

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

EXAMINATION REPORT
OF

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

January 1, 2009 to December 31, 2009



FILED
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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	01-01-09 to 12-31-10
Water Utility Manager	Michael A. Oeding	01-01-09 to 12-31-10
Wastewater Utility Manager	Greg E. Hollinden	01-01-09 to 12-31-10
Electric Utility Generation Manager	Windell Toby	01-01-09 to 12-31-10
Electric Utility Distribution Manager	Jerald L. Schitter	01-01-09 to 12-31-10
Gas Utility Manager	Michael A. Oeding	01-01-09 to 12-31-10
Utility Controller	Linda McGovren	01-01-09 to 12-31-10
Chairman of the Utility Service Board	J. Alexander Emmons Wayne Schuetter	01-01-09 to 12-31-09 01-01-10 to 12-31-10



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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 accompanying financial statements of the business-type activities of the Water, Wastewater, Electric, and Gas Utilities, departments of the City of Jasper, as of and for the year ended December 31, 2009. The Utilities' management is responsible for the financial statements presented herein. Our responsibility is to express an opinion based on our examination.

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

As discussed in Note I, the financial statements of the Water, Wastewater, 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, 2009, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities for the Water, Wastewater, Electric, and Gas Utilities, as of December 31, 2009, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and Schedules of Funding Progress, as listed in the Table of Contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not examine the information and express no opinion on it.

STATE BOARD OF ACCOUNTS

September 2, 2010

Water, Wastewater, Electric and Gas Utilities
City of Jasper, Indiana
Management's Discussion and Analysis
December 31, 2009

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, 2009. 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, 2009 were \$69,107,065. Of this amount, \$17,891,565 is unrestricted and may be used to meet the Utilities' ongoing obligations to its customers and users.
- The Utilities' unrestricted cash and cash equivalents decreased by \$60,089, while restricted cash and cash equivalents increased by \$127,857, for a net cash increase of \$67,768.
- The Utilities' total capital assets, net of accumulated depreciation, decreased by \$808,414.
- The Utilities long-term debt decreased by \$727,129. Principal payments of \$906,157 were made during 2009, while an additional \$5,000 was reclassified from non-current to current liabilities. Also, an interfund loan in the amount of \$184,028 was made from the electric utility to the water utility.

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

Each utility experienced a decrease in its operating revenue from that of the previous year, in response to the nation-wide recession that affected the local economy. Interest income also declined as a result of near-record low interest rates offered. The table below provides a summary of the revenues, expenses and changes in net assets for the year ended December 31, 2009, along with comparative figures from 2008:

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	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Operating revenues	\$ 2,720	\$ 3,094	\$ 2,893	\$ 2,972	\$ 26,683	\$ 29,091	\$ 6,674	\$ 9,442	\$ 38,970	\$ 44,599
Operating expenses	2,492	2,311	2,991	2,959	26,315	27,279	6,836	9,998	38,634	42,547
Operating income (loss)	228	783	(98)	13	368	1,812	(162)	(556)	336	2,052
Non-operating revenues (expenses)	(345)	(292)	(31)	14	92	403	(17)	(3)	(301)	122
Income (loss) before contri- butions and transfers	(117)	491	(129)	27	460	2,215	(179)	(559)	35	2,174
Capital contributions	190	315	9	249	18	-	19	36	236	600
Transfers out	(182)	(177)	-	-	(145)	(140)	(35)	(32)	(362)	(349)
Change in net assets	(109)	629	(120)	276	333	2,075	(195)	(555)	(91)	2,425
Total net assets - begin	12,892	12,263	23,113	22,837	28,327	26,252	4,866	5,421	69,198	66,773
Total net assets - end	\$ 12,783	\$ 12,892	\$ 22,993	\$ 23,113	\$ 28,660	\$ 28,327	\$ 4,671	\$ 4,866	\$ 69,107	\$ 69,198

The following table outlines the composition of the Utilities' total net assets as of December 31, 2009, with comparative figures from 2008:

