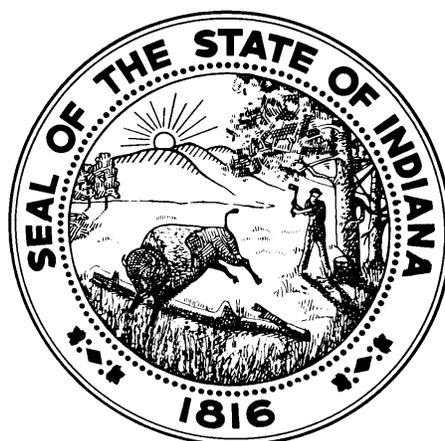


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF

WATER, WASTEWATER, ELECTRIC,
AND GAS UTILITIES
CITY OF JASPER
DUBOIS COUNTY, INDIANA

January 1, 2008 to December 31, 2008



FILED
12/22/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Juanita S. Boehm	01-01-08 to 12-31-11
Mayor	William J. Schmitt	01-01-08 to 12-31-11
Presiding Officer of the Board of Public Works and Safety	William J. Schmitt	01-01-08 to 12-31-11
Presiding Officer of the Common Council	William J. Schmitt	01-01-08 to 12-31-11
Utilities' General Manager	Gerald W. Hauersperger	01-01-08 to 12-31-09
Water Utility Manager	Michael A. Oeding	01-01-08 to 12-31-09
Wastewater Utility Manager	Thomas Lents Greg E. Hollinden	01-01-08 to 05-31-08 06-01-08 to 12-31-09
Electric Utility Generation Manager	Windell Toby	01-01-08 to 12-31-09
Electric Utility Distribution Manager	Jerald L. Schitter	01-01-08 to 12-31-09
Gas Utility Manager	Michael A. Oeding	01-01-08 to 12-31-09
Utility Controller	Linda McGovren	01-01-08 to 12-31-09
Chairman of the Utility Service Board	Michael A. Schwenk J. Alexander Emmons	01-01-08 to 12-31-08 01-01-09 to 12-31-09



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE WATER, WASTEWATER, ELECTRIC, AND
GAS UTILITIES, CITY OF JASPER, DUBOIS COUNTY, INDIANA

We have examined the financial statements presented herein of the Water, Wastewater, Electric, and Gas Utilities, departments of the City of Jasper, for the period of January 1, 2008 to December 31, 2008. The Utilities' management is responsible for the financial statements presented herein. Our responsibility is to express an opinion based on our examination.

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

As discussed in Note I, the financial statements of the Water, Wastewater, Electric, and Gas Utilities, City of Jasper, 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 Jasper as of December 31, 2008, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and the changes in financial position and cash flows of the Utilities for the year ended December 31, 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Management's Discussion and Analysis, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial statement. The Management's Discussion and Analysis has not been subjected to the examination procedures applied to the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

October 29, 2009

Water, Wastewater, Electric and Gas Utilities
City of Jasper, Indiana
Management's Discussion and Analysis
December 31, 2008

This discussion and analysis highlights the financial activities of the Water, Wastewater, Electric and Gas Utilities ("Utilities"), a department of the City of Jasper ("City"), for the year ended December 31, 2008. We hope you will find this discussion helpful in assessing the Utilities' financial condition and activities, which are funded primarily through user charges and fees for services. Please read it in conjunction with the Utilities' financial statements and accompanying notes, which follow this discussion and analysis.

Financial Highlights

- The total net assets of the Utilities at December 31, 2008 were \$69,197,912. Of this amount, \$17,508,774 is unrestricted and may be used to meet the Utilities' ongoing obligations to its customers and users.
- The Utilities' unrestricted cash and cash equivalents increased by \$3,814,757, while restricted cash and cash equivalents decreased by \$478,461, for a net cash increase of \$3,336,296.
- The Utilities' total capital assets, net of accumulated depreciation, increased by \$305,840.
- The Utilities long-term debt decreased by \$1,347,083. This decrease represents the amount of principal payments made during 2008. No new debt was incurred during the year.

Basic Financial Statements

The Governmental Accounting Standards Board (GASB) requires the Utilities to present its financial statements in accordance with GASB Statement No. 34.

The basic financial statements for the Utilities consist of the following:

1. Statement of Net Assets;
2. Statement of Revenues, Expenses and Other Changes in Fund Net Assets;
3. Statement of Cash Flows; and
4. Notes to Financial Statements.

The Statement of Net Assets and the Statement of Revenues, Expenses and Other Changes in Fund Net Assets have been prepared using the accrual basis of accounting. This means that revenue is recorded when earned, and expenses are reflected in the statements when they are incurred, regardless of when the related cash is actually received or disbursed. In doing so, revenues and expenses are more closely matched to the accounting period to which they relate.

In addition to the basic financial statements, supplementary information is also included in the accompanying report.

Condensed Financial Data

The table below provides a summary of the revenues, expenses and changes in net assets for the year ended December 31, 2008, along with comparative figures from 2007:

City of Jasper, Indiana
Water, Wastewater, Electric and Gas Utilities
Statement of Revenues, Expenses, and Other Changes in Fund Net Assets
(000's omitted)

