

B37504

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

EXAMINATION REPORT
OF

WATER, ELECTRIC, WASTEWATER
AND STORM WATER UTILITIES
CITY OF WASHINGTON
DAVISS COUNTY, INDIANA

January 1, 2008 to December 31, 2009



FILED
09/10/2010

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Statement of Net Assets.....	4, 6
Statement of Revenues, Expenses, and Other Changes in Fund Net Assets.....	5, 7
Notes to Financial Statements	8-22
Examination Results and Comments:	
Prescribed Forms	23
Computer Conversion.....	23
Exit Conference.....	24
Official Response	25

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Elaine Wellman	01-01-08 to 12-31-11
Mayor	Lawrence Haag	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Lawrence Haag	01-01-08 to 12-31-11
President of the Common Council	Steve Dyer L. Joe Fleck	01-01-08 to 12-31-09 01-01-10 to 12-31-10
Utility Office Manager	Anita Ash	01-01-08 to 12-31-10
Superintendent of Water Utility	Jerry Rider Larry Walls	01-01-08 to 08-21-09 08-22-09 to 12-31-10
Superintendent of Electric Utility	Randy Emmons	01-01-08 to 12-31-10
Superintendent of Wastewater Utility	Scott Rainey	01-01-08 to 12-31-10
Superintendent of Storm Water Utility	Scott Rainey	01-01-08 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying statement of net assets and statement of revenues, expenses and changes in fund net assets 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 years ended December 31, 2008 and 2009. The Utilities' management is responsible for the financial statements presented herein. Our responsibility is to express an opinion based on our examination.

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

As discussed in Note I, the financial statements of the Water, Electric, Wastewater and Storm Water Utilities, City of Washington, are intended to present the financial position, and the changes in financial position 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, 2008 and 2009, and the changes in its financial position where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Water, Electric, Wastewater and Storm Water Utilities did not prepare a Statement of Cash Flows for the years ended December 31, 2008 and 2009. Presentation of such statement summarizing the Water, Electric, Wastewater and Storm Water Utilities operating, investing and financing activities is required by accounting principles generally accepted in the United States of America.

In our opinion, except that the omission of a statement of cash flows results in an incomplete presentation as explained in the preceding paragraph, 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, 2008 and 2009, and the respective changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

STATE BOARD OF ACCOUNTS

July 20, 2010

WATER, ELECTRIC, WASTEWATER, AND STORM WATER UTILITIES
CITY OF WASHINGTON
STATEMENT OF NET ASSETS
December 31, 2008

<u>Assets</u>	2008			
	Water	Electric	Wastewater	Storm Water
Current assets:				
Cash and cash equivalents	\$ 1,775,554	\$ 1,431,632	\$ 706,744	\$ 84,360
Accounts receivable (net of allowance)	224,251	877,793	176,672	11,035
Accounts receivable - Other	9,860	32,890	14,181	-
Interfund receivables:				
Interfund services provided and used	5,899	21,670	6,161	587
Inventories	107,595	177,442	39,822	-
Prepaid items	82	-	-	-
Total current assets	2,123,241	2,541,427	943,580	95,982
Noncurrent assets:				
Restricted cash, cash equivalents and investments:				
Depreciation cash and investments	171,596	-	-	-
Bond and interest cash and investments	571,358	-	-	-
Construction cash and investments	-	-	1,505,263	-
Improvement cash and investments	-	67,522	26,533	-
Debt Reserve cash and investments	1,653,482	-	-	-
Customer deposits	121,592	311,994	-	-
Total restricted assets	2,518,028	379,516	1,531,796	-
Deferred charges	252,118	1,665	243,165	14,977
Capital assets:				
Land, improvements to land and construction in progress	237,334	79,254	8,742,899	13,026
Other capital assets (net of accumulated depreciation)	23,350,902	6,784,494	6,214,899	93,207
Total capital assets	23,588,236	6,863,748	14,957,798	106,233
Total noncurrent assets	26,358,382	7,244,929	16,732,759	121,210
Total assets	28,481,623	9,786,356	17,676,339	217,192
Liabilities				
Current liabilities:				
Accounts payable	33,928	912,032	546,694	6,557
Interfund payables:				
Interfund services provided and used	268	31,498	23,395	5,844
Energy assistance payable	-	63,667	-	-
Taxes payable	73,469	42,385	17,891	-
Wages payable	37,390	52,707	36,782	2,026
Current liabilities payable from restricted assets:				
Customer deposits	121,592	313,492	-	-
Revenue bonds payable	930,000	-	285,000	-
Accrued interest payable	165,219	-	-	-
Total current liabilities	1,361,866	1,415,781	909,762	14,427
Noncurrent liabilities:				
Revenue bonds payable (net of unamortized discounts, premiums, and deferred amount on refunding)	13,916,412	-	8,130,000	-
Total liabilities	15,278,278	1,415,781	9,039,762	14,427
Net Assets				
Invested in capital assets, net of related debt	8,711,824	6,863,748	6,542,798	106,233
Restricted for debt service	2,224,840	-	-	-
Unrestricted	2,266,681	1,506,827	2,093,779	96,532
Total net assets	\$ 13,203,345	\$ 8,370,575	\$ 8,636,577	\$ 202,765