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	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 2,677	\$ 3,213	\$ 3,461	\$ 3,194	\$ 17,864	\$ 16,968	\$ 2,513	\$ 3,444	\$ 26,515	\$ 26,819
Capital assets	20,657	20,727	20,434	20,885	14,959	15,235	4,076	4,087	60,126	60,934
Total Assets	23,334	23,940	23,895	24,079	32,823	32,203	6,589	7,531	86,641	87,753
Long-term liabilities outstanding	10,067	10,605	675	725	-	-	973	1,112	11,715	12,442
Other liabilities	483	442	227	241	4,163	3,876	946	1,554	5,819	6,113
Total Liabilities	10,550	11,047	902	966	4,163	3,876	1,919	2,666	17,534	18,555
Net assets:										
Invested in capital assets net of related debt	10,774	10,122	19,734	20,140	14,958	15,235	4,076	4,087	49,542	49,584
Restricted	1,183	1,803	490	302	-	-	-	-	1,673	2,105
Unrestricted	827	967	2,769	2,671	13,702	13,092	594	778	17,892	17,508
Total Net Assets	\$ 12,784	\$ 12,892	\$ 22,993	\$ 23,113	\$ 28,660	\$ 28,327	\$ 4,670	\$ 4,865	\$ 69,107	\$ 69,197

Total net assets decreased in the water, wastewater, and gas utilities during 2009 and increased in the electric utility, due to the following:

- Income or (loss) recorded by each utility (loss of \$117,000 in water, loss of \$129,000 in wastewater, income of \$460,000 in electric, and a loss of \$179,000 in gas), and
- Contributions to capital made by customers, developers and others (\$190,000 in water, \$9,000 in wastewater, \$18,000 in electric, and \$19,000 in gas), and
- Transfers to the City for payments in lieu of taxes (\$182,000 from water, \$0 from wastewater, \$145,000 from electric, and \$35,000 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 declined by \$514,000 (19.0%) during the year.

- The operating and maintenance cash increased by \$82,000. This increase was a result of a loan from the electric utility, funds being transferred from the depreciation fund, and normal fluctuations in the timing of cash receipts and disbursements.
- The depreciation fund decreased by \$620,000 during 2009. As noted above, transfers were made to the operating and maintenance fund. Major expenditures during 2009 include replacing a water main along Church Avenue, and for costs associated with the meter replacement program.

Compared to the previous year, operating revenues in the water utility decreased \$374,000, and operating expenses increased \$181,000, for a decrease in operating income of \$555,000 (70.9%). Water net assets also decreased, by \$109,000 (0.8%) from 2008. Various factors contributed to the decrease in revenues, including the general downturn in the local economy, the shutdown of the City's electric generating plant (a major user of water when operating), and above average rainfall during the summer months. As a result of the excessive rains, treatment costs rose due to more chemicals being needed to adequately treat the water supply. The City approved a new water rate schedule, effective December 2, 2009 after a rate study showed the increase was necessary to adequately maintain the water utility.

The average number of water customers for 2009 was 6,113, an increase of 32 over the previous year's average.

Wastewater:

In total, the wastewater utility's cash, cash equivalents and investments increased by \$245,000 (8.7%) during 2009.

- The operating and maintenance fund increased by \$29,000, even though operating revenue decreased by \$79,000 and operating expenses were up by \$32,000.
- Depreciation cash increased by \$187,000 in 2009. Some of the larger expenditures made from this fund were for the manhole relining project, a loader backhoe, and generators for two lift stations.

- The plant expansion cash decreased by \$45,000 during 2009. Expenditures for two 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 \$79,000, while operating expenses rose \$32,000, for a decrease in operating income of \$111,000 (853.8%). Wastewater net assets decreased by \$120,000 (0.5%).

The average number of wastewater customers for 2009 was 6,421, an increase of 43 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. However, during much of 2009 the City's electric power plant was idle, as the relatively low price of electric power sold through IMPA made it economically unfeasible to operate the power plant. Employees were temporarily reassigned to other utility departments, as needed.

Total cash, cash equivalents and investments for the electric utility increased by \$590,000 (4.6%).

- The electric operating and maintenance cash increased by \$134,000. Operating revenue decreased by \$2,408,000, while operating expenses for 2009 declined by \$964,000.
- The electric utility's depreciation cash increased by \$396,000. 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 paved parking area, and a loader/backhoe.

Compared to the previous year, operating revenues in the electric utility decreased \$2,408,000, while operating expenses decreased \$964,000, for a decrease in operating income of \$1,444,000 (79.7%). Revenues declined, as sales to industrial and commercial customers were down considerably, reflecting the general economic slowdown. In addition, since the City's generating plant was shut down for much of the year, that source of revenue also declined from the previous year.

Electric net assets were up by \$333,000 (1.2%) from the prior year.

The average number of electric customers for 2009 was 6,972, an increase of 21 over the previous year's average.

Gas:

The gas utility's total cash, cash equivalents and investments decreased by \$253,000, or 22.3%.