	Water Utility		Wastewater Utility		Electric Utility		Gas Utility		Total Utilities	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Operating revenues	\$ 3,094	\$ 3,247	\$ 2,972	\$ 2,974	\$ 29,091	\$ 23,906	\$ 9,442	\$ 7,951	\$ 44,599	\$ 38,078
Operating expenses	2,311	2,254	2,959	2,829	27,279	21,962	9,998	7,862	42,547	34,907
Operating income (loss)	783	993	13	145	1,812	1,944	(556)	89	2,052	3,171
Non-operating revenues (expenses)	(292)	(270)	14	72	403	422	(3)	4	122	228
Income (loss) before contri- butions and transfers	491	723	27	217	2,215	2,366	(559)	93	2,174	3,399
Capital contributions	315	113	249	66	-	-	36	79	600	258
Transfers out	(177)	(155)	-	-	(140)	(125)	(32)	(28)	(349)	(308)
Change in net assets	629	681	276	283	2,075	2,241	(555)	144	2,425	3,349
Total net assets - begin	12,263	11,582	22,837	22,554	26,252	24,011	5,421	5,277	66,773	63,424
Total net assets - end	\$ 12,892	\$ 12,263	\$ 23,113	\$ 22,837	\$ 28,327	\$ 26,252	\$ 4,866	\$ 5,421	\$ 69,198	\$ 66,773

The following table outlines the composition of the Utilities' total net assets as of December 31, 2008, with comparative figures from 2007:

City of Jasper, Indiana
Water, Wastewater, Electric and Gas Utilities
Statement of Net Assets
(000's omitted)

	Water Utility		Wastewater Utility		Electric Utility		Gas Utility		Total Utilities	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 3,213	\$ 3,167	\$ 3,194	\$ 3,645	\$ 16,968	\$ 12,954	\$ 3,444	\$ 4,091	\$ 26,819	\$ 23,857
Capital assets	20,727	20,806	20,885	20,617	15,235	15,325	4,087	3,880	60,934	60,628
Total Assets	23,940	23,973	24,079	24,262	32,203	28,279	7,531	7,971	87,753	84,485
Long-term liabilities outstanding	10,605	11,302	725	974	-	-	1,112	1,252	12,442	13,528
Other liabilities	442	407	241	451	3,876	2,027	1,554	1,299	6,113	4,184
Total Liabilities	11,047	11,709	966	1,425	3,876	2,027	2,666	2,551	18,555	17,712
Net assets:										
Invested in capital assets net of related debt	10,122	9,504	20,140	19,362	15,235	15,325	4,087	3,881	49,584	48,072
Restricted	1,803	1,874	302	765	-	-	-	-	2,105	2,639
Unrestricted	967	885	2,671	2,710	13,092	10,927	778	1,540	17,508	16,062
Total Net Assets	\$ 12,892	\$ 12,263	\$ 23,113	\$ 22,837	\$ 28,327	\$ 26,252	\$ 4,865	\$ 5,421	\$ 69,197	\$ 66,773

Total net assets increased in the water, wastewater, and electric utilities during 2008 but decreased in the gas utility, due to the following:

- Income or (loss) recorded by each utility (income of \$491,000 in water, \$27,000 in wastewater, \$2,215,000 in electric, and a loss of \$559,000 in gas), and
- Contributions to capital made by customers, developers and others (\$315,000 in water, \$249,000 in wastewater, \$0 in electric, and \$36,000 in gas), and
- Transfers to the City for payments in lieu of taxes (\$177,000 from water, \$0 from wastewater, \$141,000 from electric, and \$32,000 from gas).

More detailed information is presented in the Statement of Net Assets; the Statement of Revenues, Expenses and Other Changes in Fund Net Assets; and the Statement of Cash Flows, which are included in the annual report.

Fund Analysis

Water:

In total, the water utility's cash, cash equivalents and investments increased by \$4,000 (0.2%) during the year.

- The operating and maintenance cash increased by \$24,000. This increase was due in part to funds being transferred from the depreciation fund, as well as normal fluctuations in the timing of cash receipts and disbursements.
- The depreciation fund decreased by \$72,000 during 2008. Some of the larger expenditures made during 2008 were for costs associated with the meter replacement program and for repairs to the traveling screen. Transfers to the operating and maintenance fund also contributed to the decrease in this fund.

Compared to the previous year, operating revenues in the water utility decreased \$153,000, and operating expenses increased \$57,000, for a decrease in operating income of \$210,000 (21.1%). Water net assets increased by \$629,000 (5.1%).

The average number of water customers for 2008 was 6,081, an increase of 48 over the previous year's average.

Wastewater:

In total, the wastewater utility's cash, cash equivalents and investments decreased by \$445,000 (13.6%) during 2008.

- The operating and maintenance fund increased by \$149,000, even though operating revenue decreased by \$2,000 and operating expenses were up by \$130,000. During 2008, the debt service reserve requirement was lowered by \$202,000. Funds previously accumulated in the debt service

reserve were used for the final principal and interest payment on the 2003 refunding revenue bonds, which reduced the amount that was transferred from the operating and maintenance fund for such purposes. Transfers from the depreciation fund also contributed to the increase in this fund.

- As noted above, the debt service reserve fund decreased by \$202,000 during the year as a result of the 2003 refunding revenue bonds reaching full maturity. This money was used for the final bond and interest payment on this particular bond issue.
- Depreciation cash decreased by \$261,000 in 2008, due in part to the transfers to the operating and maintenance fund. Some of the larger expenditures made from this fund were for the sewer relining project, a utility service truck, a loader backhoe, rebuilding the sludge thickener, and generators for two lift stations.
- The interceptor improvement cash increased by \$16,000. The increase results from interest earnings that were credited back to this fund, as well as \$6,000 in availability fees. No expenditures were made from this fund.
- The plant expansion cash decreased by \$211,000 during 2008. Expenditures for a new force main along South Newton Street and new drying beds accounted for the decrease. Revenues associated with connection fees and interest earnings were credited to this fund.

Compared to the previous year, operating revenues in the wastewater utility decreased \$2,000, while operating expenses rose \$130,000, for a decrease in operating income of \$132,000 (91.0%). Wastewater net assets increased by \$276,000 (1.2%).

The average number of wastewater customers for 2008 was 6,378, an increase of 64 over the previous year's average.

