

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

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

January 1, 2010 to December 31, 2010



**FILED**  
07/06/2011



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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	Lawrence Haag	01-01-08 to 12-31-11
President of the Common Council	L. Joe Fleck	01-01-10 to 12-31-11
Office Manager	Anita Ash	01-01-10 to 12-31-11
Superintendent of Electric Utility	Randy Emmons	01-01-10 to 12-31-11
Superintendent of Water Utility	Larry Walls Charles Kane	01-01-10 to 12-05-10 12-06-10 to 12-31-11
Superintendent of Wastewater Utility	Scott Rainey	01-01-10 to 12-31-11
Superintendent of Storm Water Utility	Scott Rainey	01-01-10 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statements of the business-type activities of the Electric, Water, Wastewater, and Storm Water Utility, departments of the City of Washington, as of and for the year ended December 31, 2010. The Utility's 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 Electric, Water, Wastewater, and Storm Water Utility, City of Washington, are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Utility. They do not purport to, and do not, present fairly the financial position of the City of Washington as of December 31, 2010, 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 Electric, Water, Wastewater, and Storm Water Utility, as of December 31, 2010, 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 Electric, Water, Wastewater, and Storm Water Utility has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

June 20, 2011

WATER, ELECTRIC, WASTEWATER, AND STORM WATER UTILITIES  
CITY OF WASHINGTON  
STATEMENT OF NET ASSETS  
December 31, 2010

<u>Assets</u>	<u>Water</u>	<u>Electric</u>	<u>Wastewater</u>	<u>Storm Water</u>
<b>Current assets:</b>				
Cash and cash equivalents	\$ 1,073,844	\$ 2,015,120	\$ 919,478	\$ 148,151
Accounts receivable (net of allowance)	314,246	1,181,598	327,860	15,780
Accounts receivable - Other	637	97,038	2,830	-
Interfund receivables:				
Interfund services provided and used	21,813	152,036	254	423
Inventories	104,455	152,902	47,586	-
Prepaid expenses	-	-	310	66
<b>Total current assets</b>	<b>1,514,995</b>	<b>3,598,694</b>	<b>1,298,318</b>	<b>164,420</b>
<b>Noncurrent assets:</b>				
Restricted cash, cash equivalents and investments:				
Depreciation cash and investments	175,596	-	-	-
Bond and interest cash and investments	569,841	-	258,754	-
Construction cash and investments	-	-	1,550,746	-
2009 Construction cash and investments	-	-	-	-
Federal street light grant cash and investments	-	12,900	-	-
Improvement cash and investments	-	139,036	26,533	-
Debt Reserve cash and investments	1,653,482	-	389,273	-
Customer deposits	185,406	363,961	-	-
<b>Total restricted assets:</b>	<b>2,584,325</b>	<b>515,897</b>	<b>2,225,306</b>	<b>-</b>
Deferred charges	182,509	-	200,633	-
Capital assets:				
Land, improvements to land and construction in progress	228,781	250,652	22,271,700	29,463
Other capital assets (net of accumulated depreciation)	22,469,125	6,705,794	5,923,641	205,956
<b>Total capital assets</b>	<b>22,697,906</b>	<b>6,956,446</b>	<b>28,195,341</b>	<b>235,419</b>
<b>Total noncurrent assets</b>	<b>25,464,740</b>	<b>7,472,343</b>	<b>30,621,280</b>	<b>235,419</b>
<b>Total assets</b>	<b>\$ 26,979,735</b>	<b>\$ 11,071,037</b>	<b>\$ 31,919,598</b>	<b>\$ 399,839</b>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 62,560	\$ 1,070,800	\$ 70,147	\$ 3,013
Loans payable	-	-	10,238,205	-
Grant payable	-	-	-	-
Lease payables	-	-	-	20,562
Interfund payables:				
Interfund services provided and used	1,705	66,175	-	-
Energy Assistance payable	-	1,003	-	-
Wages payable	15,486	20,053	16,118	767
Current liabilities payable from restricted assets:				
Customer deposits	185,406	363,961	-	-
Revenue bonds payable	450,000	-	285,000	-
Accrued interest payable	143,702	-	247,087	-
<b>Total current liabilities</b>	<b>858,859</b>	<b>1,521,992</b>	<b>10,856,557</b>	<b>24,342</b>
Noncurrent liabilities:				
Revenue bonds payable (net of unamortized discounts, premiums, and deferred amount on refunding)	12,594,870	-	10,100,748	-
Lease payable	-	-	-	54,542
<b>Total liabilities</b>	<b>13,453,729</b>	<b>1,521,992</b>	<b>20,957,305</b>	<b>78,884</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	9,653,036	6,956,445	7,571,388	160,225
Restricted for debt service	2,223,323	-	648,027	-
Unrestricted	1,649,647	2,592,600	2,742,878	160,730
<b>Total net assets</b>	<b>\$ 13,526,006</b>	<b>\$ 9,549,045</b>	<b>\$ 10,962,293</b>	<b>\$ 320,955</b>