- The gas utility's operating and maintenance cash decreased by \$305,000. Normal fluctuations in the timing of cash receipts and cash disbursements contributed to this decrease.
- The gas utility's depreciation cash increased by \$48,000. Major capital expenditures during 2009 included the cost of completing a vehicle storage building, the purchase of a loader/backhoe, and costs associated with the meter replacement program.

Compared to the previous year, operating revenues in the gas utility decreased \$2,768,000, while operating expenses decreased \$3,162,000, for an increase in operating income of \$394,000 (70.9%) over the previous year. The decline in unit sales is related both to the economy and to local weather conditions,

Net assets in the gas utility decreased by \$195,000 (4.0%) from the prior year.

The average number of gas customers for 2009 was 4,138, an increase of 12 over the previous year's average.

Overall, total operating revenue for the Utilities decreased \$5,629,000 (12.6%) from the previous year, while total operating expenses declined by \$3,913,000 (9.2%). Total operating income was \$336,000, a decline of \$1,716,000 (83.6%) as compared to the previous year. Total net assets of the Utilities decreased 91,000 (0.1%), to \$69,107,000.

Capital Asset and Long-Term Debt Activity

Capital Asset Activity:

As of December 31, 2009, the Utilities had \$93,044,000 invested in capital assets, such as land, buildings, improvements, equipment, and electric, water, sewer, and gas lines. Total accumulated depreciation at the end of 2009 was \$32,919,000, resulting in net capital assets of \$60,125,000. The total capital assets of the Utilities are summarized by category as follows:

	(000's omitted)	
	2009	2008
Land	636	636
Buildings	21,310	21,247
Improvements	51,761	51,043
Equipment	19,181	19,227
Construction in Progress	156	17
Total	<u>93,044</u>	<u>92,170</u>
Less: Accumulated depreciation	<u>(32,919)</u>	<u>(31,236)</u>
Total capital assets, net	<u><u>60,125</u></u>	<u><u>60,934</u></u>

The business-type activities recorded approximately \$744,000 for additions and on-going improvements to their respective distribution systems, with \$163,000 of this amount being contributed by developers and customers.

Other major capital additions during 2009 include the following:

- \$222,000 for three loader/backhoes, replacing one each in the electric, wastewater and gas utilities.
- \$97,000 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, and is nearing completion in the water and gas utilities.
- \$88,000 for a bucket truck with aerial device for the electric utility.
- \$74,000 for two new drying beds for the wastewater utility.
- \$67,000 to complete a vehicle storage building shared by the gas and water utilities.

- \$38,000 for paving the parking areas adjacent to the electric utility’s meter and line warehouse buildings.

As of the end of 2009, the utilities also recorded \$24,000 in costs related to the new software system, and approximately \$127,000 for engineering studies and legal fees associated with the biomass study of the City’s electric generating plant. These amounts are reported in the financial statements as construction in progress.

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, 2009 and 2008 the Utilities’ outstanding debt consisted of the following:

	<u>2009</u>	<u>2008</u>
• Water Utility	\$10,067,028	\$10,605,000
• Wastewater Utility	\$ 700,000	\$ 745,000
• Gas Utility	\$ 972,849	\$ 1,112,006

During the year, the Utilities made principal payments of \$906,157 and interest payments of \$403,029. In addition, the electric utility made an interfund loan to the water utility of \$184,028 in 2009.

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

- Interest rates continue to be near record lows, reducing the amount of interest income the utilities may earn on its short-term cash investments.
- The City’s coal-fired electric generating plant has remained idle during 2010, during which time the City has continued to work diligently with various consultants to investigate different alternatives and funding sources with respect to the future of the generating plant. Requests for Proposals from interested parties are currently under review.
- The City, acting on behalf of the Water Utility, has applied for a U.S. Department of Commerce Economic Development Administration grant to provide funding for improvements to the Beaver Creek Lake Dam. Such improvements are necessary to provide protection from future flooding, and to promote economic development. If approved, the grant could provide up to \$2,228,640 of the estimated \$3,274,000 project costs. Funds for the City’s matching portion would come from either existing Water Utility accounts, or from the proceeds of a loan from the Electric Utility. These improvements, which are being mandated by the Indiana Department of Environmental Management, are expected to be completed in 2012.
- A grant application in the amount of \$650,000 has been submitted to the Office of Community and Rural Affairs to help fund a wastewater improvement project in the Skyline Subdivision. This would require a match of approximately \$136,365. The grant award is expected to take place as early as September, 2010.
- In 2010, the Utility Service Board entered into an agreement with Tyler Technologies for the purchase of new billing, customer service, and accounting software. The new software will

provide enhanced functionality, reporting capabilities, and security features benefiting employees, management, and utility customers. Implementation of the new accounting software is planned for the fourth quarter of 2010, with the billing and customer service modules expected to be implemented in early 2011. Hardware upgrades to support the new software are already in place.