Electric:

Effective January 1, 2008, the City entered into a long-term contract with Indiana Municipal Power Agency ("IMPA") to become the City's electric power supplier. The City entered into a separate agreement with IMPA to schedule and dispatch the output of the City's electric power plant, also effective January 1, 2008. As a result of these agreements, assets (cash), liabilities, operating revenues and operating expenses for the electric utility were all higher in 2008 than in the previous year.

Total cash, cash equivalents and investments for the electric utility increased by \$4,414,000 (51.8%).

- The electric operating and maintenance cash increased by \$4,196,000. Operating revenue increased by \$5,185,000, while operating expenses for 2008 rose by \$5,317,000. A substantial portion of the increase in cash at the end of the year is due to IMPA's payment terms being net 45 days, versus net 30 days for the previous electric provider. This allowed the City to pay for the November power purchases in January 2009, thus conserving cash as of December 31, 2008.
- The electric utility's depreciation cash increased by \$171,000. Most of the expenditures from this fund were for additions and improvements to the electric distribution system, a new bucket truck with aerial device, a new building to house the meter department, and for the purchase of land acquired from Jasper Chair Company.

Compared to the previous year, operating revenues in the electric utility increased \$5,185,000, while operating expenses increased \$5,317,000, for a decrease in operating income of \$132,000 (6.8%). Electric net assets increased by \$2,075,000 (7.9%).

The average number of electric customers for 2008 was 6,951, an increase of 76 over the previous year's average.

Gas:

The gas utility's total cash, cash equivalents and investments decreased by \$637,000, or 35.9%.

- The gas utility's operating and maintenance cash decreased by \$554,000. This decrease was due to normal fluctuations in cash receipts and cash disbursements.
- The gas utility's depreciation cash decreased by \$123,000. Major capital expenditures during 2008 included the South Newton Street connector project, the purchase of a utility dump truck, and costs associated with the meter replacement program.

Compared to the previous year, operating revenues in the gas utility increased \$1,491,000, while operating expenses increased \$2,136,000, for a decrease in operating income of \$645,000 (724.7%). Gas net assets decreased by \$555,000 (10.2%).

The average number of gas customers for 2008 was 4,126, an increase of 30 over the previous year's average.

Overall, total operating revenue for the Utilities increased \$6,521,000 (17.1%) from the previous year, while total operating expenses rose by \$7,640,000 (21.9%). Total operating income was \$2,052,000, a decline of \$1,119,000 (35.3%) as compared to the previous year. Total net assets of the Utilities increased 2,425,000 (3.6%), to \$69,198,000.

Capital Asset and Long-Term Debt Activity

Capital Asset Activity:

As of December 31, 2008, the Utilities had \$92,170,000 invested in capital assets, such as land, buildings, improvements, equipment, and electric, water, sewer, and gas lines. Total accumulated depreciation at the end of 2008 was \$31,236,000, resulting in net capital assets of \$60,934,000. The total capital assets of the Utilities are summarized by category as follows:

	(000's omitted)	
	2008	2007
Land	636	615
Buildings	21,247	21,103
Improvements	51,043	49,426
Equipment	19,227	18,940
Construction in Progress	17	43
Total	<u>92,170</u>	<u>90,127</u>
Less: Accumulated depreciation	<u>(31,236)</u>	<u>(29,499)</u>
Total capital assets, net	<u><u>60,934</u></u>	<u><u>60,628</u></u>

The business-type activities recorded approximately \$1,616,000 for additions and on-going improvements to their respective distribution systems, with \$548,000 of this amount being contributed by developers and customers. Although some of these expenditures allowed the City to expand its service area, the majority were for improvements to, or relocation of, existing distribution systems.

Other major capital additions during 2008 include the following:

- \$187,000 for a new bucket truck with aerial device for the electric utility, replacing a similar unit that had been in use for approximately twenty years.
- \$140,000 to replace older-style water and gas meters with meters that incorporate newer, more efficient technology. The replacement program is complete in the electric utility, but is continuing into 2009 for the water and gas utilities.
- \$88,000 for two new drying beds for the wastewater utility.
- \$85,000 for a new building for the electric utility's meter department.
- \$61,000 for rebuilding the sludge thickener for the wastewater utility.
- \$58,000 for two new utility vehicles, replacing one each in the wastewater and gas utilities.
- \$29,000 for a loader backhoe in the wastewater utility.
- \$21,000 for land purchased by the electric utility in conjunction with a property swap with Jasper Chair Company.

See Note I.D.5 and Note II.C. in the attached financial statements for additional information.

Long-term Debt Activity:

As of December 31, 2008 and 2007 the Utilities' outstanding debt consisted of the following:

	<u>2008</u>	<u>2007</u>
• Water Utility	\$10,605,000	\$11,302,000
• Wastewater Utility	\$ 745,000	\$ 1,255,000
• Gas Utility	\$ 1,112,006	\$ 1,252,089

During the year, the Utilities made principal payments of \$1,347,083 and interest payments of \$500,481.

See Notes I.D.4, I.D.7, II.B., II.E. and II.F. in the attached financial statements for additional information.