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

WATER, ELECTRIC, WASTEWATER, AND STORM WATER UTILITIES  
CITY OF WASHINGTON  
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS  
As Of And For The Year Ended December 31, 2010

	Water	Electric	Wastewater	Storm Water
Operating Revenues:				
Unmetered water revenue	\$ 62,375	\$ -	\$ -	\$ -
Metered water revenue:				
Residential	1,434,918	-	1,536,240	-
Commercial	1,562,774	-	2,085,763	-
Residential sales	-	6,440,926	-	-
Commercial and industrial sales	-	7,251,521	-	-
Public street and highway lighting	-	143,596	-	-
Fire protection revenue	375,354	-	-	-
Penalties	11,310	41,772	36,211	2,494
Flat rate revenues	-	-	-	155,797
Other	17,238	41,623	110,179	-
<b>Total operating revenues</b>	<b>3,463,969</b>	<b>13,919,438</b>	<b>3,768,393</b>	<b>158,291</b>
Operating expenses:				
Source of supply and expense - operations and maintenance	163,612	-	-	-
Water treatment expense - operations and maintenance	453,345	-	-	-
Transmission and distribution	364,383	998,191	-	-
Collection system - operations and maintenance	-	-	444,212	-
Treatment and disposal - operations and maintenance	-	-	788,028	-
Operations and maintenance	-	-	-	54,746
Customer accounts	173,481	200,970	146,057	-
Administration and general	209,058	204,757	226,429	18,413
Purchased power	-	10,962,472	-	-
Insurance expense	199,630	279,668	171,489	7,522
Taxes	377,218	373,578	233,617	-
Depreciation and amortization	854,367	521,751	430,144	18,547
Miscellaneous expenses	33,433	51,099	39,709	3,370
<b>Total operating expenses</b>	<b>2,828,527</b>	<b>13,592,486</b>	<b>2,479,685</b>	<b>102,598</b>
<b>Operating income</b>	<b>635,442</b>	<b>326,952</b>	<b>1,288,708</b>	<b>55,693</b>
Nonoperating revenues (expenses):				
Interest and investment revenue	24,469	13,448	20,727	374
Miscellaneous revenue	71,366	290,694	57,427	10,983
Interest expense	(597,084)	-	(709,008)	(3,061)
Gain/loss on disposition of property	(3,582)	(18,376)	(30,708)	(113)
Miscellaneous expense	-	-	(22,981)	-
<b>Total nonoperating revenues (expenses)</b>	<b>(504,831)</b>	<b>285,766</b>	<b>(684,543)</b>	<b>8,183</b>
<b>Capital Contributions</b>	<b>-</b>	<b>-</b>	<b>1,164,177</b>	<b>-</b>
<b>Change in net assets</b>	<b>130,611</b>	<b>612,718</b>	<b>1,768,342</b>	<b>63,876</b>
<b>Total net assets - beginning</b>	<b>13,395,395</b>	<b>8,936,327</b>	<b>9,193,951</b>	<b>257,079</b>
<b>Total net assets - ending</b>	<b>\$ 13,526,006</b>	<b>\$ 9,549,045</b>	<b>\$ 10,962,293</b>	<b>\$ 320,955</b>