- In July, the Utility Service Board has approved the hiring of a consultant to perform an allocated cost of service study and rate design for the Gas Utility.
- Although the local economy is showing some signs of recovery, utility sales volumes are mixed compared to the same time period in 2009. Through July 2010, wastewater, electric and gas unit sales are up by 0.5%, 2.9%, and 3.1% respectively, while water consumption is down by 4.1% from 2009. When compared to 2008 pre-recession levels, unit sales in all utilities are down from seven to nineteen percent.

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. Further information about the City and its Utility Departments can be found on the City of Jasper website, located at www.jasperindiana.gov.

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

<u>Assets</u>	2009			
	Water	Wastewater	Electric	Gas
Current assets:				
Cash and cash equivalents	\$ 398,334	\$ 578,164	\$ 8,449,355	\$ 151,863
Accounts receivable (net of allowance)	215,532	178,239	1,670,609	401,102
Accounts receivable - other	3,259	7,339	7,282	9,931
Interfund receivables:				
Interfund loans	-	-	1,156,877	-
Interfund services provided and used	26,154	688	341	477
Inventories	180,951	133,205	1,308,049	229,531
Prepaid items	56,124	71,987	193,087	14,697
Total current assets	880,354	969,622	12,785,600	807,601
Noncurrent assets:				
Restricted cash, cash equivalents and investments:				
Debt service reserve	1,096,375	74,062	-	-
Depreciation	86,817	415,751	3,434,827	333,845
Computer	32,036	30,060	33,182	34,426
In lieu of taxes reserve	321,960	-	255,635	64,186
Self-insurance liability reserve	200,000	237,750	1,027,435	200,000
Industrial pretreatment	-	134,455	-	-
Plant expansion	-	1,145,587	-	-
Interceptor improvement	-	354,900	-	-
Customer deposits	59,604	98,065	327,788	100,422
Total restricted assets	1,796,792	2,490,630	5,078,867	732,879
Intangible assets - pipeline rights	-	-	-	972,849
Capital assets:				
Land, improvements to land and construction in progress	298,409	207,042	264,535	21,304
Other capital assets (net of accumulated depreciation)	20,358,005	20,227,286	14,693,922	4,054,992
Total capital assets	20,656,414	20,434,328	14,958,457	4,076,296
Total noncurrent assets	22,453,206	22,924,958	20,037,324	5,782,024
Total assets	23,333,560	23,894,580	32,822,924	6,589,625
Liabilities				
Current liabilities:				
Accounts payable	409,475	77,649	3,762,563	838,308
Interfund payables:				
Interfund services provided and used	619	26,266	688	87
Taxes payable	13,019	-	71,915	5,179
Current liabilities payable from restricted assets:				
Customer deposits	59,604	98,065	327,788	100,422
Performance deposits	-	-	-	2,100
Loans payable	-	25,000	-	-
Total current liabilities	482,717	226,980	4,162,954	946,096
Noncurrent liabilities:				
Interfund loan	184,028	-	-	972,849
Loans payable	9,883,000	675,000	-	-
Total noncurrent liabilities	10,067,028	675,000	-	972,849
Total liabilities	10,549,745	901,980	4,162,954	1,918,945
Net Assets				
Invested in capital assets, net of related debt	\$ 10,773,414	19,734,328	14,958,457	4,076,296
Restricted for debt service	1,183,192	489,813	-	-
Unrestricted	827,209	2,768,459	13,701,513	594,384
Total net assets	\$ 12,783,815	\$ 22,992,600	\$ 28,659,970	\$ 4,670,680