Other Currently Known Facts

- The City continues to study options for upgrading Beaver Lake Dam to Department of Natural Resources guidelines, and to investigate various alternatives to finance these improvements. Upgrades must be completed within a three to four year period. Previous engineering estimates for the various options range from \$830,000 to \$3,630,000.
- The City approved a new electric rate ordinance in February, 2009. Base rates were increased approximately 11.3%, effective with billings beginning in March, 2009. However, for calendar year 2009, the increase in base rates is being partially offset by factoring a \$60,000 monthly credit into the power and energy adjustment that appears on customers' electric bills.
- The City adopted a new water rate ordinance in October, 2009. This ordinance will increase water rates by 37%, effective with December, 2009 utility bills. The current rates have been in effect since January, 2006.
- The City's coal-fired electric generating plant has been idle during much of 2009, due to the high cost of coal relative to the lower market price of electricity. The City is researching various alternatives with respect to the future of the generating plant, including the feasibility of converting it to use biomass as a fuel source. The City has applied for a federal stimulus grant which could cover some of the cost of converting the plant to biomass, if that alternative is ultimately selected.
- The general economic downturn, coupled with milder temperatures and greater than normal rainfall, has negatively impacted customer demand for utility services during much of 2009. Each of the Utilities is experiencing a decreased demand for services when compared to comparable periods of 2008.
- The current interest rate environment has also affected the Utilities' non-operating income. Interest rates have dropped significantly from their 2008 levels, which has reduced the amount of interest income that the Utilities receive on their excess cash balances.
- The Utility Service Board has approved the purchase of new billing, customer service, and accounting software, which will replace current software that has been in use for approximately ten years. The new software will provide enhanced functionality, reporting capabilities, and security features benefiting employees, management, and utility customers. The proposed software package will include such capabilities as the use of credit cards and on-line bill payments, with implementation expected to begin in the second quarter of 2010.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Utilities' finances and to show accountability for the money the Utilities receive. If you have questions about this report or need additional financial information, please contact the City's Clerk-Treasurer Office at 610 Main Street, Jasper, Indiana.

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
STATEMENT OF NET ASSETS
December 31, 2008

<u>Assets</u>	2008			
	Water	Wastewater	Electric	Gas
Current assets:				
Cash and cash equivalents	\$ 316,451	\$ 548,871	\$ 8,315,660	\$ 456,823
Accounts receivable (net of allowance)	171,810	170,636	1,441,326	909,266
Accounts receivable - other	2,020	5,748	5,287	4,183
Interfund receivables:				
Interfund loans	-	-	1,112,006	-
Interfund services provided and used	34,578	-	323	110
Inventories	251,134	137,116	1,288,995	268,469
Prepaid items	43,829	56,831	181,875	11,990
Total current assets	819,822	919,202	12,345,472	1,650,841
Noncurrent assets:				
Restricted cash, cash equivalents and investments:				
Debt service reserve	1,096,375	74,062	-	-
Depreciation	706,587	228,205	3,039,183	285,593
Computer	27,419	26,866	30,516	29,800
In lieu of taxes reserve	289,372	-	230,287	56,059
Self-insurance liability reserve	219,000	213,750	1,027,325	219,000
Industrial pretreatment	-	97,608	-	-
Plant expansion	-	1,190,758	-	-
Interceptor improvement	-	353,469	-	-
Customer deposits	54,000	90,057	295,350	90,670
Total restricted assets	2,392,753	2,274,775	4,622,661	681,122
Intangible assets - pipeline rights	-	-	-	1,112,006
Capital assets:				
Land, improvements to land and construction in progress	297,512	200,001	135,697	19,650
Other capital assets (net of accumulated depreciation)	20,429,521	20,685,244	15,098,763	4,067,521
Total capital assets	20,727,033	20,885,245	15,234,460	4,087,171
Total noncurrent assets	23,119,786	23,160,020	19,857,121	5,880,299
Total assets	23,939,608	24,079,222	32,202,593	7,531,140
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	376,547	96,380	3,488,800	1,394,100
Interfund payables:				
Interfund services provided and used	201	34,669	-	141
Taxes payable	11,370	-	91,587	67,373
Current liabilities payable from restricted assets:				
Customer deposits	54,000	90,057	295,350	90,670
Performance deposits	-	-	-	1,400
Loans payable	-	20,000	-	-
Total current liabilities	442,118	241,106	3,875,737	1,553,684
Noncurrent liabilities:				
Interfund loans	-	-	-	1,112,006
Loans payable	10,605,000	725,000	-	-
Total noncurrent liabilities	10,605,000	725,000	-	1,112,006
Total liabilities	11,047,118	966,106	3,875,737	2,665,690
<u>Net Assets</u>				
Invested in capital assets, net of related debt	10,122,033	20,140,245	15,234,460	4,087,171
Restricted for debt service	1,802,962	302,267	-	-
Unrestricted	967,495	2,670,604	13,092,396	778,279
Total net assets	\$ 12,892,490	\$ 23,113,116	\$ 28,326,856	\$ 4,865,450

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

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

	2008			
	Water	Wastewater	Electric	Gas
Operating revenues:				
Metered water revenue:				
Residential	\$ 1,476,794	\$ -	\$ -	\$ -
Residential sales	-	-	5,606,087	2,649,088
Commercial and industrial sales	1,425,032	-	23,236,664	6,766,592
Public street and highway lighting	-	-	177,878	-
Fire protection revenue	132,973	-	-	-
Penalties	8,337	23,484	39,518	12,635
Measured revenue:				
Residential	-	1,605,104	-	-
Commercial	-	1,121,822	-	-
Other	51,011	221,522	31,323	13,649
Total operating revenues	<u>3,094,147</u>	<u>2,971,932</u>	<u>29,091,470</u>	<u>9,441,964</u>
Operating expenses:				
Source of supply and expense - operations and maintenance	116,001	-	-	-
Water treatment expense - operations and maintenance	425,385	-	-	-
Production and supply	-	-	-	8,991,889
Power production	-	-	23,254,300	-
Transmission and distribution	435,177	-	1,041,319	333,541
Collection system - operations and maintenance	-	263,873	-	-
Pumping - operations and maintenance	-	266,899	-	-
Treatment and disposal - operations and maintenance	-	677,429	-	-
Customer accounts	27,268	62,492	60,169	27,736
Administration and general	844,402	1,065,838	2,100,442	515,022
Depreciation and amortization	463,257	622,228	822,940	129,711
Total operating expenses	<u>2,311,490</u>	<u>2,958,759</u>	<u>27,279,170</u>	<u>9,997,899</u>
Operating income (loss)	<u>782,657</u>	<u>13,173</u>	<u>1,812,300</u>	<u>(555,935)</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	75,906	85,482	289,678	25,308
Miscellaneous revenue	30,480	9,361	144,627	4,386
Interest expense	(397,705)	(70,167)	-	(32,609)
Miscellaneous expense	(747)	(10,499)	(31,196)	-
Total nonoperating revenues (expenses)	<u>(292,066)</u>	<u>14,177</u>	<u>403,109</u>	<u>(2,915)</u>
Income (loss) before contributions and transfers	490,591	27,350	2,215,409	(558,850)
Capital contributions	315,203	248,835	-	36,339
Transfers out	(176,716)	-	(140,672)	(32,544)
Change in net assets	629,078	276,185	2,074,737	(555,055)
Total net assets - beginning	<u>12,263,412</u>	<u>22,836,931</u>	<u>26,252,119</u>	<u>5,420,505</u>
Total net assets - ending	<u>\$ 12,892,490</u>	<u>\$ 23,113,116</u>	<u>\$ 28,326,856</u>	<u>\$ 4,865,450</u>