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

WATER, ELECTRIC, WASTEWATER, AND STORM WATER UTILITIES  
CITY OF WASHINGTON  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
As Of And For The Year Ended December 31, 2010

	Water	Electric	Wastewater	Storm Water
<b>Cash Flows From Operating Activities:</b>				
Receipts from customers and users	\$ 3,340,439	\$ 13,492,116	\$ 3,550,834	\$ 153,426
Payments to Suppliers	(1,302,224)	(12,094,966)	(2,026,718)	(51,045)
Payments to Employees	(678,139)	(872,136)	(788,663)	(34,007)
Interfund Services Provided (Used)	-	51,419	25,764	(5,827)
Other receipts	88,153	181,828	34,281	10,954
<b>Net cash provided by operating activities</b>	<b>1,448,229</b>	<b>758,261</b>	<b>795,498</b>	<b>73,501</b>
<b>Cash flows from capital and realted financing activities:</b>				
Proceeds from capital debt	65,817	-	7,421	-
Acquisition and construction of capital assets	(283,586)	(491,095)	(12,397,879)	(28,860)
Principal paid on capital debt	(965,000)	-	(375,000)	(19,880)
Interest paid on capital debt	(608,082)	-	(471,872)	-
Bond issue costs paid	-	-	25,838	-
Loss from sales of capital assets	-	-	-	11,915
Proceeds from loan	-	-	10,238,205	-
Capital Contributions	-	-	1,164,177	-
<b>Net cash used by capital and realted financing activities</b>	<b>(1,790,851)</b>	<b>(491,095)</b>	<b>(1,809,110)</b>	<b>(36,825)</b>
<b>Cash flows from investing activities:</b>				
Interest received	24,469	13,448	20,727	374
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(318,153)</b>	<b>280,614</b>	<b>(992,885)</b>	<b>37,050</b>
Cash and cash equivalents, January 1	3,976,321	2,250,406	4,137,669	134,930
Cash and cash equivalents, December 31	<u>\$ 3,658,168</u>	<u>\$ 2,531,020</u>	<u>\$ 3,144,784</u>	<u>\$ 171,980</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>				
Operating income	\$ 635,441	\$ 326,952	\$ 1,288,708	\$ 55,693
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities</b>				
Depreciation and amortization expense	854,367	521,751	419,806	18,547
Bad Debt expense	(451)	-	-	-
Nonoperating revenue	71,367	202,314	57,262	10,879
Nonoperating expense	-	(20,486)	(22,981)	(3,175)
<b>(Increase) decrease in assets:</b>				
Accounts receivable	(136,473)	(458,082)	(216,729)	(5,118)
Accounts receivable - other	1,941	-	(830)	-
Interfund services provided or used	3,578	51,449	25,764	-
Deferred debits	-	-	-	-
Inventories	(1,228)	15,131	(10,946)	-
Prepaid items	-	-	(310)	(66)
<b>Increase (decrease) in liabilities:</b>				
Accounts payable	(374)	84,781	20,001	2,170
Interfund services provided or used	-	-	-	(5,536)
Taxes payable	(13,170)	-	-	-
Wages payable	3,051	3,691	2,975	107
Contracts payable	-	-	(767,222)	-
Customer deposits payable	30,180	30,760	-	-
<b>Total adjustments</b>	<b>812,788</b>	<b>431,309</b>	<b>(493,210)</b>	<b>17,808</b>
<b>Net cash provided by operating activities</b>	<b>\$ 1,448,229</b>	<b>\$ 758,261</b>	<b>\$ 795,498</b>	<b>\$ 73,501</b>
<b>Noncash investing, capital and financing activities:</b>				
Capital asset from construction in progress	<u>\$ 62,379</u>	<u>\$ 193,952</u>	<u>\$ 21,916,523</u>	<u>\$ 29,463</u>

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, represent a substantial portion of the City's enterprise funds.