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, 2009

	2009			
	Water	Wastewater	Electric	Gas
Operating revenues:				
Metered water revenue:				
Residential	\$ 1,399,554	\$ -	\$ -	\$ -
Residential sales	-	-	5,913,014	2,055,407
Commercial and industrial sales	1,112,513	-	20,493,896	4,593,393
Public street and highway lighting	-	-	180,468	-
Fire protection revenue	138,138	-	-	-
Penalties	8,194	24,476	38,639	10,488
Measured revenue:				
Residential	-	1,643,183	-	-
Commercial	-	1,037,939	-	-
Other	61,443	187,687	57,181	14,279
Total operating revenues	<u>2,719,842</u>	<u>2,893,285</u>	<u>26,683,198</u>	<u>6,673,567</u>
Operating expenses:				
Source of supply and expense - operations and maintenance	126,338	-	-	-
Water treatment expense - operations and maintenance	500,881	-	-	-
Production and supply	-	-	-	5,819,901
Power production	-	-	22,622,352	-
Transmission and distribution	464,370	-	945,269	383,594
Collection system - operations and maintenance	-	299,036	-	-
Pumping - operations and maintenance	-	264,722	-	-
Treatment and disposal - operations and maintenance	-	689,178	-	-
Customer accounts	25,475	52,744	42,207	14,489
Administration and general	906,037	1,070,873	1,881,210	485,042
Depreciation and amortization	468,582	614,838	823,607	132,430
Total operating expenses	<u>2,491,683</u>	<u>2,991,391</u>	<u>26,314,645</u>	<u>6,835,456</u>
Operating income (loss)	<u>228,159</u>	<u>(98,106)</u>	<u>368,553</u>	<u>(161,889)</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	9,668	11,272	46,230	3,067
Miscellaneous revenue	22,887	1,832	58,385	3,313
Interest expense	(373,223)	(25,725)	-	(4,081)
Miscellaneous expense	(4,201)	(18,415)	(13,192)	(19,502)
Total nonoperating revenues (expenses)	<u>(344,869)</u>	<u>(31,036)</u>	<u>91,423</u>	<u>(17,203)</u>
Income (loss) before contributions and transfers	<u>(116,710)</u>	<u>(129,142)</u>	<u>459,976</u>	<u>(179,092)</u>
Capital contributions	190,301	8,626	18,081	19,471
Transfers out	<u>(182,266)</u>	<u>-</u>	<u>(144,943)</u>	<u>(35,149)</u>
Change in net assets	<u>(108,675)</u>	<u>(120,516)</u>	<u>333,114</u>	<u>(194,770)</u>
Total net assets - beginning	<u>12,892,490</u>	<u>23,113,116</u>	<u>28,326,856</u>	<u>4,865,450</u>
Total net assets - ending	<u>\$ 12,783,815</u>	<u>\$ 22,992,600</u>	<u>\$ 28,659,970</u>	<u>\$ 4,670,680</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, 2009

	2009			
	Water	Wastewater	Electric	Gas
Cash flows from operating activities:				
Receipts from customers and users	\$ 2,674,892	\$ 2,883,968	\$ 26,438,509	\$ 7,179,118
Payments to suppliers and contractors	(1,073,289)	(873,315)	(24,010,776)	(6,766,882)
Payments to employees	(851,754)	(1,525,082)	(1,210,588)	(371,425)
Interfund services provided (used)	8,842	(9,091)	670	(420)
Other receipts	17,113	(3,061)	53,538	567
Net cash provided (used) by operating activities	<u>775,804</u>	<u>473,419</u>	<u>1,271,353</u>	<u>40,958</u>
Cash flows from noncapital financing activities:				
Transfer to other funds	(182,266)	-	(144,943)	(35,149)
Interfund loans	184,028	-	(184,028)	-
Interfund loans repayments	-	-	139,157	(139,157)
Interest on interfund loans	(23)	-	4,104	(4,081)
Net cash used by noncapital financing activities	<u>1,739</u>	<u>-</u>	<u>(185,710)</u>	<u>(178,387)</u>
Cash flows from capital and related financing activities:				
Capital contributions	190,301	8,626	18,081	19,471
Proceeds from the sale of capital assets	35,418	95,858	63,278	77,652
Acquisition and construction of capital assets	(431,808)	(273,302)	(619,227)	(215,963)
Principal paid on capital debt	(722,000)	(45,000)	-	-
Interest paid on capital debt	(373,200)	(25,725)	-	-
Net cash used by capital and related financing activities	<u>(1,301,289)</u>	<u>(239,543)</u>	<u>(537,868)</u>	<u>(118,840)</u>
Cash flows from investing activities:				
Interest received	9,668	11,272	42,126	3,067
Net increase in cash and cash equivalents	(514,078)	245,148	589,901	(253,202)
Cash and cash equivalents, January 1	2,709,204	2,823,646	12,938,321	1,137,945
Cash and cash equivalents, December 31	<u>\$ 2,195,126</u>	<u>\$ 3,068,794</u>	<u>\$ 13,528,222</u>	<u>\$ 884,743</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 228,159	\$ (98,106)	\$ 368,553	\$ (161,889)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	468,582	614,838	823,607	132,430
Amortization expense (see Note II.B.)	-	-	-	139,157
Bad debt expense	(11)	123	13,411	(3,135)
Nonoperating revenue and expense	17,113	(3,061)	53,538	567
(Increase) decrease in assets:				
Accounts receivable	(44,950)	(9,316)	(244,689)	505,551
Interfund services provided or used	8,424	(688)	(18)	(367)
Inventories	70,183	3,911	(19,054)	38,938
Prepaid items	(12,295)	(15,156)	(11,212)	(2,707)
Increase (decrease) in liabilities:				
Accounts payable	32,928	(18,731)	273,763	(555,792)
Interfund payables	418	(8,403)	688	(54)
Taxes payable	1,649	-	(19,672)	(62,194)
Performance deposits	-	-	-	700
Customer deposits	5,604	8,008	32,438	9,752
Total adjustments	<u>547,645</u>	<u>571,525</u>	<u>902,800</u>	<u>202,846</u>
Net cash provided by operating activities	<u>\$ 775,804</u>	<u>\$ 473,419</u>	<u>\$ 1,271,353</u>	<u>\$ 40,957</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.

