

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

ANNUAL FINANCIAL REPORT

2006

WATER, ELECTRIC, WASTEWATER, AND STORM WATER UTILITIES

CITY OF WASHINGTON

DAVISS COUNTY, INDIANA



**FILED**  
09/27/2007



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OFFICIALS

| <u>Office</u>  | <u>Official</u>                      | <u>Term</u>                                  |
|--|--------------------------------------|--|
| Clerk-Treasurer                                      | Elaine Wellman                       | 01-01-04 to 12-31-07                         |
| Mayor  | David W. Abel                        | 01-01-04 to 12-31-07                         |
| President of the Board of<br>Public Works and Safety | David W. Abel                        | 01-01-04 to 12-31-07                         |
| President of the<br>Common Council                   | James A. Jones<br>Gordon L. Wade     | 01-01-06 to 12-31-06<br>01-01-07 to 12-31-07 |
| Office Manager                                       | Sharon A. Healy<br>Lorraine Williams | 01-01-06 to 04-01-07<br>04-02-07 to 12-31-07 |
| Superintendent of<br>Water Utility                   | Jerry Rider                          | 01-01-06 to 12-31-07                         |
| Superintendent of<br>Electric Utility                | Jerry Boger                          | 01-01-06 to 12-31-07                         |
| Superintendent of<br>Wastewater Utility              | Scott Rainey                         | 01-01-06 to 12-31-07                         |
| Superintendent of<br>Storm Water Utility             | Louis Dant                           | 01-01-06 to 12-31-07                         |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE WATER, ELECTRIC, WASTEWATER, AND STORM WATER UTILITIES, CITY OF WASHINGTON, DAVIESS COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Water, Electric, Wastewater, and Storm Water Utilities, departments of the City of Washington, 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, Electric, Wastewater, and Storm Water Utilities, City of Washington, 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 Washington 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, Electric, Wastewater, and Storm Water 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

July 17, 2007

WATER, ELECTRIC, WASTEWATER, AND STORM WATER UTILITIES  
CITY OF WASHINGTON  
STATEMENT OF NET ASSETS  
December 31, 2006

|   | 2006                 |                     |                       |                        |
|---|----------------------|---------------------|-----------------------|------------------------|
|   | Water<br>Utility     | Electric<br>Utility | Wastewater<br>Utility | Storm Water<br>Utility |
| <b>Assets</b>   |                      |                     |                       |                        |
| Current assets:   |                      |                     |                       |                        |
| Cash and cash equivalents   | \$ 1,672,122         | \$ 1,708,172        | \$ 508,626            | \$ 62,450              |
| Accounts receivable (net of allowance)  | 266,655              | 819,757             | 145,445               | 11,226                 |
| Accounts receivable other   | 2,678                | 55,599              | 19,303                | -                      |
| Interfund receivables:  |                      |                     |                       |                        |
| Interfund services provided and used  | 3,128                | 7,266               | 26                    | 468                    |
| Inventories   | <u>94,569</u>        | <u>192,671</u>      | <u>44,128</u>         | <u>-</u>               |
| Total current assets  | <u>2,039,152</u>     | <u>2,783,465</u>    | <u>717,528</u>        | <u>74,144</u>          |
| Noncurrent assets:  |                      |                     |                       |                        |
| Restricted cash, cash equivalents and investments:  |                      |                     |                       |                        |
| Depreciation cash and investments   | 171,596              | -                   | -                     | -                      |
| Bond and interest cash and investments  | 499,151              | -                   | -                     | -                      |
| Construction cash and investments   | -                    | -                   | 1,782,537             | -                      |
| Improvement cash and investments  | -                    | -                   | 26,533                | -                      |
| Debt reserve cash and cash equivalents  | 1,653,482            | -                   | -                     | -                      |
| Customer deposits   | <u>115,467</u>       | <u>297,190</u>      | <u>-</u>              | <u>-</u>               |
| Total restricted assets   | <u>2,439,696</u>     | <u>297,190</u>      | <u>1,809,070</u>      | <u>-</u>               |
| Deferred charges  | <u>325,924</u>       | <u>1,480</u>        | <u>-</u>              | <u>44,930</u>          |
| Capital assets:   |                      |                     |                       |                        |
| Land, improvements to land and construction in progress   | 229,922              | 383,756             | 744,175               | 10,138                 |
| Other capital assets (net of accumulated depreciation)  | <u>24,323,900</u>    | <u>6,373,361</u>    | <u>6,535,846</u>      | <u>31,584</u>          |
| Total capital assets  | <u>24,553,822</u>    | <u>6,757,117</u>    | <u>7,280,021</u>      | <u>41,722</u>          |
| Total noncurrent assets   | <u>27,319,442</u>    | <u>7,055,787</u>    | <u>9,089,091</u>      | <u>86,652</u>          |
| Total assets  | <u>29,358,594</u>    | <u>9,839,252</u>    | <u>9,806,619</u>      | <u>160,796</u>         |
| <b>Liabilities</b>  |                      |                     |                       |                        |
| Current liabilities:  |                      |                     |                       |                        |
| Accounts payable  | 42,922               | 765,451             | 23,485                | 27,046                 |
| Interfund payables:   |                      |                     |                       |                        |
| Interfund services provided and used  | 66,015               | 21,986              | 29,600                | 3                      |
| Energy assistance payable   | -                    | 23,518              | -                     | -                      |
| Taxes payable   | 10,227               | 38,124              | -                     | -                      |
| Wages payable   | 34,410               | 38,803              | 33,967                | -                      |
| Current liabilities payable from restricted assets:   |                      |                     |                       |                        |
| Customer deposits   | 115,467              | 297,190             | -                     | -                      |
| Revenue bonds payable   | 850,000              | -                   | -                     | -                      |
| Accrued interest payable  | 184,985              | -                   | -                     | -                      |
| Loan payable  | <u>-</u>             | <u>-</u>            | <u>2,050,000</u>      | <u>-</u>               |
| Total current liabilities   | <u>1,304,026</u>     | <u>1,185,072</u>    | <u>2,137,052</u>      | <u>27,049</u>          |
| Noncurrent liabilities:   |                      |                     |                       |                        |
| Revenue bonds payable (net of unamortized discounts, premiums and deferred amount on refunding) | <u>15,631,526</u>    | <u>-</u>            | <u>-</u>              | <u>-</u>               |
| Total liabilities   | <u>16,935,552</u>    | <u>1,185,072</u>    | <u>2,137,052</u>      | <u>27,049</u>          |
| <b>Net Assets</b>   |                      |                     |                       |                        |
| Invested in capital assets, net of related debt   | 8,072,296            | 6,757,117           | 7,280,021             | 41,722                 |
| Restricted for debt service   | 2,152,633            | -                   | -                     | -                      |
| Unrestricted  | <u>2,198,113</u>     | <u>1,897,063</u>    | <u>389,546</u>        | <u>92,025</u>          |
| Total net assets  | <u>\$ 12,423,042</u> | <u>\$ 8,654,180</u> | <u>\$ 7,669,567</u>   | <u>\$ 133,747</u>      |