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

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

	2008			
	Water	Wastewater	Electric	Gas
Cash flows from operating activities:				
Receipts from customers and users	\$ 3,119,576	\$ 2,974,602	\$ 29,194,214	\$ 9,359,007
Payments to suppliers and contractors	(1,046,267)	(892,517)	(23,262,262)	(9,168,498)
Payments to employees	(813,596)	(1,447,007)	(1,186,772)	(352,390)
Interfund services provided (used)	(20,571)	21,443	(952)	80
Other receipts	29,733	3,922	130,557	4,386
Net cash provided (used) by operating activities	<u>1,268,875</u>	<u>660,443</u>	<u>4,874,785</u>	<u>(157,415)</u>
Cash flows from noncapital financing activities:				
Transfer to other funds	(176,716)	-	(140,672)	(32,544)
Interfund loans repayments	-	-	140,083	(140,083)
Interest on interfund loans	-	-	32,609	(32,609)
Net cash used by noncapital financing activities	<u>(176,716)</u>	<u>-</u>	<u>32,020</u>	<u>(205,236)</u>
Cash flows from capital and related financing activities:				
Capital contributions	315,203	248,835	-	36,339
Acquisition and construction of capital assets	(384,198)	(890,795)	(749,700)	(336,409)
Principal paid on capital debt	(697,000)	(478,628)	-	-
Interest paid on capital debt	(397,705)	(70,167)	-	-
Net cash used by capital and related financing activities	<u>(1,163,700)</u>	<u>(1,190,755)</u>	<u>(749,700)</u>	<u>(300,070)</u>
Cash flows from investing activities:				
Interest received	<u>75,906</u>	<u>85,482</u>	<u>257,069</u>	<u>25,308</u>
Net increase in cash and cash equivalents	4,365	(444,830)	4,414,174	(637,413)
Cash and cash equivalents, January 1	<u>2,704,839</u>	<u>3,268,476</u>	<u>8,524,147</u>	<u>1,775,358</u>
Cash and cash equivalents, December 31	<u>\$ 2,709,204</u>	<u>\$ 2,823,646</u>	<u>\$ 12,938,321</u>	<u>\$ 1,137,945</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 782,657	\$ 13,173	\$ 1,812,300	\$ (555,935)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	463,257	622,228	822,940	129,711
Amortization expense (see Note II.B.)	-	-	-	140,083
Bad debt expense	2,335	2,222	30,838	11,244
Nonoperating revenue and expense	29,733	3,922	130,557	4,386
(Increase) decrease in assets:				
Accounts receivable	25,429	2,670	102,744	(82,957)
Interfund services provided or used	(20,573)	712	(240)	74
Inventories	(47,418)	2,029	140,981	(56,926)
Prepaid items	(1,350)	(6,648)	(14,012)	(2,131)
Increase (decrease) in liabilities:				
Accounts payable	29,485	(5,148)	1,877,348	225,165
Interfund payables	2	20,731	(712)	6
Taxes payable	1,978	-	(33,566)	25,350
Performance deposits	-	-	-	(550)
Customer deposits	3,340	4,552	5,607	5,065
Total adjustments	<u>486,218</u>	<u>647,270</u>	<u>3,062,485</u>	<u>398,520</u>
Net cash provided (used) by operating activities	<u>\$ 1,268,875</u>	<u>\$ 660,443</u>	<u>\$ 4,874,785</u>	<u>\$ (157,415)</u>

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

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
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 Jasper (City), and the results of its operations and cash flows of its enterprise funds. The Utilities, whose operations are controlled by the City, represents a substantial portion of the City's enterprise funds.

B. Fund Financial Statements

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

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

The accounts of the business-type 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.

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

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.

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

2. Inventories and Prepaid Items

All inventories are valued at cost using the average cost method. Inventories of enterprise funds are recorded as expenditures when consumed rather than when purchased.

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

3. Restricted Assets

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

4. Intangible Assets

Intangible assets, which include pipeline rights, are reported in the financial statements. Intangible assets are reported at the actual cost. Intangible assets are amortized monthly at an amount equal to the principal paid for the interfund loan relating to the purchase of the intangible assets. The amortization expense is reported as part of the production and supply expense instead of amortization expense because the rights to use the pipeline are an expense of purchasing the gas.

5. 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	\$ 1,000	Straight-line	67 years
Improvement other than buildings	1,000	Straight-line	20 to 99 years
Machinery and Equipment	1,000	Straight-line	5 to 30 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.