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.

Enterprise 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.

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, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
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 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.

The financial statements report \$1,183,192 and \$489,813 of restricted net assets for the Water and Wastewater Utilities, respectively, of which all is restricted by enabling legislation.

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:

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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.

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 \$373,223, \$25,725, \$0, and \$4,081, respectively. None of the interest expense was included as 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.

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, 2009, 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, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 cost of \$1,359,375. The intangible assets – pipeline rights were amortized based on the principal payments made on the corresponding interfund loan of \$139,157. As of December 31, 2009, the value of the intangible assets – pipeline rights was \$972,849.

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 292,314	\$ -	\$ 260	\$ 292,054
Construction in progress	5,198	292,757	291,600	6,355
	<u>297,512</u>	<u>292,757</u>	<u>291,860</u>	<u>298,409</u>
Total capital assets, not being depreciated	297,512	292,757	291,860	298,409
Capital assets, being depreciated:				
Buildings	10,471,233	2,525	-	10,473,758
Improvements other than buildings	10,666,982	409,420	51,432	11,024,970
Machinery and equipment	4,217,010	18,706	10,843	4,224,873
	<u>25,355,225</u>	<u>430,651</u>	<u>62,275</u>	<u>25,723,601</u>
Totals	25,355,225	430,651	62,275	25,723,601
Less accumulated depreciation for:				
Buildings	1,107,465	158,448	-	1,265,913
Improvements other than buildings	2,897,164	200,216	19,140	3,078,240
Machinery and equipment	921,075	109,918	9,550	1,021,443
	<u>4,925,704</u>	<u>468,582</u>	<u>28,690</u>	<u>5,365,596</u>
Totals	4,925,704	468,582	28,690	5,365,596
Total capital assets, being depreciated, net	<u>20,429,521</u>	<u>(37,931)</u>	<u>33,585</u>	<u>20,358,005</u>
Total capital assets, net	<u>\$ 20,727,033</u>	<u>\$ 254,826</u>	<u>\$ 325,445</u>	<u>\$ 20,656,414</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 195,639	\$ -	\$ -	\$ 195,639
Construction in progress	4,362	115,375	108,334	11,403
	<u>200,001</u>	<u>115,375</u>	<u>108,334</u>	<u>207,042</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	6,907,402	-	4,481	6,902,921
Improvements other than buildings	16,644,523	77,390	16,620	16,705,293
Machinery and equipment	7,404,783	188,871	320,666	7,272,988
	<u>30,956,708</u>	<u>266,261</u>	<u>341,767</u>	<u>30,881,202</u>
Totals				
Less accumulated depreciation for:				
Buildings	1,659,871	92,190	754	1,751,307
Improvements other than buildings	3,731,687	308,496	15,185	4,024,998
Machinery and equipment	4,879,906	214,152	216,447	4,877,611
	<u>10,271,464</u>	<u>614,838</u>	<u>232,386</u>	<u>10,653,916</u>
Totals				
Total capital assets, being depreciated, net				
	<u>20,685,244</u>	<u>(348,577)</u>	<u>109,381</u>	<u>20,227,286</u>
Total capital assets, net				
	<u>\$ 20,885,245</u>	<u>\$ (233,202)</u>	<u>\$ 217,715</u>	<u>\$ 20,434,328</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Electric Utility:				
Capital assets, not being depreciated:				
Land	\$ 130,850	\$ -	\$ -	\$ 130,850
Construction in progress	4,847	217,766	88,928	133,685
	<u>135,697</u>	<u>217,766</u>	<u>88,928</u>	<u>264,535</u>
Total capital assets, not being depreciated				
	<u>135,697</u>	<u>217,766</u>	<u>88,928</u>	<u>264,535</u>
Capital assets, being depreciated:				
Buildings	3,857,153	-	-	3,857,153
Improvements other than buildings	18,349,568	311,482	17,479	18,643,571
Machinery and equipment	6,862,674	178,907	90,331	6,951,250
	<u>29,069,395</u>	<u>490,389</u>	<u>107,810</u>	<u>29,451,974</u>
Totals				
	<u>29,069,395</u>	<u>490,389</u>	<u>107,810</u>	<u>29,451,974</u>
Less accumulated depreciation for:				
Buildings	2,135,447	60,448	-	2,195,895
Improvements other than buildings	8,353,739	499,861	17,370	8,836,230
Machinery and equipment	3,481,446	263,298	18,817	3,725,927
	<u>13,970,632</u>	<u>823,607</u>	<u>36,187</u>	<u>14,758,052</u>
Totals				
	<u>13,970,632</u>	<u>823,607</u>	<u>36,187</u>	<u>14,758,052</u>
Total capital assets, being depreciated, net	<u>15,098,763</u>	<u>(333,218)</u>	<u>71,623</u>	<u>14,693,922</u>
Total capital assets, net	<u>\$ 15,234,460</u>	<u>\$ (115,452)</u>	<u>\$ 160,551</u>	<u>\$ 14,958,457</u>