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, 2008

	2008			
	Water	Electric	Wastewater	Storm Water
Operating revenues:				
Unmetered water revenue	\$ 66,863	\$ -	\$ -	\$ -
Metered water revenue:				
Residential	1,466,591	-	-	-
Commercial	1,588,696	-	-	-
Residential sales	-	5,617,155	-	-
Commercial and industrial sales	-	6,270,917	-	-
Public street and highway lighting	-	116,248	-	-
Fire protection revenue	410,528	-	-	-
Penalties	12,567	43,173	21,322	2,581
Flat rate revenues	-	-	-	159,378
Measured revenue:				
Residential	-	-	974,199	-
Commercial	-	-	1,520,062	-
Other	25,680	89,211	110,493	-
Total operating revenues	<u>3,570,925</u>	<u>12,136,704</u>	<u>2,626,076</u>	<u>161,959</u>
Operating expenses:				
Source of supply and expense - operations and maintenance	166,328	-	-	-
Water treatment expense - operations and maintenance	495,177	-	-	-
Transmission and distribution	332,695	967,630	-	-
Collection system - operations and maintenance	-	-	413,694	-
Treatment and disposal - operations and maintenance	-	-	648,944	-
Operations and maintenance	-	-	-	21,643
Customer accounts	171,396	208,313	138,240	-
Administration and general	190,989	297,283	193,333	45,227
Purchased power	-	9,845,336	-	-
Insurance expense	184,662	268,079	168,832	-
Taxes	106,126	238,097	54,113	-
Bad debt expense	6,415	42,085	4,775	1,044
Depreciation and amortization	787,006	402,566	394,479	19,177
Miscellaneous expenses	47,260	349	46,120	35,473
Total operating expenses	<u>2,488,054</u>	<u>12,269,738</u>	<u>2,062,530</u>	<u>122,564</u>
Operating income (loss)	<u>1,082,871</u>	<u>(133,034)</u>	<u>563,546</u>	<u>39,395</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	65,792	47,200	30,174	275
Miscellaneous revenue	80,417	52,799	389	231
Interest expense	(728,553)	-	(169,154)	-
Gain/loss on disposition of property	(30,105)	(7,781)	8,168	-
Miscellaneous expense	-	-	(22,155)	-
Total nonoperating revenues (expenses)	<u>(612,449)</u>	<u>92,218</u>	<u>(152,578)</u>	<u>506</u>
Income (loss) before contributions and transfers	470,422	(40,816)	410,968	39,901
Capital contributions	-	-	156,157	2,854
Transfers out	(254,199)	(69,918)	(71,565)	-
Change in net assets	216,223	(110,734)	495,560	42,755
Total net assets - beginning	<u>12,987,122</u>	<u>8,481,309</u>	<u>8,141,017</u>	<u>160,010</u>
Total net assets - ending	<u>\$ 13,203,345</u>	<u>\$ 8,370,575</u>	<u>\$ 8,636,577</u>	<u>\$ 202,765</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 NET ASSETS
December 31, 2009