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

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

|   | 2006                 |                     |                       |                        |
|---|----------------------|---------------------|-----------------------|------------------------|
|   | Water<br>Utility     | Electric<br>Utility | Wastewater<br>Utility | Storm Water<br>Utility |
| Operating revenues:                                       |                      |                     |                       |                        |
| Unmetered water revenue                                   | \$ 52,661            | \$ -                | \$ -                  | \$ -                   |
| Metered water revenue:                                    |                      |                     |                       |                        |
| Residential   | 1,506,643            | -                   | -                     | -                      |
| Commercial  | 1,416,142            | -                   | -                     | -                      |
| Residential sales   | -                    | 5,009,747           | -                     | -                      |
| Commercial and industrial sales                           | -                    | 5,300,882           | -                     | -                      |
| Public street and highway lighting                        | -                    | 116,700             | -                     | -                      |
| Fire protection revenue                                   | 407,067              | -                   | -                     | -                      |
| Penalties   | 15,810               | 47,256              | 18,178                | 3,323                  |
| Flat rate revenues  | -                    | -                   | -                     | 160,945                |
| Measured revenue:   |                      |                     |                       |                        |
| Residential   | -                    | -                   | 633,860               | -                      |
| Commercial  | -                    | -                   | 899,235               | -                      |
| Other   | 17,933               | 54,265              | 72,604                | -                      |
| <b>Total operating revenues</b>                           | <b>3,416,256</b>     | <b>10,528,850</b>   | <b>1,623,877</b>      | <b>164,268</b>         |
| Operating expenses:                                       |                      |                     |                       |                        |
| Source of supply and expense - operations and maintenance | 149,472              | -                   | -                     | -                      |
| Water treatment expense - operations and maintenance      | 389,031              | -                   | -                     | -                      |
| Transmission and distribution                             | 259,526              | 943,593             | -                     | -                      |
| Collection system - operations and maintenance            | -                    | -                   | 331,443               | -                      |
| Treatment and disposal - operations and maintenance       | -                    | -                   | 490,593               | -                      |
| Operations and maintenance                                | -                    | -                   | -                     | 21,833                 |
| Customer accounts   | 124,750              | 205,523             | 107,020               | 108                    |
| Administration and general                                | 152,263              | 272,651             | 223,454               | 9,714                  |
| Salaries and wages  | -                    | -                   | -                     | 65,477                 |
| Employee pensions and benefits                            | 48,715               | -                   | -                     | 20,081                 |
| Purchased power   | -                    | 8,281,798           | -                     | -                      |
| Insurance expense   | 137,988              | 227,894             | 142,209               | -                      |
| Bad debt expense  | 26,884               | 70,977              | 10,275                | 689                    |
| Depreciation and amortization                             | 776,562              | 399,921             | 402,701               | 498                    |
| Miscellaneous expenses                                    | 130,059              | 229,302             | 46,771                | 1,009                  |
| <b>Total operating expenses</b>                           | <b>2,195,250</b>     | <b>10,631,659</b>   | <b>1,754,466</b>      | <b>119,409</b>         |
| <b>Operating income (loss)</b>                            | <b>1,221,006</b>     | <b>(102,809)</b>    | <b>(130,589)</b>      | <b>44,859</b>          |
| Nonoperating revenues (expenses):                         |                      |                     |                       |                        |
| Interest and investment revenue                           | 130,849              | 78,876              | 34,375                | 182                    |
| Miscellaneous revenue                                     | 2,025                | 29,891              | 23                    | -                      |
| Loss on disposition of property                           | (17,965)             | -                   | -                     | -                      |
| Interest expense  | (820,266)            | -                   | -                     | -                      |
| Miscellaneous expense                                     | (37,661)             | -                   | -                     | -                      |
| <b>Total nonoperating revenues (expenses)</b>             | <b>(743,018)</b>     | <b>108,767</b>      | <b>34,398</b>         | <b>182</b>             |
| <b>Income (loss) before contributions and transfers</b>   | <b>477,988</b>       | <b>5,958</b>        | <b>(96,191)</b>       | <b>45,041</b>          |
| Capital contributions                                     | -                    | 21,595              | -                     | 20,062                 |
| Transfers out   | (263,700)            | (61,369)            | (75,792)              | -                      |
| <b>Change in net assets</b>                               | <b>214,288</b>       | <b>(33,816)</b>     | <b>(171,983)</b>      | <b>65,103</b>          |
| <b>Total net assets - beginning</b>                       | <b>12,208,754</b>    | <b>8,687,996</b>    | <b>7,841,550</b>      | <b>68,644</b>          |
| <b>Total net assets - ending</b>                          | <b>\$ 12,423,042</b> | <b>\$ 8,654,180</b> | <b>\$ 7,669,567</b>   | <b>\$ 133,747</b>      |