B. Fund Financial Statements

Business-type activity financial statements consist of the State 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 non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connections 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 non-operating 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.

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

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

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 \$2,584,325, \$515,897, and \$2,225,306 of restricted net assets for Water Utility, Electric Utility and Wastewater Utility, respectively, as of December 31, 2010.

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 end of 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:

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

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, 2010, the Utilities had deposit balances in the amount of \$8,948,122.

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, 2010, was as follows:

	<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>37,788</u>	<u>89,776</u>	<u>65,185</u>	<u>62,379</u>
 Total capital assets, not being depreciated	 <u>204,190</u>	 <u>89,776</u>	 <u>65,185</u>	 <u>228,781</u>
Capital assets, being depreciated:				
Buildings	15,575,653	20,043		15,595,696
Improvements other than buildings	12,136,512	58,835	5,458	12,189,889
Machinery and equipment	<u>4,118,281</u>	<u>180,116</u>	<u>140,114</u>	<u>4,158,283</u>
 Totals	 <u>31,830,446</u>	 <u>258,994</u>	 <u>145,572</u>	 <u>31,943,868</u>
Less accumulated depreciation for:				
Buildings	2,185,236	312,045	-	2,497,281
Improvements other than buildings	4,449,279	264,006	2,047	4,711,238
Machinery and equipment	<u>2,142,594</u>	<u>197,757</u>	<u>74,126</u>	<u>2,266,225</u>
 Totals	 <u>8,777,109</u>	 <u>773,808</u>	 <u>76,173</u>	 <u>9,474,744</u>
 Total capital assets, being depreciated, net	 <u>23,053,337</u>	 <u>(514,814)</u>	 <u>69,399</u>	 <u>22,469,124</u>
 Total business-type activity capital assets, net	 <u>\$ 23,257,527</u>	 <u>\$ (425,038)</u>	 <u>\$ 134,584</u>	 <u>\$ 22,697,905</u>

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Electric Utility:				
Capital assets, not being depreciated:				
Land	\$ 56,700	\$ -	\$ -	\$ 56,700
Construction in progress	<u>92,634</u>	<u>288,981</u>	<u>187,663</u>	<u>193,952</u>
				-
Total capital assets, not being depreciated	<u>149,334</u>	<u>288,981</u>	<u>187,663</u>	<u>250,652</u>
Capital assets, being depreciated:				
Buildings	779,651	50,729	1,520	828,860
Improvements other than buildings	10,705,093	259,507	247,468	10,717,132
Machinery and equipment	<u>3,437,538</u>	<u>79,511</u>	<u>145,280</u>	<u>3,371,769</u>
Totals	<u>14,922,282</u>	<u>389,747</u>	<u>394,268</u>	<u>14,917,761</u>
Less accumulated depreciation for:				
Buildings	315,401	50,328	1,494	364,235
Improvements other than buildings	5,519,460	270,608	234,939	5,555,129
Machinery and equipment	<u>2,231,247</u>	<u>200,844</u>	<u>139,489</u>	<u>2,292,602</u>
Totals	<u>8,066,108</u>	<u>521,780</u>	<u>375,922</u>	<u>8,211,966</u>
Total capital assets, being depreciated, net	<u>6,856,174</u>	<u>(132,033)</u>	<u>18,346</u>	<u>6,705,795</u>
Total business-type activity capital assets, net	<u>\$ 7,005,508</u>	<u>\$ 156,948</u>	<u>\$ 206,009</u>	<u>\$ 6,956,447</u>

