,403

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
2003 Waterworks refunding revenue bonds	3.10% to 3.25%	\$ 645,000
2003 Sewageworks refunding revenue bonds	4.15% to 4.40%	2,390,000
Total		\$ 3,035,000

WATER AND WASTEWATER UTILITIES  
CITY OF VINCENNES  
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
2007	\$ 645,000	\$ 15,522	\$ 140,000	\$ 51,670
2008	-	-	285,000	94,590
2009	-	-	290,000	82,479
2010	-	-	305,000	70,010
2011	-	-	320,000	56,640
2012-2016	-	-	1,050,000	82,280
2017-2021	-	-	-	-
2022-2026	-	-	-	-
Totals	<u>\$ 645,000</u>	<u>\$ 15,522</u>	<u>\$ 2,390,000</u>	<u>\$ 437,669</u>

2. Loan Payable

The Water and Wastewater Utilities have entered into loans. Annual debt service requirements to maturity for the loans, including interest of \$1,251,941 and \$7,392,526, respectively, are as follows:

	Water Utility	Wastewater Utility
2007	\$ 307,539	\$ 1,000,389
2008	307,757	2,004,528
2009	307,757	2,011,639
2010	307,757	2,009,107
2011	307,757	2,007,478
2012-2016	1,538,743	10,788,309
2017-2021	1,538,794	11,920,589
2022-2026	<u>615,225</u>	<u>1,192,058</u>
Totals	<u>\$ 5,231,329</u>	<u>\$ 32,934,097</u>

3. Advance Refunding

In prior years, the Utilities defeased certain revenue and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Utilities' financial statements. The following outstanding bonds, at December 31, 2006, were considered defeased:

Water and Wastewater Utility revenue bonds	<u>\$ 3,090,000</u>
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WATER AND WASTEWATER UTILITIES  
CITY OF VINCENNES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

4. State Revolving Loan Fund

Under the terms of the State Revolving Loan Fund, revenue bonds have been purchased by the Indiana Bond Bank. The proceeds of the bonds are set aside to finance the construction costs are accrued to the maximum allowed. The wastewater improvement loans established a maximum draw of \$27,000,000. As of December 31, 2006, the loan principal balance was \$25,541,571. Annual debt service requirements for the loans will not be determined until planned construction projects are completed.

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Within One Year</u>
Revenue bonds payable:					
Water Utility	\$ 1,275,000	\$ -	\$ 630,000	\$ 645,000	\$ 645,000
Wastewater Utility	2,655,000	-	265,000	2,390,000	140,000
Less unamortized discount	(5,796)	-	(1,189)	(4,607)	-
Less deferred amount on refunding	<u>(135,840)</u>	<u>-</u>	<u>(35,021)</u>	<u>(100,819)</u>	<u>-</u>
Total revenue bonds payable	3,788,364	-	858,790	2,929,574	785,000
Loans payable:					
Water Utility	4,151,546	-	172,158	3,979,388	177,671
Wastewater Utility	<u>26,538,533</u>	<u>139,491</u>	<u>1,136,453</u>	<u>25,541,571</u>	<u>578,953</u>
Total long-term liabilities	<u>\$ 34,478,443</u>	<u>\$ 139,491</u>	<u>\$ 2,167,401</u>	<u>\$ 32,450,533</u>	<u>\$ 1,541,624</u>

E. Restricted Assets

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

	<u>Water Utility</u>	<u>Wastewater Utility</u>
Depreciation	\$ 799,490	\$ 4,430,714
Bond and interest	112,025	228,211
Debt reserve	644,296	-
Customer deposits	<u>182,340</u>	<u>-</u>
Total restricted assets	<u>\$ 1,738,151</u>	<u>\$ 4,658,925</u>

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

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

B. Rate Structure

1. Water Utility

The current rate structure was approved by the Utility on March 25, 2002. The Utility has 8,145 customers.

2. Wastewater Utility

The current rate structure was approved by the Utility on March 25, 2002. The Utility has 6,989 customers.

C. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City, including the Utilities, contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Utilities authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 50,488
Interest on net pension obligation	1,162
Adjustment to annual required contribution	(1,324)
Annual pension cost	50,326
Contributions made	91,133
Decrease in net pension obligation	(40,807)
Net pension obligation, beginning of year	16,023
Net pension obligation, end of year	\$ (24,784)
Contribution rates:	
Utilities	8%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

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

Actuarial Assumptions	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

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

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

Public Employees' Retirement Fund - City of Vincennes Utilities

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)
07-01-04	\$ 1,141,048	\$ 1,478,411	\$ (337,363)	77%	\$ 912,814	(37%)
07-01-05	1,194,460	1,441,131	(246,671)	83%	731,973	(34%)
07-01-06	1,201,505	1,659,380	(457,875)	72%	853,947	(54%)

WATER AND WASTEWATER UTILITIES  
CITY OF VINCENNES  
EXIT CONFERENCE

The contents of this report were discussed on August 20, 2007, with Mark R. Hill, President of the Common Council; Kirk Bouchie, Superintendent of Utilities; Beverly S. Marsh, Clerk-Treasurer; and Rebecca J. Willis, Utilities Bookkeeper. Our audit disclosed no material items that warrant comment at this time.