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

WATER, ELECTRIC, WASTEWATER, AND STORM WATER UTILITIES  
CITY OF WASHINGTON  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
As Of And For The Year Ended December 31, 2006

|  | 2006                |                     |                       |                        |
|--|---------------------|---------------------|-----------------------|------------------------|
|  | Water<br>Utility    | Electric<br>Utility | Wastewater<br>Utility | Storm Water<br>Utility |
| Cash flows from operating activities:  |                     |                     |                       |                        |
| Receipts from customers and users  | \$ 3,389,371        | \$ 10,496,919       | \$ 1,578,864          | \$ 162,747             |
| Payments to suppliers and contractors  | (788,094)           | (9,051,464)         | (721,052)             | (58,751)               |
| Payments to employees  | (595,835)           | (1,031,092)         | (619,650)             | (67,781)               |
| Interfund services provided  | 16,143              | 8,193               | 5,449                 | 169                    |
| Other receipts   | 2,025               | 29,891              | 23                    | -                      |
| Net cash provided by operating activities  | <u>2,023,610</u>    | <u>452,447</u>      | <u>243,634</u>        | <u>36,384</u>          |
| Cash flows from noncapital financing activities:   |                     |                     |                       |                        |
| Transfer to other funds  | <u>(263,700)</u>    | <u>(61,369)</u>     | <u>(75,792)</u>       | <u>-</u>               |
| Cash flows from capital and related financing activities:                                      |                     |                     |                       |                        |
| Proceeds from capital debt   | -                   | -                   | 2,050,000             | -                      |
| Capital contributions  | -                   | 21,595              | -                     | 20,062                 |
| Acquisition and construction of capital assets   | (121,079)           | (488,192)           | (457,408)             | (15,565)               |
| Principal paid on capital debt   | (780,000)           | -                   | -                     | -                      |
| Interest paid on capital debt  | (805,213)           | -                   | -                     | -                      |
| Defeasance of bonds  | (12,019)            | -                   | -                     | -                      |
| Bond issue costs paid  | (62,019)            | -                   | -                     | -                      |
| Net cash provided (used) by capital and related financing activities                           | <u>(1,780,330)</u>  | <u>(466,597)</u>    | <u>1,592,592</u>      | <u>4,497</u>           |
| Cash flows from investing activities:  |                     |                     |                       |                        |
| Interest received  | <u>130,849</u>      | <u>78,876</u>       | <u>34,375</u>         | <u>182</u>             |
| Net increase in cash and cash equivalents  | 110,429             | 3,357               | 1,794,809             | 41,063                 |
| Cash and cash equivalents, January 1   | <u>4,001,389</u>    | <u>2,002,005</u>    | <u>522,887</u>        | <u>21,387</u>          |
| Cash and cash equivalents, December 31   | <u>\$ 4,111,818</u> | <u>\$ 2,005,362</u> | <u>\$ 2,317,696</u>   | <u>\$ 62,450</u>       |
| Reconciliation of operating income (loss) to net cash provided by operating activities:        |                     |                     |                       |                        |
| Operating income (loss)  | <u>\$ 1,221,006</u> | <u>\$ (102,809)</u> | <u>\$ (130,589)</u>   | <u>\$ 44,859</u>       |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: |                     |                     |                       |                        |
| Depreciation expense   | 776,562             | 399,921             | 402,701               | 498                    |
| Nonoperating revenue   | 2,025               | 29,891              | 23                    | -                      |
| Bad debt expense   | 26,884              | 70,977              | 10,275                | 689                    |
| (Increase) decrease in assets:   |                     |                     |                       |                        |
| Accounts receivable  | (30,948)            | (57,448)            | (27,762)              | (1,521)                |
| Accounts receivable - other  | 1,649               | 8,802               | (17,251)              | -                      |
| Interfund services provided or used  | 16,143              | 8,193               | 5,449                 | 169                    |
| Allowance for uncollectible accounts   | -                   | -                   | -                     | (7,341)                |
| Inventories  | (6,214)             | 10,222              | (3,451)               | -                      |
| Deferred debits  | -                   | (1,480)             | -                     | -                      |
| Increase (decrease) in liabilities:  |                     |                     |                       |                        |
| Accounts payable   | 12,258              | 70,380              | 1,677                 | 1,335                  |
| Energy assistance payable  | -                   | 10,659              | -                     | -                      |
| Taxes payable  | (357)               | 1,786               | -                     | -                      |
| Wages payable  | 2,188               | (2,703)             | 2,562                 | (2,304)                |
| Customer deposits  | 2,414               | 6,056               | -                     | -                      |
| Total adjustments  | <u>802,604</u>      | <u>555,256</u>      | <u>374,223</u>        | <u>(8,475)</u>         |
| Net cash provided by operating activities  | <u>\$ 2,023,610</u> | <u>\$ 452,447</u>   | <u>\$ 243,634</u>     | <u>\$ 36,384</u>       |
| Noncash investing, capital and financing activities:   |                     |                     |                       |                        |
| Refunded bonds   | \$ 5,580,000        | \$ -                | \$ -                  | \$ -                   |
| New bonds issued   | 5,900,000           | -                   | -                     | -                      |
| Deferral on loss on refunding  | 265,178             | -                   | -                     | -                      |
| Discount on refunding  | 101,050             | -                   | -                     | -                      |
| Issue costs on refunding   | 87,977              | -                   | -                     | -                      |
| Issue costs from accounts payable  | 10,000              | -                   | -                     | -                      |
| Capital assets from accounts payable   | -                   | 3,932               | 2,650                 | 24,167                 |