	2009			
	Water	Electric	Wastewater	Storm Water
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,430,177	\$ 1,824,295	\$ 1,023,416	\$ 134,930
Accounts receivable (net of allowance)	177,323	826,724	110,966	10,662
Accounts receivable - Other	2,578	23,414	2,000	-
Interfund receivables:				
Interfund services provided and used	8,517	47,492	26,018	714
Inventories	103,227	168,033	36,640	-
Total current assets	1,721,822	2,889,958	1,199,040	146,306
Noncurrent assets:				
Restricted cash, cash equivalents and investments:				
Depreciation cash and investments	171,596	-	-	-
Bond and interest cash and investments	565,840	-	21,618	-
Construction cash and investments	-	-	1,378,281	-
2009 Construction cash and investments	-	-	1,597,990	-
Improvement cash and investments	-	92,910	26,533	-
Debt Reserve cash and investments	1,653,482	-	89,831	-
Customer deposits	155,226	333,201	-	-
Total restricted assets	2,546,144	426,111	3,114,253	-
Deferred charges	216,805	-	279,848	-
Capital assets:				
Land, improvements to land and construction in progress	204,190	149,334	10,194,474	716
Other capital assets (net of accumulated depreciation)	23,053,337	6,856,174	6,060,923	212,371
Total capital assets	23,257,527	7,005,508	16,255,397	213,087
Total noncurrent assets	26,020,476	7,431,619	19,649,498	213,087
Total assets	27,742,298	10,321,577	20,848,538	359,393
Liabilities				
Current liabilities:				
Accounts payable	62,934	986,019	50,146	843
Contracts payable	-	-	767,222	-
Lease payables	-	-	-	19,880
Interfund payables:				
Interfund services provided and used	1,878	44,682	-	5,827
Energy assistance payable	-	4,986	-	-
Taxes payable	(3,877)	-	-	-
Wages payable	12,435	16,362	13,143	660
Current liabilities payable from restricted assets:				
Customer deposits	155,226	333,201	-	-
Revenue bonds payable	965,000	-	395,000	-
Accrued interest payable	154,700	-	9,951	-
Total current liabilities	1,348,296	1,385,250	1,235,462	27,210
Noncurrent liabilities:				
Revenue bonds payable (net of unamortized discounts, premiums, and deferred amount on refunding)	12,998,607	-	10,419,125	-
Lease payable	-	-	-	75,104
Total liabilities	14,346,903	1,385,250	11,654,587	102,314
Net Assets				
Invested in capital assets, net of related debt	9,293,920	7,005,508	5,441,272	213,087
Restricted for debt service	2,239,322	-	111,449	-
Unrestricted	1,862,153	1,930,819	3,641,230	43,992
Total net assets	\$ 13,395,395	\$ 8,936,327	\$ 9,193,951	\$ 257,079

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, 2009

	2009			
	Water	Electric	Wastewater	Storm Water
Operating revenues:				
Unmetered water revenue	\$ 60,746	\$ -	\$ -	\$ -
Metered water revenue:				
Residential	1,424,579	-	-	-
Commercial	1,529,602	-	-	-
Residential sales	-	6,251,548	-	-
Commercial and industrial sales	-	7,479,486	-	-
Public street and highway lighting	-	62,943	-	-
Fire protection revenue	411,854	-	-	-
Penalties	9,703	35,841	27,978	1,743
Flat rate revenues	-	-	-	156,388
Measured revenue:				
Residential	-	-	1,264,373	-
Commercial	-	-	1,780,933	-
Other	10,523	75,881	137,379	-
Total operating revenues	3,447,007	13,905,699	3,210,663	158,131
Operating expenses:				
Source of supply and expense - operations and maintenance	169,112	-	-	-
Water treatment expense - operations and maintenance	488,301	-	-	-
Transmission and distribution	263,164	932,900	-	-
Collection system - operations and maintenance	-	-	453,801	-
Treatment and disposal - operations and maintenance	-	-	720,033	-
Operations and maintenance	-	-	-	2,755
Customer accounts	186,953	200,459	138,599	-
Administration and general	175,837	262,976	191,059	49,206
Purchased power	-	11,178,212	-	-
Insurance expense	180,812	258,353	174,266	-
Taxes	100,191	247,842	58,191	-
Depreciation and amortization	768,962	415,021	398,797	20,420
Miscellaneous expenses	40,800	2,664	34,607	33,243
Total operating expenses	2,374,132	13,498,427	2,169,353	105,624
Operating income (loss)	1,072,875	407,272	1,041,310	52,507
Nonoperating revenues (expenses):				
Interest and investment revenue	29,601	21,310	18,635	1,167
Miscellaneous revenue	-	203,103	14,419	2,419
Interest expense	(687,151)	-	(340,571)	(1,779)
Gain/loss on disposition of property	(45,771)	5,500	(16,246)	-
Miscellaneous expense	73,714	-	(21,653)	-
Total nonoperating revenues (expenses)	(629,607)	229,913	(345,416)	1,807
Income (loss) before contributions and transfers	443,268	637,185	695,894	54,314
Transfers out	(251,218)	(71,433)	(138,520)	-
Change in net assets	192,050	565,752	557,374	54,314
Total net assets - beginning	13,203,345	8,370,575	8,636,577	202,765
Total net assets - ending	\$ 13,395,395	\$ 8,936,327	\$ 9,193,951	\$ 257,079

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 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. 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.