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

	<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>9,839,307</u>	<u>12,253,211</u>	<u>175,995</u>	<u>21,916,523</u>
				-
Total capital assets, not being depreciated	<u>10,194,484</u>	<u>12,253,211</u>	<u>175,995</u>	<u>22,271,700</u>
Capital assets, being depreciated:				
Buildings	2,845,115	4,877	-	2,849,992
Improvements other than buildings	6,481,629	29,636	28,063	6,483,202
Machinery and equipment	<u>5,145,205</u>	<u>286,139</u>	<u>95,989</u>	<u>5,335,355</u>
Totals	<u>14,471,949</u>	<u>320,652</u>	<u>124,052</u>	<u>14,668,549</u>
Less accumulated depreciation for:				
Buildings	1,408,319	52,280	-	1,460,599
Improvements other than buildings	3,194,466	126,046	28,063	3,292,449
Machinery and equipment	<u>3,808,241</u>	<u>241,479</u>	<u>57,860</u>	<u>3,991,860</u>
Totals	<u>8,411,026</u>	<u>419,805</u>	<u>85,923</u>	<u>8,744,908</u>
Total capital assets, being depreciated, net	<u>6,060,923</u>	<u>(99,153)</u>	<u>38,129</u>	<u>5,923,641</u>
Total business-type activity capital assets, net	<u>\$ 16,255,407</u>	<u>\$ 12,154,058</u>	<u>\$ 214,124</u>	<u>\$ 28,195,341</u>

WATER, ELECTRIC, WASTEWATER AND STORM WATER UTILITIES  
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	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Storm Water Utility:				
Capital assets, not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	716	28,747	-	29,463
				-
Total capital assets, not being depreciated	<u>716</u>	<u>28,747</u>	<u>-</u>	<u>29,463</u>
Capital assets, being depreciated:				
Buildings	28,006	-	-	28,006
Improvements other than buildings	62,358	-	-	62,358
Machinery and equipment	134,144	12,244	328	146,060
Totals	<u>224,508</u>	<u>12,244</u>	<u>328</u>	<u>236,424</u>
Less accumulated depreciation for:				
Buildings	1,236	2,797		4,033
Improvements other than buildings	1,628	1,247	-	2,875
Machinery and equipment	9,273	14,504	217	23,560
Totals	<u>12,137</u>	<u>18,548</u>	<u>217</u>	<u>30,468</u>
Total capital assets, being depreciated, net	<u>212,371</u>	<u>(6,304)</u>	<u>111</u>	<u>205,956</u>
Total business-type activity capital assets, net	<u>\$ 213,087</u>	<u>\$ 22,443</u>	<u>\$ 111</u>	<u>\$ 235,419</u>

WATER, ELECTRIC, WASTEWATER AND STORM WATER UTILITIES  
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Depreciation expense was charged to the utilities as follows:

Water	\$	773,808
Electric		521,780
Wastewater		419,805
Stormwater		<u>18,547</u>
		<u>\$ 1,733,940</u>

C. Construction Commitments

Construction work in progress is composed of the following:

	2010	
<u>Project</u>	<u>Expended to December 31</u>	<u>Committed</u>
Water Utility	\$ 62,379	\$ -
Electric Utility	193,952	-
Wastewater Utility	21,916,523	14,191,326
Storm Water Utility	<u>29,463</u>	<u>-</u>
Totals	<u>\$ 22,202,317</u>	<u>\$ 14,191,326</u>

D. Interfund Balances and Activity

1. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2010, could not be determined at this time.