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

WATER, ELECTRIC, WASTEWATER, AND STORM WATER UTILITIES  
CITY OF WASHINGTON  
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 Washington (City), and the results of its operations and cash flows of its enterprise funds. The Utilities, whose operations are controlled by the City, represents 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.

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

2. Inventories

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

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<br>Threshold | Depreciation<br>Method | Estimated<br>Useful Life |
|-----------------------------------|-----------------------------|------------------------|--------------------------|
| Buildings and improvements        | \$ 500                      | Straight-line          | 25 to 50 years           |
| Improvements other than buildings | 500                         | Straight-line          | 10 to 50 years           |
| Machinery and equipment           | 500                         | Straight-line          | 6 to 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. There was no interest expense incurred that was part of the cost of capital assets under construction for this audit period.

5. Compensated Absences

- a. Sick Leave – Utility employees earn sick leave at the rate of 6 to 18 days per year. Prior year unused sick leave may be accumulated to a maximum of 62 days. Accumulated sick is paid to employees in the amount of \$15 per day through cash payments upon retirement and with ten years service to the City.
- b. Vacation Leave – Utility employees earn vacation leave at rates from 5 to 22 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.
- c. Personal Leave – Utility employees earn personal leave at the rate of 3 days per year. Personal leave does not accumulate from year to year.

No liability is reported for vacation, sick and personal leave.

WATER, ELECTRIC, WASTEWATER, AND STORM WATER UTILITIES  
CITY OF WASHINGTON  
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 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 bank that qualifies to receive public funds of the political subdivision. 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.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2006, the City, including the Utilities, had no investments.

B. Capital Assets

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

| <u>Water Utility</u>                           | <u>Beginning<br/>Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| Capital assets, not being depreciated:         |                              |                  |                  |                           |
| Land   | \$ 166,402                   | \$ -             | \$ -             | \$ 166,402                |
| Construction in progress                       | <u>28,332</u>                | <u>35,188</u>    | <u>-</u>         | <u>63,520</u>             |
| Total capital assets, not<br>being depreciated | <u>194,734</u>               | <u>35,188</u>    | <u>-</u>         | <u>229,922</u>            |
| Capital assets, being depreciated:             |                              |                  |                  |                           |
| Improvements other than buildings              | 11,730,985                   | 13,019           | -                | 11,744,004                |
| Buildings                                      | 15,498,491                   | -                | -                | 15,498,491                |
| Machinery and equipment                        | <u>4,425,299</u>             | <u>72,872</u>    | <u>26,080</u>    | <u>4,472,091</u>          |
| Totals   | <u>31,654,775</u>            | <u>85,891</u>    | <u>26,080</u>    | <u>31,714,586</u>         |