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

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

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

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

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

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

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

2. Inventories and Prepaid Items

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

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

3. Restricted Assets

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

The financial statements report \$2,239,322 and \$111,449 of restricted net assets for Water Utility and Wastewater Utility, respectively, as of December 31, 2009.

4. Capital Assets

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

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings 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.

WATER, ELECTRIC, WASTEWATER AND STORM WATER UTILITIES
CITY OF WASHINGTON
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 Wastewater Utility during 2009 was \$70,322. Of the amount, \$55,499 was included as part of the cost of capital assets under construction in connection with engineering, improvements and construction of wastewater treatment facilities.

5. Compensated Absences

- a. Sick Leave – Utility employees earn sick leave at the rate of 6 days to 18 days per year. Unused sick leave may be accumulated to a maximum of 62 days. Accumulated sick leave is paid to employees through cash payments of \$20 per day upon retirement with 10 years of service to the City.
- b. Vacation Leave – Utility employees earn vacation leave at rates from 5 days 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.

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

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Utilities do not have a deposit policy for custodial credit risk. At December 31, 2009, the Utilities had deposit balances in the amount of \$10,499,326.

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.

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

B. Capital Assets

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

<u>2008</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 166,402	\$ -	\$ -	\$ 166,402
Construction in progress	<u>-</u>	<u>70,932</u>	<u>-</u>	<u>70,932</u>
Total capital assets, not being depreciated	<u>166,402</u>	<u>70,932</u>	<u>-</u>	<u>237,334</u>
Capital assets, being depreciated:				
Buildings	15,513,591	62,062	-	15,575,653
Improvements other than buildings	11,915,947	16,969	-	11,932,916
Machinery and equipment	<u>4,524,635</u>	<u>134,152</u>	<u>681,501</u>	<u>3,977,286</u>
Totals	<u>31,954,173</u>	<u>213,183</u>	<u>681,501</u>	<u>31,485,855</u>
Less accumulated depreciation for:				
Buildings	1,561,924	310,342	-	1,872,266
Improvements other than buildings	3,937,169	255,931	-	4,193,100
Machinery and equipment	<u>2,473,148</u>	<u>184,835</u>	<u>588,396</u>	<u>2,069,587</u>
Totals	<u>7,972,241</u>	<u>751,108</u>	<u>588,396</u>	<u>8,134,953</u>
Total capital assets, being depreciated, net	<u>23,981,932</u>	<u>(537,925)</u>	<u>93,105</u>	<u>23,350,902</u>
Total capital assets, net	<u>\$ 24,148,334</u>	<u>\$ (466,993)</u>	<u>\$ 93,105</u>	<u>\$ 23,588,236</u>
Electric Utility:				
Capital assets, not being depreciated:				
Land	\$ 57,000	\$ -	\$ 300	\$ 56,700
Construction in progress	<u>70,915</u>	<u>121,392</u>	<u>169,753</u>	<u>22,554</u>
Total capital assets, not being depreciated	<u>127,915</u>	<u>121,392</u>	<u>170,053</u>	<u>79,254</u>
Capital assets, being depreciated:				
Buildings	778,264	8,737	7,350	779,651
Improvements other than buildings	10,374,874	310,430	119,285	10,566,019
Machinery and equipment	<u>3,288,530</u>	<u>86,027</u>	<u>74,368</u>	<u>3,300,189</u>
Totals	<u>14,441,668</u>	<u>405,194</u>	<u>201,003</u>	<u>14,645,859</u>
Less accumulated depreciation for:				
Buildings	5,164,884	17,989	4,033	5,178,840
Improvements other than buildings	282,767	241,124	113,954	409,937
Machinery and equipment	<u>2,201,470</u>	<u>143,453</u>	<u>72,335</u>	<u>2,272,588</u>
Totals	<u>7,649,121</u>	<u>402,566</u>	<u>190,322</u>	<u>7,861,365</u>
Total capital assets, being depreciated, net	<u>6,792,547</u>	<u>2,628</u>	<u>10,681</u>	<u>6,784,494</u>
Total capital assets, net	<u>\$ 6,920,462</u>	<u>\$ 124,020</u>	<u>\$ 180,734</u>	<u>\$ 6,863,748</u>