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	2,746	127,035	125,381	4,400
	<u>19,650</u>	<u>127,035</u>	<u>125,381</u>	<u>21,304</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	10,926	65,537	-	76,463
Improvements other than buildings	5,381,772	77,432	72,007	5,387,197
Machinery and equipment	742,533	71,340	81,675	732,198
	<u>6,135,231</u>	<u>214,309</u>	<u>153,682</u>	<u>6,195,858</u>
Totals				
Less accumulated depreciation for:				
Buildings	5,356	262	-	5,618
Improvements other than buildings	1,677,225	100,231	46,855	1,730,601
Machinery and equipment	385,129	31,937	12,419	404,647
	<u>2,067,710</u>	<u>132,430</u>	<u>59,274</u>	<u>2,140,866</u>
Totals				
Total capital assets, being depreciated, net				
	<u>4,067,521</u>	<u>81,879</u>	<u>94,408</u>	<u>4,054,992</u>
Total capital assets, net				
	<u>\$ 4,087,171</u>	<u>\$ 208,914</u>	<u>\$ 219,789</u>	<u>\$ 4,076,296</u>

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

Water	\$ 468,582
Wastewater	614,838
Electric	823,607
Gas	<u>132,430</u>
Total depreciation expense	<u>\$ 2,039,457</u>

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

D. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2009	Committed	Required Future Funding
Water Utility - Software Study	\$ 3,380	\$ 3,380	\$ -	\$ -
Water Utility - Software License Fees	2,975	2,975	-	-
Wastewater Utility - Software Study	3,510	3,510	-	-
Wastewater Utility - Software License Fees	3,090	3,090	-	-
Wastewater Utility - Lift Station	4,803	4,803	-	-
Electric Utility - Software Study	3,771	3,771	-	-
Electric Utility - Software License Fees	3,318	3,318	-	-
Electric Utility - Biomass Study	126,596	126,596	-	-
Gas Utility - Software Study	2,340	2,340	-	-
Gas Utility - Software License Fees	2,060	2,060	-	-
Totals	<u>\$ 155,843</u>	<u>\$ 155,843</u>	<u>\$ -</u>	<u>\$ -</u>

E. Interfund Balances and Activity

1. Interfund Receivables and Payables

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

Due To	Due From				Totals
	Water Utility	Wastewater Utility	Electric Utility	Gas Utility	
Water Utility	\$ -	\$ 26,154	\$ -	\$ -	\$ 26,154
Wastewater Utility	-	-	688	-	688
Electric Utility	184,170	112	-	972,936	1,157,218
Gas Utility	477	-	-	-	477
Totals	<u>\$184,647</u>	<u>\$ 26,266</u>	<u>\$ 688</u>	<u>\$972,936</u>	<u>\$ 1,184,537</u>

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

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

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 month's investment rate earned by the Utilities. Principal and interest payments made in 2009 were \$139,157 and \$4,081, respectively. The interfund loan payable as of December 31, 2009, was \$972,849 and was classified as a noncurrent liability since the term of the loan exceeds one year.