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

| <u>Water Utility</u>                                | <u>Beginning<br/>Balance</u> | <u>Increases</u>        | <u>Decreases</u>     | <u>Ending<br/>Balance</u> |
|---|------------------------------|-------------------------|----------------------|---------------------------|
| Less accumulated depreciation for:                  |                              |                         |                      |                           |
| Improvements other than buildings                   | 3,473,431                    | 255,517                 | -                    | 3,728,948                 |
| Buildings   | 941,240                      | 310,342                 | -                    | 1,251,582                 |
| Machinery and equipment                             | <u>2,207,568</u>             | <u>210,703</u>          | <u>8,115</u>         | <u>2,410,156</u>          |
| <br>Totals  | <br><u>6,622,239</u>         | <br><u>776,562</u>      | <br><u>8,115</u>     | <br><u>7,390,686</u>      |
| <br>Total capital assets, being<br>depreciated, net | <br><u>25,032,536</u>        | <br><u>(690,671)</u>    | <br><u>17,965</u>    | <br><u>24,323,900</u>     |
| <br>Total capital assets, net                       | <br><u>\$25,227,270</u>      | <br><u>\$ (655,483)</u> | <br><u>\$ 17,965</u> | <br><u>\$ 24,553,822</u>  |
| <br><u>Electric Utility</u>                         |                              |                         |                      |                           |
| Capital assets, not being depreciated:              |                              |                         |                      |                           |
| Land  | \$ 57,000                    | \$ -                    | \$ -                 | \$ 57,000                 |
| Construction in progress                            | <u>174,180</u>               | <u>152,576</u>          | <u>-</u>             | <u>326,756</u>            |
| <br>Total capital assets, not<br>being depreciated  | <br><u>231,180</u>           | <br><u>152,576</u>      | <br><u>-</u>         | <br><u>383,756</u>        |
| Capital assets, being depreciated:                  |                              |                         |                      |                           |
| Improvements other than buildings                   | 9,737,163                    | 300,047                 | 18,177               | 10,019,033                |
| Buildings   | 786,096                      | -                       | -                    | 786,096                   |
| Machinery and equipment                             | <u>3,237,157</u>             | <u>39,501</u>           | <u>5,906</u>         | <u>3,270,752</u>          |
| <br>Totals  | <br><u>13,760,416</u>        | <br><u>339,548</u>      | <br><u>24,083</u>    | <br><u>14,075,881</u>     |
| Less accumulated depreciation for:                  |                              |                         |                      |                           |
| Improvements other than buildings                   | 4,925,676                    | 242,962                 | -                    | 5,168,638                 |
| Buildings   | 250,765                      | 18,192                  | -                    | 268,957                   |
| Machinery and equipment                             | <u>2,150,241</u>             | <u>138,767</u>          | <u>24,083</u>        | <u>2,264,925</u>          |
| <br>Totals  | <br><u>7,326,682</u>         | <br><u>399,921</u>      | <br><u>24,083</u>    | <br><u>7,702,520</u>      |
| <br>Total capital assets, being<br>depreciated, net | <br><u>6,433,734</u>         | <br><u>(60,373)</u>     | <br><u>-</u>         | <br><u>6,373,361</u>      |
| <br>Total capital assets, net                       | <br><u>\$ 6,664,914</u>      | <br><u>\$ 92,203</u>    | <br><u>\$ -</u>      | <br><u>\$ 6,757,117</u>   |