E. Leases

Capital Leases

The Storm water Utility has entered into a capital lease for a street sweeper. Future minimum

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lease payments and present values of the net minimum lease as of December 31, 2010, are as follows:

	<u>Business-Type Activities</u>
2011	\$ 22,942
2012	22,942
2013	22,942
2014	<u>11,471</u>
 Total minimum lease payments	 80,297
 Less amount representing interest	 <u>5,193</u>
 Present value of net minimum lease payments	 <u>\$ 75,104</u>

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

	<u>Storm Water Utility</u>
Machinery and Equipment	<u>\$ 104,676</u>

F. Long-Term Liabilities

2. 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:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
1998 Water Bonds	4.80 to 5.00 %	220,000
2005 Water Refunding Bonds	4.10 to 5.00 %	7,660,000
2006 Water Refunding Bonds	3.55 to 4.10 %	5,460,000
2007 Wastewater Bonds	3.75 to 4.15 %	7,835,000
2009 Wastewater Revenue Bonds	2.00 to 5.10 %	<u>2,645,000</u>
 Total		 <u>\$ 23,820,000</u>

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Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
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
2030-2035	-	-	105,000	2,677
Total	<u>\$ 13,340,000</u>	<u>\$ 3,338,480</u>	<u>\$ 10,480,000</u>	<u>\$ 4,581,484</u>

3. Advance Refunding

In prior years, the Utility defeased certain revenue and other bonds by placing the proceeds of the 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, 2010, 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

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

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	Beginning Balance	Additions	Reductions	Ending Balance
Revenue Bonds Payable:				
Water Utility	14,305,000	-	965,000	13,340,000
Wastewater Utility	10,855,000	-	375,000	10,480,000
Less deferred amount on refunding	461,429	-	73,245	388,184
 Total Revenue Bonds Payable	 24,698,571	 -	 1,266,755	 23,431,816

5. State Revolving Loan Fund

Wastewater Revolving Loan Fund

Under the terms of the State Revolving Loan Fund, revenue bonds were purchased by the Bank of New York Mellon Trust Company N.A., the proceeds of which were used to finance the construction of a Combined Sewer Overflow Project. Funds were loaned to the City as construction costs accrued to the maximum allowed. The 2010 loan established a maximum draw of \$15,242,000.00. As of December 31, 2010 \$10,238,205 had been received.

B. Restricted Assets

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

Water Utility

Customer Deposits	\$ 185,406
Revenue Bond operations and maintenance	2,398,919
Total restricted assets	\$ 2,584,325

Electric Utility

Customer Deposits	\$ 363,961
Revenue Bond operations and maintenance	151,936
Total restricted assets	\$ 515,897

Wastewater Utility

Revenue Bond operations and maintenance	\$ 674,560
Revenue Bond construction	1,550,746
Total restricted assets	\$ 2,225,306

WATER, ELECTRIC, WASTEWATER AND STORM WATER UTILITIES  
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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 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 probably that a loss has occurred. These losses include an estimate of claims that have been incurred but not reported (BNR's). 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.

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. Rate Structure

1. Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on May 25, 2001. The Utility has 5,288 customers.

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On April 10, 2006, the City Council adopted Ordinance 2-2006 to withdraw from the jurisdiction of the Indiana Regulatory Commission. The withdrawal was effective June 16, 2006.

2. Electric Utility

The current rate structure was approved by the City Council 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.

3. Wastewater Utility

The current rate structure was approved by the City Council on March 22, 2010. The Utility has 4,549 customers.

4. Storm water Utility

The current rate structure was approved by the City Council on September 13, 2004. The Utility has 4,397 customers.

C. Pension Plan

Public Employees' Retirement Fund Plan Description

The City, including the Utilities, contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the 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

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

ELECTRIC, WATER, WASTEWATER, AND STORM WATER UTILITY  
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EXIT CONFERENCE

The contents of this report were discussed on June 20, 2011, with Lawrence Haag, Mayor; Elaine Wellman, Clerk-Treasurer; L. Joe Fleck, President of the Common Council; and Anita Ash, Office Manager. Our examination disclosed no material items that warrant comment at this time.