An interfund loan from the Electric Utility to the Water Utility was approved in 2009 in an amount not to exceed \$300,000. The purpose of the loan is to provide adequate fund balances in the Water Utility, until the new water rates produce sufficient revenues to maintain adequate cash balances. The loan is scheduled to mature on December 31, 2011, with monthly payments to begin in July, 2010. The interest rate for the loan is based on the current month's investment rate earned by the Utilities. No principal or interest payments were made in 2009. The interfund loan payable as of December 31, 2009, was \$184,028 and was classified as a noncurrent liability since the term of the loan exceeds one year.

2. Interfund Transfers

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

Transfer from	Transfer to General Fund
Water Utility	\$ 182,266
Electric Utility	144,943
Gas Utility	35,149
Total	\$ 362,358

The Utility typically uses transfers to fund ongoing operating subsidies.

F. Long-Term Liabilities

1. State Revolving Loan Fund

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 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 \$ 2,109,275, are as follows:

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

2010	\$ 166,250
2011	1,039,900
2012	1,044,175
2013	1,042,487
2014	1,039,925
2015-2019	5,200,750
2020-2021	<u>2,075,788</u>
Total	<u>\$ 11,609,275</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 \$ 114,400, are as follows:

2010	\$ 7,660
2011	37,860
2012	37,920
2013	38,920
2014	39,840
2015-2019	188,040
2020-2023	<u>147,160</u>
Total	<u>\$ 497,400</u>

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 \$162,663, are as follows:

2010	\$ 37,250
2011	73,188
2012	71,437
2013	69,688
2014	72,850
2015-2019	359,237
2020-2022	<u>179,013</u>
Total	<u>\$ 862,663</u>

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

2. Changes in Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Water Utility:					
Loans payable	\$ 10,605,000	\$ -	\$ 722,000	\$ 9,883,000	\$ -
Wastewater Utility:					
Loans payable	745,000	-	45,000	700,000	25,000

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	86,817
Computer account	32,036
Customer deposit account	59,604
In lieu of taxes reserve account	321,960
Self-insurance liability reserve account	<u>200,000</u>
Total restricted assets	\$ 1,796,792
Wastewater Utility:	
Debt service reserve account	\$ 74,062
Depreciation account	415,751
Computer account	30,060
Customer deposit account	98,065
Self-insurance liability reserve account	237,750
Industrial pretreatment account	134,455
Plant expansion account	1,145,587
Interceptor improvement account	<u>354,900</u>
Total restricted assets	\$ 2,490,630
Electric Utility:	
Depreciation account	\$ 3,434,827
Computer account	33,182
Customer deposit account	327,788
In lieu of taxes reserve account	255,635
Self-insurance liability reserve account	<u>1,027,435</u>
Total restricted assets	\$ 5,078,867

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

Gas Utility:	
Depreciation account	\$ 333,845
Computer account	34,426
Customer deposit account	100,422
In lieu of taxes reserve account	64,186
Self-insurance liability reserve account	<u>200,000</u>
Total restricted assets	\$ 732,879

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. 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%.

C. 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 October 21, 2009. The Utility has 6,151 customers.

2. Wastewater Utility

The current rate structure was approved by the Council on April 23, 2008. The Utility has 6,452 customers.

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 7,016 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 4,150 customers.

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

D. 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

	<u>PERF</u>
Annual required contribution	\$ 584,386
Interest on net pension obligation	(15,651)
Adjustment to annual required contribution	<u>17,835</u>
Annual pension cost	586,570
Contributions made	<u>578,500</u>
Increase in net pension obligation	8,070
Net pension obligation, beginning of year	<u>(215,875)</u>
Net pension obligation, end of year	<u>\$ (207,805)</u>
Contribution rates:	
Utilities	8%
Plan members	3%
Actuarial valuation date	07-01-07
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

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-07	510,184	102%	(197,247)
	06-30-08	540,089	103%	(215,875)
	06-30-09	586,570	99%	(207,805)

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)
07-01-07	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%)
07-01-09	9,185,488	12,510,382	(3,324,894)	73%	7,345,262	(45%)

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

The contents of this report were discussed on September 2, 2010, with William J. Schmitt, Mayor; Juanita S. Boehm, Clerk-Treasurer; Gerald W. Hayersperger, Utilities' General Manager; and Linda McGovren, Utility Controller. Our examination disclosed no material items that warrant comment at this time.