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

| <u>Wastewater Utility</u>                           | <u>Beginning<br/>Balance</u> | <u>Increases</u>     | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|----------------------|------------------|---------------------------|
| Capital assets, not being depreciated:              |                              |                      |                  |                           |
| Land  | \$ 180,177                   | \$ 75,000            | \$ -             | \$ 255,177                |
| Construction in progress                            | <u>150,466</u>               | <u>338,532</u>       | <u>-</u>         | <u>488,998</u>            |
| <br>Total capital assets, not<br>being depreciated  | <br><u>330,643</u>           | <br><u>413,532</u>   | <br><u>-</u>     | <br><u>744,175</u>        |
| Capital assets, being depreciated:                  |                              |                      |                  |                           |
| Improvements other than buildings                   | 6,178,541                    | -                    | -                | 6,178,541                 |
| Buildings   | 2,830,387                    | -                    | -                | 2,830,387                 |
| Machinery and equipment                             | <u>4,961,443</u>             | <u>46,526</u>        | <u>-</u>         | <u>5,007,969</u>          |
| <br>Totals  | <br><u>13,970,371</u>        | <br><u>46,526</u>    | <br><u>-</u>     | <br><u>14,016,897</u>     |
| Less accumulated depreciation for:                  |                              |                      |                  |                           |
| Improvements other than buildings                   | 2,741,633                    | 115,557              | -                | 2,857,190                 |
| Buildings   | 1,185,093                    | 55,551               | -                | 1,240,644                 |
| Machinery and equipment                             | <u>3,151,624</u>             | <u>231,593</u>       | <u>-</u>         | <u>3,383,217</u>          |
| <br>Totals  | <br><u>7,078,350</u>         | <br><u>402,701</u>   | <br><u>-</u>     | <br><u>7,481,051</u>      |
| <br>Total capital assets, being<br>depreciated, net | <br><u>6,892,021</u>         | <br><u>(356,175)</u> | <br><u>-</u>     | <br><u>6,535,846</u>      |
| <br>Total capital assets, net                       | <br><u>\$ 7,222,664</u>      | <br><u>\$ 57,357</u> | <br><u>\$ -</u>  | <br><u>\$ 7,280,021</u>   |
| <br><u>Storm Water Utility</u>                      |                              |                      |                  |                           |
| Capital assets, not being depreciated:              |                              |                      |                  |                           |
| Construction in progress                            | \$ -                         | \$ 10,138            | \$ -             | \$ 10,138                 |
| Capital assets, being depreciated:                  |                              |                      |                  |                           |
| Improvements other than buildings                   | -                            | 880                  | -                | 880                       |
| Buildings   | -                            | 24,168               | -                | 24,168                    |
| Machinery and equipment                             | <u>2,488</u>                 | <u>4,546</u>         | <u>-</u>         | <u>7,034</u>              |
| <br>Totals  | <br><u>2,488</u>             | <br><u>29,594</u>    | <br><u>-</u>     | <br><u>32,082</u>         |
| Less accumulated depreciation for:                  |                              |                      |                  |                           |
| Machinery and equipment                             | <u>-</u>                     | <u>498</u>           | <u>-</u>         | <u>498</u>                |
| <br>Total capital assets, being<br>depreciated, net | <br><u>2,488</u>             | <br><u>29,096</u>    | <br><u>-</u>     | <br><u>31,584</u>         |
| <br>Total capital assets, net                       | <br><u>\$ 2,488</u>          | <br><u>\$ 39,234</u> | <br><u>\$ -</u>  | <br><u>\$ 41,722</u>      |

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

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

|                                |                         |
|--------------------------------|-------------------------|
| Water                          | \$ 776,562              |
| Electric                       | 399,921                 |
| Wastewater                     | 402,701                 |
| Storm Water                    | <u>498</u>              |
| <br>Total depreciation expense | <br><u>\$ 1,579,682</u> |

C. Construction Commitments

Construction work in progress is composed of the following:

| Project             | Total<br>Project<br>Authorized | Expended to<br>December 31,<br>2006 | Committed             | Required<br>Future<br>Funding |
|---------------------|--------------------------------|-------------------------------------|-----------------------|-------------------------------|
| Water Utility       | \$ 63,520                      | \$ 63,520                           | \$ -                  | \$ -                          |
| Electric Utility    | 326,756                        | 326,756                             | -                     | -                             |
| Wastewater Utility  | 713,743                        | 488,998                             | 224,745               | -                             |
| Storm Water Utility | <u>10,138</u>                  | <u>10,138</u>                       | <u>-</u>              | <u>-</u>                      |
| <br>Totals          | <br><u>\$ 1,114,157</u>        | <br><u>\$ 889,412</u>               | <br><u>\$ 224,745</u> | <br><u>\$ -</u>               |

D. Interfund Balances and Activity

1. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2006, is as follows:

| Due To              | Water<br>Utility     | Wastewater<br>Utility | Electric<br>Utility  | Storm Water<br>Utility | Total                 |
|---------------------|----------------------|-----------------------|----------------------|------------------------|-----------------------|
| General Fund        | \$ 65,925            | \$ 18,948             | \$ 21,844            | \$ -                   | \$ 106,717            |
| Water Utility       | -                    | 2,991                 | 99                   | 3                      | 3,093                 |
| Wastewater Utility  | 22                   | -                     | 42                   | -                      | 64                    |
| Electric Utility    | 62                   | 7,201                 | -                    | -                      | 7,263                 |
| Storm Water Utility | <u>6</u>             | <u>460</u>            | <u>1</u>             | <u>-</u>               | <u>467</u>            |
| <br>Totals          | <br><u>\$ 66,015</u> | <br><u>\$ 29,600</u>  | <br><u>\$ 21,986</u> | <br><u>\$ 3</u>        | <br><u>\$ 117,604</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.

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

2. Interfund Transfers

Interfund transfers at December 31, 2006, were as follows:

| Transfer From      | Transfer To<br>General<br>Fund |
|--------------------|--------------------------------|
| Water Utility      | \$ 263,700                     |
| Wastewater Utility | 75,792                         |
| Electric Utility   | 61,369                         |
| Total              | \$ 400,861                     |

The Utilities typically uses transfers to fund ongoing operating subsidies.

E. Short-Term Liabilities

The Utilities may use short-term notes and loans to finance a variety of public projects, including bond anticipation notes.