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. The total interest expense incurred by the Water, Wastewater, Electric, and Gas Utilities during the current year was \$397,705, \$70,167, \$0, and \$32,609, respectively. None of the interest expense was included was part of the cost of capital assets under construction.

6. Compensated Absences

- a. Sick Leave – Utility employees earn sick leave at the rate of 10 days per year. Unused sick leave may be accumulated to a maximum of 120 days. Accumulated sick leave is not paid to employees upon termination.
- b. Vacation Leave – Utility employees earn vacation leave at rates from 5 days to 20 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 2 days per year. Personal leave does not accumulate from year to year.

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

7. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

II. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Utilities do not have a deposit policy for custodial credit risk; however, the utilities are not exposed to custodial credit risk at this time. At December 31, 2008, the bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Intangible Assets – Pipeline Rights

On August 25, 2006, the City, through the Utility Service Board, negotiated an agreement with NGM, LLC for the assignment of NGM's ETS Service Agreement and Gathering Agreement with ANR Pipeline Company to the City of Jasper for the City's gas transportation, effective September 1, 2006 to May 31, 2021. The Gas Utility purchased these agreements for pipeline rights at a

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

cost of \$1,359,375. The intangible assets – pipeline rights were amortized based on the principal payments made on the corresponding interfund loan of \$140,083. As of December 31, 2008, the value of the intangible assets – pipeline rights was \$1,112,006.

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 292,314	\$ -	\$ -	\$ 292,314
Construction in progress	43,155	129,234	167,191	5,198
	<u>335,469</u>	<u>129,234</u>	<u>167,191</u>	<u>297,512</u>
Total capital assets, not being depreciated				
	<u>335,469</u>	<u>129,234</u>	<u>167,191</u>	<u>297,512</u>
Capital assets, being depreciated:				
Buildings	10,427,252	43,981	-	10,471,233
Improvements other than buildings	10,403,689	315,528	52,235	10,666,982
Machinery and equipment	4,137,459	98,720	19,169	4,217,010
	<u>24,968,400</u>	<u>458,229</u>	<u>71,404</u>	<u>25,355,225</u>
Totals				
	<u>24,968,400</u>	<u>458,229</u>	<u>71,404</u>	<u>25,355,225</u>
Less accumulated depreciation for:				
Buildings	949,348	158,117	-	1,107,465
Improvements other than buildings	2,724,666	192,650	20,152	2,897,164
Machinery and equipment	823,763	112,490	15,178	921,075
	<u>4,497,777</u>	<u>463,257</u>	<u>35,330</u>	<u>4,925,704</u>
Totals				
	<u>4,497,777</u>	<u>463,257</u>	<u>35,330</u>	<u>4,925,704</u>
Total capital assets, being depreciated, net	<u>20,470,623</u>	<u>(5,028)</u>	<u>36,074</u>	<u>20,429,521</u>
Total capital assets, net	<u>\$ 20,806,092</u>	<u>\$ 124,206</u>	<u>\$ 203,265</u>	<u>\$ 20,727,033</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 195,639	\$ -	\$ -	\$ 195,639
Construction in progress	23	558,378	554,039	4,362
	<u>195,662</u>	<u>558,378</u>	<u>554,039</u>	<u>200,001</u>
Total capital assets, not being depreciated				
	<u>195,662</u>	<u>558,378</u>	<u>554,039</u>	<u>200,001</u>

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Wastewater Utility (continued):				
Capital assets, being depreciated:				
Buildings	6,898,962	8,440	-	6,907,402
Improvements other than buildings	15,953,940	691,133	550	16,644,523
Machinery and equipment	7,342,010	214,417	151,644	7,404,783
Totals	30,194,912	913,990	152,194	30,956,708
Less accumulated depreciation for:				
Buildings	1,567,761	92,110	-	1,659,871
Improvements other than buildings	3,441,251	290,839	403	3,731,687
Machinery and equipment	4,764,884	239,279	124,257	4,879,906
Totals	9,773,896	622,228	124,660	10,271,464
Total capital assets, being depreciated, net	20,421,016	291,762	27,534	20,685,244
Total capital assets, net	\$ 20,616,678	\$ 850,140	\$ 581,573	\$ 20,885,245
Electric Utility:				
Capital assets, not being depreciated:				
Land	\$ 110,050	\$ 20,800	\$ -	\$ 130,850
Construction in progress	-	241,164	236,317	4,847
Total capital assets, not being depreciated	110,050	261,964	236,317	135,697
Capital assets, being depreciated:				
Buildings	3,766,220	139,525	48,592	3,857,153
Improvements other than buildings	17,961,950	391,402	3,784	18,349,568
Machinery and equipment	6,737,252	199,737	74,315	6,862,674
Totals	28,465,422	730,664	126,691	29,069,395
Less accumulated depreciation for:				
Buildings	2,098,149	65,082	27,784	2,135,447
Improvements other than buildings	7,867,232	490,291	3,784	8,353,739
Machinery and equipment	3,285,265	267,567	71,386	3,481,446
Totals	13,250,646	822,940	102,954	13,970,632
Total capital assets, being depreciated, net	15,214,776	(92,276)	23,737	15,098,763
Total capital assets, net	\$ 15,324,826	\$ 169,688	\$ 260,054	\$ 15,234,460