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

<u>2008</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 255,177	\$ 100,000	\$ -	\$ 355,177
Construction in progress	6,978,558	1,552,774	143,610	8,387,722
Total capital assets, not being depreciated	<u>7,233,735</u>	<u>1,652,774</u>	<u>143,610</u>	<u>8,742,899</u>
Capital assets, being depreciated:				
Buildings	2,831,781	13,334	-	2,845,115
Improvements other than buildings	6,223,534	139,013	-	6,362,547
Machinery and equipment	4,966,706	99,240	6,993	5,058,953
Totals	<u>14,022,021</u>	<u>251,587</u>	<u>6,993</u>	<u>14,266,615</u>
Less accumulated depreciation for:				
Buildings	1,296,195	55,579	-	1,351,774
Improvements other than buildings	2,958,801	116,442	-	3,075,243
Machinery and equipment	3,408,002	222,458	5,761	3,624,699
Totals	<u>7,662,998</u>	<u>394,479</u>	<u>5,761</u>	<u>8,051,716</u>
Total capital assets, being depreciated, net	<u>6,359,023</u>	<u>(142,892)</u>	<u>1,232</u>	<u>6,214,899</u>
Total capital assets, net	<u>\$ 13,592,758</u>	<u>\$ 1,509,882</u>	<u>\$ 144,842</u>	<u>\$ 14,957,798</u>
Storm Water Utility:				
Capital assets, not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	18,959	13,794	19,727	13,026
Total capital assets, not being depreciated	<u>18,959</u>	<u>13,794</u>	<u>19,727</u>	<u>13,026</u>
Capital assets, being depreciated:				
Buildings	25,094	2,912	-	28,006
Improvements other than buildings	33,641	19,727	-	53,368
Machinery and equipment	15,012	3,515	-	18,527
Totals	<u>73,747</u>	<u>26,154</u>	<u>-</u>	<u>99,901</u>
Less accumulated depreciation for:				
Buildings	590	646	-	1,236
Improvements other than buildings	18	673	-	691
Machinery and equipment	1,886	2,881	-	4,767
Totals	<u>2,494</u>	<u>4,200</u>	<u>-</u>	<u>6,694</u>
Total capital assets, being depreciated, net	<u>71,253</u>	<u>21,954</u>	<u>-</u>	<u>93,207</u>
Total capital assets, net	<u>\$ 90,212</u>	<u>\$ 35,748</u>	<u>\$ 19,727</u>	<u>\$ 106,233</u>

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

<u>2009</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 166,402	\$ -	\$ -	\$ 166,402
Construction in progress	70,932	267,308	300,452	37,788
Total capital assets, not being depreciated	237,334	267,308	300,452	204,190
Capital assets, being depreciated:				
Buildings	15,575,653	-	-	15,575,653
Improvements other than buildings	11,932,916	203,596	-	12,136,512
Machinery and equipment	3,977,286	341,203	200,208	4,118,281
Totals	31,485,855	544,799	200,208	31,830,446
Less accumulated depreciation for:				
Buildings	1,872,266	312,970	-	2,185,236
Improvements other than buildings	4,193,100	256,179	-	4,449,279
Machinery and equipment	2,069,587	164,502	91,495	2,142,594
Totals	8,134,953	733,651	91,495	8,777,109
Total capital assets, being depreciated, net	23,350,902	(188,852)	108,713	23,053,337
Total capital assets, net	\$ 23,588,236	\$ 78,456	\$ 409,165	\$ 23,257,527
Electric Utility:				
Capital assets, not being depreciated:				
Land	\$ 56,700	\$ -	\$ -	\$ 56,700
Construction in progress	22,554	177,340	107,260	92,634
Total capital assets, not being depreciated	79,254	177,340	107,260	149,334
Capital assets, being depreciated:				
Buildings	779,651	-	-	779,651
Improvements other than buildings	10,566,019	176,223	37,149	10,705,093
Machinery and equipment	3,300,189	310,478	173,129	3,437,538
Totals	14,645,859	486,701	210,278	14,922,282
Less accumulated depreciation for:				
Buildings	5,178,840	18,679	-	5,197,519
Improvements other than buildings	409,937	264,554	37,149	637,342
Machinery and equipment	2,272,588	131,788	173,129	2,231,247
Totals	7,861,365	415,021	210,278	8,066,108
Total capital assets, being depreciated, net	6,784,494	71,680	-	6,856,174
Total capital assets, net	\$ 6,863,748	\$ 249,020	\$ 107,260	\$ 7,005,508