Short-term debt activity for the year ended December 31, 2006, was as follows:

|                                   | Beginning<br>Balance | Issued/<br>Draws | Redeemed<br>Repayments | Ending<br>Balance |
|-----------------------------------|----------------------|------------------|------------------------|-------------------|
| Wastewater bond anticipation note | \$ -                 | \$ 2,050,000     | \$ -                   | \$ 2,050,000      |

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:

| Purpose   | Interest<br>Rates | Amount        |
|---|-------------------|---------------|
| 1998 Water bonds (treatment plant, wells, maintenance building) | 4.55% to 5.00%    | \$ 1,790,000  |
| 2005 Water refunding bonds                                      | 4.50% to 5.00%    | 9,280,000     |
| 2006 Water refunding bonds                                      | 3.50% to 4.10%    | 5,900,000     |
| Total   |                   | \$ 16,970,000 |

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

Revenue bonds debt service requirements to maturity are as follows:

| Year Ended<br>December 31 | Water Utility        |                     |
|---------------------------|----------------------|---------------------|
|                           | Principal            | Interest            |
| 2007                      | \$ 850,000           | \$ 722,798          |
| 2008                      | 885,000              | 690,993             |
| 2009                      | 930,000              | 650,474             |
| 2010                      | 965,000              | 608,082             |
| 2011                      | 1,010,000            | 563,241             |
| 2012-2016                 | 5,800,000            | 2,092,140           |
| 2017-2021                 | <u>6,530,000</u>     | <u>681,100</u>      |
| Totals                    | <u>\$ 16,970,000</u> | <u>\$ 6,008,828</u> |

2. Advance Refunding

On October 11, 2006, the Washington Water Utility issued \$5,900,000 in refunding revenue bonds to refund \$5,580,000 of outstanding bonds. The net proceeds of \$5,710,973 (after payment of \$87,977 in issuance costs and \$101,050 in bond discount) and local contributions of \$12,019 were deposited in an irrevocable trust with an escrow agent. The accounting loss of \$265,178 has been recognized on the Statement of Net Assets as a portion of Revenue Bonds Payable and will be amortized using the declining balance method and charged to interest expense over the next 15 years.

In prior years, the Washington Water 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 Utility's financial statements. The following outstanding bonds, at December 31, 2006, were considered defeased:

|                               | Amount       |
|-------------------------------|--------------|
| 1996 Water Utility Bond Issue | \$ 4,210,000 |
| 1998 Water Utility Bond Issue | 4,940,000    |

3. Changes in Long-Term Liabilities

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

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

|                                    | Beginning<br>Balance     | Additions               | Reductions              | Ending<br>Balance        | Due<br>Within<br>One Year |
|------------------------------------|--------------------------|-------------------------|-------------------------|--------------------------|---------------------------|
| Revenue bonds payable:             |                          |                         |                         |                          |                           |
| Water Utility                      | \$ 17,430,000            | \$ 5,900,000            | \$ 6,360,000            | \$ 16,970,000            | \$ 850,000                |
| Less unamortized discount          | 65,003                   | 101,050                 | 54,855                  | 111,198                  | -                         |
| Plus unamortized premium           | 377,666                  | -                       | 47,873                  | 329,793                  | -                         |
| Less deferred loss on<br>refunding | <u>512,560</u>           | <u>265,178</u>          | <u>70,669</u>           | <u>707,069</u>           | <u>-</u>                  |
| <br>Total revenue<br>bonds payable | <br><u>\$ 17,230,103</u> | <br><u>\$ 5,533,772</u> | <br><u>\$ 6,282,349</u> | <br><u>\$ 16,481,526</u> | <br><u>\$ 850,000</u>     |

G. Restricted Assets

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

|                             | Water<br>Utility        | Electric<br>Utility   | Wastewater<br>Utility   |
|-----------------------------|-------------------------|-----------------------|-------------------------|
| Customer deposits           | \$ 115,467              | \$ 297,190            | \$ -                    |
| Debt reserve                | 1,653,482               | -                     | -                       |
| Depreciation                | 171,596                 | -                     | -                       |
| Bond and interest           | 499,151                 | -                     | -                       |
| Construction                | -                       | -                     | 1,782,537               |
| Improvement                 | <u>-</u>                | <u>-</u>              | <u>26,533</u>           |
| <br>Total restricted assets | <br><u>\$ 2,439,696</u> | <br><u>\$ 297,190</u> | <br><u>\$ 1,809,070</u> |

III. Other Information

A. Risk Management

The Utilities are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees, Retirees, and Dependents

The City, including the Utilities, has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents. The risk financing fund is where assets are

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

set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$40,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A premium is charged to each fund that accounts for employee payroll. 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.