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Gas Utility:				
Capital assets, not being depreciated:				
Land	\$ 16,904	\$ -	\$ -	\$ 16,904
Construction in progress	<u>-</u>	<u>298,834</u>	<u>296,088</u>	<u>2,746</u>
 Total capital assets, not being depreciated	 <u>16,904</u>	 <u>298,834</u>	 <u>296,088</u>	 <u>19,650</u>
Capital assets, being depreciated:				
Buildings	10,926	-	-	10,926
Improvements other than buildings	5,105,806	334,357	58,391	5,381,772
Machinery and equipment	<u>723,133</u>	<u>34,098</u>	<u>14,698</u>	<u>742,533</u>
 Totals	 <u>5,839,865</u>	 <u>368,455</u>	 <u>73,089</u>	 <u>6,135,231</u>
Less accumulated depreciation for:				
Buildings	5,175	181	-	5,356
Improvements other than buildings	1,609,213	93,909	25,897	1,677,225
Machinery and equipment	<u>361,908</u>	<u>35,621</u>	<u>12,400</u>	<u>385,129</u>
 Totals	 <u>1,976,296</u>	 <u>129,711</u>	 <u>38,297</u>	 <u>2,067,710</u>
 Total capital assets, being depreciated, net	 <u>3,863,569</u>	 <u>238,744</u>	 <u>34,792</u>	 <u>4,067,521</u>
 Total capital assets, net	 <u>\$ 3,880,473</u>	 <u>\$ 537,578</u>	 <u>\$ 330,880</u>	 <u>\$ 4,087,171</u>

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

Water	\$ 463,257
Wastewater	622,228
Electric	822,940
Gas	<u>129,711</u>
Total depreciation expense	<u>\$ 2,038,136</u>

D. Construction Commitments

Construction work in progress is composed of the following:

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

Project	Total Project Authorized	Expended to December 31, 2008	Committed	Required Future Funding
Water Utility - Vehicle storage building	\$ 998	\$ 998	\$ -	\$ -
Water Utility - Broadband study	4,200	4,200	-	-
Wastewater Utility - Broadband study	4,362	4,362	-	-
Electric Utility - Broadband study	4,847	4,847	-	-
Gas Utility - Broadband study	2,746	2,746	-	-
Totals	<u>\$ 17,153</u>	<u>\$ 17,153</u>	<u>\$ -</u>	<u>\$ -</u>

E. Interfund Balances and Activity

1. Interfund Receivables and Payables

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

Due To	Due From			Totals
	Water Utility	Wastewater Utility	Gas Utility	
Water Utility	\$ -	\$ 34,578	\$ -	\$ 34,578
Electric Utility	91	91	1,112,147	1,112,329
Gas Utility	110	-	-	110
Totals	<u>\$ 201</u>	<u>\$ 34,669</u>	<u>\$ 1,112,147</u>	<u>\$ 1,147,017</u>

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

An interfund loan from the Electric Utility to the Gas Utility of \$1,359,375 was made in 2006 to allow the Gas Utility to purchase the contracts with ANR Pipeline Company for pipeline rights to be used to transport gas. The term of the loan is for five years with the option to extend the loan for an additional five years. The first monthly payment was made in October 2006 with revenue generated through a debt tracker fee associated with the existing gas tracker system. The interest rate for the loan is based on the current local certificate of deposit rates. Principal and interest payments made in 2008 were \$140,083 and \$32,609, respectively. The interfund loan payable as of December 31, 2008, was \$1,112,006 and was classified as a noncurrent liability since the term of the loan exceeds one year.

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Interfund Transfers

Interfund transfers at December 31, 2008, were as follows:

Transfer From	Transfer To General Fund
Water Utility	\$ 176,716
Electric Utility	140,672
Gas Utility	32,544
Total	\$ 349,932

The Utility typically uses transfers to fund ongoing operating subsidies.

F. Long-Term Liabilities

1. State Revolving Loan Fund

Wastewater Revolving Loan Fund

Under the terms of the State Revolving Loan Fund, revenue bonds were purchased by the Indiana Bond Bank, the proceeds of which were used to finance the construction of sewer lines to Whoderville/Eastown and Southwest area of the City. Funds were loaned to the City as construction costs accrued to the maximum allowed. The 2001 loan established a maximum draw of \$1,010,000. At the completion of construction, the outstanding principal balance of \$1,010,000 was amortized over a period of 20 years. Annual debt service requirements to maturity for this loan, including interest of \$188,388, are as follows:

2009	\$ 33,038
2010	74,937
2011	73,188
2012	71,437
2013	69,688
2014-2018	359,475
2019-2023	251,625
Total	\$ 933,388

Water Revolving Loan Fund

Under the terms of the State Revolving Loan Fund, revenue bonds were purchased by the Indiana Bond Bank, the proceeds of which were used to finance the construction of a water treatment plant and transmission mains. Funds were loaned to the City as construction costs

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

accrued to the maximum allowed. The 1999 loan established a maximum draw of \$15,000,000. At the completion of construction, the outstanding principal balance of \$15,000,000 was amortized over a period of twenty years. Annual debt service requirements to maturity for this loan, including interest of \$2,466,275, are as follows:

2009	\$	178,500
2010		1,044,750
2011		1,039,900
2012		1,044,175
2013		1,042,487
2014-2018		5,203,875
2019-2023		<u>3,112,588</u>
 Total	 \$	 <u><u>12,666,275</u></u>

Under the terms of the State Revolving Loan Fund, revenue bonds were purchased by the Indiana Bond Bank, the proceeds of which were used to finance improvements to the south water tower and clearwell conversion. Funds were loaned to the City as construction costs accrued to the maximum allowed. The 2003 loan established a maximum draw of \$600,000. At the completion of construction, the outstanding principal balance of \$530,763 was amortized over a period of twenty years. Annual debt service requirements to maturity for this loan, including interest of \$130,600, are as follows:

2009	\$	8,100
2010		37,760
2011		37,860
2012		37,920
2013		38,920
2014-2018		191,840
2019-2023		<u>183,200</u>
 Total	 \$	 <u><u>535,600</u></u>

2. Advance Refunding

In prior years, the Wastewater 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, 2008, were considered defeased:

		<u>Amount</u>
Wastewater Utility	\$	<u><u>270,000</u></u>

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water Utility:					
Loans payable	\$ 11,302,000	\$ -	\$ 697,000	\$ 10,605,000	\$ -
Wastewater Utility:					
Revenue bonds payable	\$ 465,000	\$ -	\$ 465,000	\$ -	\$ -
Less unamortized discount	3,764	-	3,764	-	-
Less deferred amount on refunding	27,608	-	27,608	-	-
Total revenue bonds payable	433,628	-	433,628	-	-
Loans payable	790,000	-	45,000	745,000	20,000
Total long-term liabilities	\$ 1,223,628	\$ -	\$ 478,628	\$ 745,000	\$ 20,000

G. Restricted Assets

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

Water Utility:	
Debt service reserve account	\$ 1,096,375
Depreciation account	706,587
Computer account	27,419
Customer deposit account	54,000
In lieu of taxes reserve account	289,372
Self-insurance liability reserve account	219,000

Total restricted assets \$ 2,392,753

Wastewater Utility:	
Debt service reserve account	\$ 74,062
Depreciation account	228,205
Computer account	26,866
Customer deposit account	90,057
Self-insurance liability reserve account	213,750
Industrial pretreatment account	97,608
Plant expansion account	1,190,758
Interceptor improvement account	353,469

Total restricted assets \$ 2,274,775

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

Electric Utility:	
Depreciation account	\$ 3,039,183
Computer account	30,516
Customer deposit account	295,350
In lieu of taxes reserve account	230,287
Self-insurance liability reserve account	<u>1,027,325</u>
Total restricted assets	<u><u>\$ 4,622,661</u></u>
Gas Utility:	
Depreciation account	\$ 285,593
Computer account	29,800
Customer deposit account	90,670
In lieu of taxes reserve account	56,059
Self-insurance liability reserve account	<u>219,000</u>
Total restricted assets	<u><u>\$ 681,122</u></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 Utilities have 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 set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$75,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are paid into the fund by all funds with payrolls and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon the percentage of each fund's current year number of employees as it relates to the total number of full-time employees, and are reported as quasi-external interfund transactions. Provisions are also made for unexpected and unusual claims.

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Subsequent Events

Electric Utility Rates

The Common Council adopted Ordinance 2008-34 at its meeting on February 18, 2009, to increase the Electric Utility rates effective for those electric billings due March 1, 2009. The increase amounted to 6.75% for residential customers and 10% for commercial customers.

Water Utility Rates

The Common Council adopted Ordinance 2009-31 at its meeting on October 21, 2009, to increase the Water Utility rates effective December 2009. The increase amounted to 37%.

C. Contingent Liabilities

USEPA Claim

The United States Environmental Protection Agency (USEPA) has filed a claim against the City of Jasper for activities of PCB Treatment, Inc., during or about the 1980s involving the improper and illegal disposal of PCB materials. The USEPA has alleged that the City of Jasper was a potentially responsible party ("PRP") because of PCB contaminated materials allegedly contributed by the City of Jasper, through the Jasper Municipal Utilities, to the sites. The Jasper Municipal Utilities had, in fact, contracted with PCB Treatment, Inc., during or about the 1980's to properly and legally dispose of Jasper's PCB contaminated materials. There are approximately 1,500 PRP's in addition to the City of Jasper.

The City of Jasper received a letter from the USEPA in June 2001 advising them that they could enter into a de minimis settlement in this matter. The City had two choices of a premium: I) a 100% premium with no cost reopener and II) a 50% premium with a reopener if there are cost overruns that exceed the estimated removal action costs of \$34,752,000 and reach \$60,000,000. Option I would cost the City \$85,707 and option II would cost \$64,280. The Utility Service Board entered into an Administrative Order of Consent, on July 16, 2001, and chose Option II. The amount of \$64,280 was paid on October 19, 2001, to the USEPA's special account. Because the City chose Option II, the reopener could be triggered at a later date and more money could be owed. If the reopener is triggered, the parties who selected Option II will owe their individual percentage share of the allocated weight, multiplied by the amount of removal costs incurred that exceed the \$60,000,000. The City of Jasper's individual percentage share is .12%.

D. Rate Structure

1. Water Utility

On September 24, 1984, the City Council adopted Ordinance 1156 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on January 21, 2004, and amended on November 14, 2007. The Utility has 6,160 customers.

2. Wastewater Utility

The current rate structure was approved by the Council on April 23, 2008. The Utility has 6,446 customers.

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Electric Utility

On June 12, 1991, the City Council adopted Ordinance 1991-15 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on February 18, 2009. The Utility has 7,068 customers.

4. Gas Utility

On June 12, 1991, the City Council adopted Ordinance 1991-14 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on December 17, 2003. The Utility has 4,157 customers.

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 Utility 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 Utilities' 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, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 538,093
Interest on net pension obligation	(14,300)
Adjustment to annual required contribution	16,296
Annual pension cost	540,089
Contributions made	558,717
Decrease in net pension obligation	(18,628)
Net pension obligation, beginning of year	(197,247)
Net pension obligation, end of year	\$ (215,875)
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

Actuarial Assumptions

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 528,649	92%	\$ (188,751)
	06-30-07	510,184	102%	(197,247)
	06-30-08	540,089	103%	(215,875)

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

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 8,135,268	\$ 10,248,737	\$ (2,113,469)	79%	\$ 6,445,174	(33%)
07-01-07	9,293,431	11,298,348	(2,004,917)	82%	6,849,807	(29%)
07-01-08	9,818,611	11,711,523	(1,892,912)	84%	7,083,467	(27%)

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
EXIT CONFERENCE

The contents of this report were discussed on October 29, 2009, with William J. Schmitt, Mayor; Juanita S. Boehm, Clerk-Treasurer; Gerald W. Hauerperger, Utilities' General Manager; and Linda McGovren, Utility Controller. Our audit disclosed no material items that warrant comment at this time.