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

<u>2009</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 355,177	\$ -	\$ -	\$ 355,177
Construction in progress	<u>8,387,722</u>	<u>1,576,382</u>	<u>124,797</u>	<u>9,839,307</u>
Total capital assets, not being depreciated	<u>8,742,899</u>	<u>1,576,382</u>	<u>124,797</u>	<u>10,194,484</u>
Capital assets, being depreciated:				
Buildings	2,845,115	-	-	2,845,115
Improvements other than buildings	6,362,547	119,082	-	6,481,629
Machinery and equipment	<u>5,058,953</u>	<u>142,984</u>	<u>56,732</u>	<u>5,145,205</u>
Totals	<u>14,266,615</u>	<u>262,066</u>	<u>56,732</u>	<u>14,471,949</u>
Less accumulated depreciation for:				
Buildings	1,351,774	56,545	-	1,408,319
Improvements other than buildings	3,075,243	119,223	-	3,194,466
Machinery and equipment	<u>3,624,699</u>	<u>223,029</u>	<u>39,487</u>	<u>3,808,241</u>
Totals	<u>8,051,716</u>	<u>398,797</u>	<u>39,487</u>	<u>8,411,026</u>
Total capital assets, being depreciated, net	<u>6,214,899</u>	<u>(136,731)</u>	<u>17,245</u>	<u>6,060,923</u>
Total capital assets, net	<u>\$ 14,957,798</u>	<u>\$ 1,439,651</u>	<u>\$ 142,042</u>	<u>\$ 16,255,407</u>
Storm Water Utility				
Capital assets, not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	<u>13,026</u>	<u>6,003</u>	<u>18,313</u>	<u>716</u>
Total capital assets, not being depreciated	<u>13,026</u>	<u>6,003</u>	<u>18,313</u>	<u>716</u>
Capital assets, being depreciated:				
Buildings	28,006	-	-	28,006
Improvements other than buildings	53,368	8,990	-	62,358
Machinery and equipment	<u>18,527</u>	<u>115,617</u>	<u>-</u>	<u>134,144</u>
Totals	<u>99,901</u>	<u>124,607</u>	<u>-</u>	<u>224,508</u>
Less accumulated depreciation for:				
Buildings	1,236	-	-	1,236
Improvements other than buildings	691	937	-	1,628
Machinery and equipment	<u>4,767</u>	<u>4,506</u>	<u>-</u>	<u>9,273</u>
Totals	<u>6,694</u>	<u>5,443</u>	<u>-</u>	<u>12,137</u>
Total capital assets, being depreciated, net	<u>93,207</u>	<u>119,164</u>	<u>-</u>	<u>212,371</u>
Total capital assets, net	<u>\$ 106,233</u>	<u>\$ 125,167</u>	<u>\$ 18,313</u>	<u>\$ 213,087</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 Utilities as follows:

	2008	2009
Water	\$ 751,108	\$ 733,651
Wastewater	394,479	398,797
Electric	402,566	415,021
Storm Water	4,200	5,443
 Total depreciation expense	 \$ 1,552,353	 \$ 1,552,912

C. Construction Commitments

Construction work in progress is composed of the following:

Project	2009	
	Expended to December 31,	Committed
Water Utility	\$ 37,788	\$ -
Electric Utility	92,634	-
Wastewater Utility	9,839,297	-
Storm Water Utility	716	-
 Totals	 \$ 9,970,435	 \$ -

D. Interfund Balances and Activity

1. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2009, could not be determined as this time. Officials are currently working to make this determination.

2. Interfund Transfers

Interfund transfers at December 31, 2009, were as follows:

Transfer From	Transfer To	2008	2009
Water Utility	General Fund	\$ 254,199	\$ 251,218
Electric Utility	General Fund	69,918	71,433
Wastewater Utility	General Fund	71,565	138,520
 Totals		 \$ 395,682	 \$ 461,171

The Utilities typically use transfers to fund ongoing operating subsidies.

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

E. Leases

Capital Leases

The Storm Water Utility has entered into a capital lease for a street sweeper. Future minimum lease payments and present values of the net minimum lease payments under the capital lease as of December 31, 2009, are as follows:

	Business-Type Activities
2010	\$ 22,942
2011	22,942
2012	22,942
2013	22,942
2014	11,471
Total minimum lease payments	103,239
Less amount representing interest	8,255
Present value of net minimum lease payments	\$ 94,984

Assets acquired through capital leases still in effect are as follows:

	Storm Water Utility
Machinery and equipment	\$ 104,676

F. Long-Term Liabilities

1. Revenue Bonds

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

Purpose	Interest Rates	Balance at December 31	Less: Unamortized (Premium) Discount	Less: Deferral on Refunding	Amount
1998 Water Bonds (treatment plant, wells, maintenance building)	4.80% to 5.00%	\$ 640,000	\$ 4,210	\$ -	\$ 635,790
2005 Water Refunding Bonds	4.10% to 5.00%	8,090,000	(197,789)	268,436	8,019,353
2006 Water Refunding Bonds	3.55% to 4.10%	5,575,000	73,543	192,993	5,308,464
2007 Wastewater Bonds (treatment plant improvements, combined sewer overflow relocation)	3.75% to 4.15%	8,130,000	-	-	8,130,000
2009 Wastewater Revenue Bonds (engineering, acquisition, construction and improvements)	2.00% to 5.10%	2,725,000	40,875	-	2,684,125
Totals		\$ 25,160,000	\$ (79,161)	\$ 461,429	\$ 24,777,732

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:

	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2010	\$ 965,000	\$ 608,082	\$ 375,000	\$ 438,854
2011	1,010,000	563,241	390,000	425,704
2012	1,060,000	517,620	410,000	411,685
2013	1,105,000	470,415	430,000	396,482
2014	1,160,000	423,417	450,000	380,534
2015-2019	6,675,000	1,268,222	2,580,000	1,624,409
2020-2024	2,330,000	95,565	3,300,000	1,040,244
2025-2029	-	-	2,815,000	299,749
2030-2034	-	-	105,000	2,677
2035-2039	-	-	-	-
Totals	\$ 14,305,000	\$ 3,946,562	\$ 10,855,000	\$ 5,020,338

2. Advance Refunding

In prior years, the Utility defeased certain revenue and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. The following outstanding bonds, at December 31, 2009, were considered defeased:

1996 Water Utility Bond Issue	\$ 3,110,000
1998 Water Utility Bond Issue	4,940,000
2001 Water Utility Bond Issue	5,340,000

3. Changes in Long-Term Liabilities

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

<u>2008</u>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable:					
Water Utility	\$ 16,120,000	\$ -	\$ 885,000	\$ 15,235,000	\$ 930,000
Wastewater Utility	8,550,000	-	135,000	8,415,000	285,000
Less deferred amount on refunding	622,074	-	81,925	540,149	-
Total revenue bonds payable	<u>\$ 24,047,926</u>	<u>\$ -</u>	<u>\$ 938,075</u>	<u>\$ 23,109,851</u>	<u>\$ 1,215,000</u>
<u>2009</u>					
Revenue bonds payable:					
Water Utility	\$ 15,235,000	\$ -	\$ 930,000	\$ 14,305,000	\$ 965,000
Wastewater Utility	8,415,000	2,725,000	285,000	10,855,000	395,000
Less deferred amount on refunding	540,149	-	78,720	461,429	-
Total revenue bonds payable	<u>\$ 23,109,851</u>	<u>\$ 2,725,000</u>	<u>\$ 1,136,280</u>	<u>\$ 24,698,571</u>	<u>\$ 1,360,000</u>

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

G. Restricted Assets

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

	2008	2009
<u>Water Utility</u>		
Customer deposits	\$ 121,592	\$ 155,226
Revenue bond operations and maintenance account	2,396,436	2,390,918
Total restricted assets	\$ 2,518,028	\$ 2,546,144
<u>Electric Utility</u>		
Customer deposits	\$ 311,994	\$ 333,201
Revenue bond operations and maintenance account	67,522	92,910
Total restricted assets	\$ 379,516	\$ 426,111
<u>Wastewater Utility</u>		
Revenue bond operations and maintenance account	\$ 26,533	\$ 137,982
Revenue bond construction account	1,505,263	2,976,271
Total restricted assets	\$ 1,531,796	\$ 3,114,253

III. Other Information

A. Risk Management

The Utilities are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

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

Medical Benefits to Employees, Retirees and Dependents

The City, including 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 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

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

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.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred. These losses include an estimate of claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amounts of pay outs, and other economic and social factors.

However, claim liabilities cannot be reasonably estimated.

Job Related Illnesses and Injuries to Employees

During 1993, the City, including utilities, joined together with other governmental entities in the Indiana Public Employer's Plan, Inc., a public entity risk pool currently operating as a common risk management and insurance program for approximately 350 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of worker's compensation claims. The Utilities pay an annual premium to the risk pool for its job related illness and injuries to employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. Postemployment Benefits

In addition to the pension benefits described below, the City, including Utilities, provides post-employment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the City on or after attaining age 55 with at least 20 years of service. Currently, 17 retirees meet these eligibility requirements. The Utilities provide 90% of these postemployment benefits plus 50% of the cost of coverage for employees' dependents, if the employee is under age 65. If the employee is over age 65, the City provides 50% of the postemployment benefits for retirees. Disbursements for these postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2009, expenditures of \$83,604 were recognized for postemployment benefits.