B. Subsequent Events – Wastewater Project

On March 6, 2007, the City of Washington issued Sewage Works Revenue Bonds of 2007 in the amount of \$8,550,000. On March 21, 2007, the City of Washington paid off the bond anticipation note dated September 21, 2006, for \$2,050,000, plus interest. The City has received a Community Focus Fund Grant for wastewater treatment improvements (Grant CF-05-137) for \$525,000 to be used for the same project. No grant funds as of June 18, 2007, have been drawn down. These funds are to be used for the wastewater treatment facility improvements Phase 1 – Long-term control plan.

As of March 12, 2007, a contract was awarded for construction for \$5,995,000. Disbursements as of June 18, 2007, equal \$175,275.

C. Postemployment Benefits

In addition to the pension benefits described below, the City, including the Utilities, provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the City that qualify based on age and years of service. Currently, 16 retirees meet these eligibility requirements. The City provides 90% of these postemployment benefits for retirees plus 50% of the cost of coverage for employees' dependents, if the employee is under age 65. If the employee is over 65, the City provides 50% of the postemployment benefits for retirees. Expenditures for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2006, expenditures of \$75,832 were recognized for postemployment benefits.

D. Rate Structure

1. Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on May 25, 2001.

On April 10, 2006, the City Council adopted Ordinance No. 2-2006 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The withdrawal was effective June 16, 2006.

2. Wastewater Utility

The current rate structure was approved by the City Council on August 28, 2006.

3. Electric Utility

The current rate structure was approved by the Utility Regulatory Commission on January 28, 1998.

On April 10, 2006, the City Council adopted Ordinance No. 3-2006 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The withdrawal was effective June 16, 2006.

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

4. Storm Water Utility

The current rate structure was approved by the City Council on September 13, 2004.

E. 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.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Utility's annual pension cost and related information, as provided by the actuary, is presented in this note.

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

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

Actuarial Information for the Above Plan

|  | PERF  |
|--|---|
| Annual required contribution               | \$ 169,571                                    |
| Interest on net pension obligation         | (4,299)                                       |
| Adjustment to annual required contribution | 4,899   |
| Annual pension cost                        | 170,171                                       |
| Contributions made                         | 194,737                                       |
| Decrease in net pension obligation         | (24,566)                                      |
| Net pension obligation, beginning of year  | (59,292)                                      |
| Net pension obligation, end of year        | \$ (83,858)                                   |
| Contribution rates:                        |   |
| City and Utilities                         | 6%  |
| Plan members                               | 3%  |
| Actuarial valuation date                   | 07-01-04                                      |
| Actuarial cost method                      | Entry age                                     |
| Amortization method                        | Level percentage of projected payroll, closed |
| Amortization period                        | 40 years                                      |
| Amortization period (from date)            | 07-01-97                                      |
| Asset valuation method                     | 4 year smoothed market                        |

Actuarial Assumptions

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

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

Three Year Trend Information

|      | <u>Year Ending</u> | <u>Annual<br/>Pension Cost<br/>(APC)</u> | <u>Percentage<br/>of APC<br/>Contributed</u> | <u>Net<br/>Pension<br/>Obligation</u> |
|------|--------------------|--|--|---------------------------------------|
| PERF | 06-30-03           | \$ 193,101                               | 83%  | \$ (34,412)                           |
|      | 06-30-04           | 159,632                                  | 116%   | (59,292)                              |
|      | 06-30-05           | 170,171                                  | 122%   | (83,858)                              |

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

Public Employees' Retirement Fund

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(b) | Unfunded<br>AAL<br>(a-b) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | Unfunded<br>AAL as a<br>Percentage<br>of Covered<br>Payroll<br>((a-b)/c) |
|--------------------------------|--|---|--------------------------|--------------------------|---------------------------|--|
| 07-01-03                       | \$ 3,324,022                           | \$ 3,494,542                                      | \$ (170,520)             | 95%                      | \$ 3,236,740              | (5%)   |
| 07-01-04                       | 3,384,302                              | 3,638,346   | (254,044)                | 93%                      | 3,265,351                 | (8%)   |
| 07-01-05                       | 3,538,313                              | 3,947,415   | (409,102)                | 90%                      | 3,252,580                 | (13%)  |

WATER, ELECTRIC, WASTEWATER, AND STORM WATER UTILITIES  
CITY OF WASHINGTON  
AUDIT RESULTS AND COMMENTS

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property since 2002.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
  - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
  - (B) a description of the premises, as shown by the records of the county auditor; and
  - (C) the amount of the delinquent fees, together with the penalty; or
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

APPROVAL OF FORMS

The Washington Water and Electric Utilities were using the following form which had not been approved for use in lieu of a prescribed form:

Guarantee Deposit Warrant

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUBSEQUENT EVENTS - TIMELY RECORDKEEPING

Ledgers and other records for 2007 were not posted up-to-date.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

WATER, ELECTRIC, WASTEWATER, AND STORM WATER UTILITIES  
CITY OF WASHINGTON  
EXIT CONFERENCE

The contents of this report were discussed on July 17, 2007, with Elaine Wellman, Clerk-Treasurer; Lorraine Williams, Utility Office Manager; David W. Abel, Mayor; and Gordon L. Wade, President of the Common Council. The officials concurred with our audit findings.