C. Subsequent Events

The City of Washington has been awarded a \$9,000,000 CDBG Disaster Recovery Grant to be used in conjunction with a SRF loan in the amount of \$15,242,000 for construction of a Combined Sewer Overflow (CSO) Treatment Facility. Construction is scheduled to begin in 2010.

D. Rate Structure

1. Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on May 25, 2001. The Utility has 5,285 customers.

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

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

2. Wastewater Utility

The current rate structure was approved by the City Council on February 25, 2009. The Utility has 4,517 customers.

3. Electric Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on September 28, 2009. The Utility has 7,338 customers.

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

4. Storm Water Utility

The current rate structure was approved by the City Council on September 13, 2004. The Utility has 4,373 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 three percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

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

Funding Policy

PERF members are required to contribute 3 percent of their annual covered salary. The City, including Utilities, is required to contribute at an actuarially determined rate; the current rate is 6.25 percent of annual covered payroll. The contribution requirements of plan members and the Utilities are established and may be amended by the PERF Board of Trustees.

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

Actuarial Information for the Above Plan

		PERF
Annual required contribution	\$	222,564
Interest on net pension obligation		(8,119)
Adjustment to annual required contribution		9,252
		223,697
Annual pension cost		223,697
Contributions made		239,948
Increase (decrease) in net pension obligation		(16,251)
Net pension obligation, beginning of year		(111,981)
Net pension obligation, end of year	\$	(128,232)
Contribution rates:		
Utilities		6.25%
Plan members		3%
Actuarial valuation date		07-01-08
Actuarial cost method		Entry age normal cost
Amortization method		Level dollar, closed amortization period
Amortization period		40 years
Amortization period (from date)		07-01-97
Asset valuation method		75% of expected actuarial value plus 25% of market value

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

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

Three Year Trend Information				
	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-07	\$ 212,312	100.0%	\$ (90,855)
	06-30-08	208,064	110.0%	(111,981)
	06-30-09	223,697	107.0%	(128,232)

Funded Status and Funding Progress for the Above Plan

The funded status of each plan as of July 1, 2009, the most recent actuarial valuation date is as follows:

<u>Retirement Plan</u>	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
PERF	\$ 3,562,560	\$ 4,543,962	\$ (981,402)	78%	\$ 3,906,016	(25%)

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

PRESCRIBED FORMS

The Utilities purchased new software in 2009 and have not obtained approval for the forms put in place with this system.

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)

COMPUTER CONVERSION

After the computer conversion in 2009, Accounts Receivable and Customer Deposits Payable did not reconcile with the subsidiary ledgers. However, the variances are immaterial as of December 31, 2009. The officials are aware of these problems and are working with a financial consultant to identify and resolve these issues.

At all times, the manual and computerized records, subsidiary ledgers, control ledgers and reconciled bank balances should agree. (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 20, 2010, with Lawrence Haag, Mayor; Elaine Wellman, Clerk-Treasurer; Anita Ash, Utilities Office Manager; and L. Joe Fleck, President of the Common Council. The official response has been made a part of this report and may be found on page 25.

**WASHINGTON
MUNICIPAL UTILITIES**

2100 Memorial Avenue
P.O. Box 800
Washington, Indiana 47501-0800
(812) 254-5171 • Fax (812) 254-8200

July 20, 2010

State Board of Accounts
302 Washington St., Room E418
Indianapolis, Indiana 46204-2765

RE: Exit Interview with City of Washington, Utilities

To Whom It May Concern:

As Utility Office Manager, I would like to make the following comments regarding the two items addressed in our examination results:

Prescribed Forms

Approval for forms used by the Utility was passed by resolution on June 28, 2010, and forwarded to State Board of Accounts on June 29, 2010. CMI forms were initially approved by SBOA for use in Rensselaer in 2004.

Computer Conversion

Washington Municipal Utilities is in the process of working with consultants from the accounting firm of London Witte Group and CMI software programmers to resolve the issue regarding Accounts Receivable and Customer Deposits Payable not reconciling with the subsidiary ledgers. We anticipate a solution by the end of July 2010.

Respectfully submitted,

Anita Ash

Anita Ash
Utility Office Manager

Light & Power
(812) 254-5171

Wastewater / Stormwater
(812) 254-2792

Waterworks
(812) 254-3911