

Petitioner's Exhibit
DLB-1

IURC Cause No. _____

Town of Ellettsville
Municipal Water Utility

Accounting Report On
Proposed Project and
Increase in
Rates and Charges

November 12, 2013

Umbaugh
Certified Public Accountants
Indianapolis, Indiana

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ACCOUNTANTS' RATE STUDY AND COMPILATION REPORT

November 12, 2013

Town Council
Town of Ellettsville
221 North Sale Street
Ellettsville, IN 47429-1423

RE: Ellettsville (Indiana) Municipal Water Utility

In connection with the proposed change in the Town's schedule of water rates and charges, we have, at your request, compiled this special purpose rate study report for submission to the Indiana Utility Regulatory Commission.

This special purpose rate study report has been prepared for the purpose of requesting approval of the proposed improvement project financing and a new schedule of water rates and charges from the Indiana Utility Regulatory Commission and should not be used for any other purpose.

Further, the pro forma financial information in this report which has not been compiled, reviewed or audited by us, is based upon unaudited financial information for the twelve months ended May 31, 2013, which was compiled by us and assumptions provided by management and their consulting engineers or obtained from other sources. This pro forma financial information is prepared for the purpose of showing the estimated financial effects on the utility's revenue and revenue requirements of an increase in rates and charges for service and other changes that may be reasonably fixed, known or measured, excluding provisions for future inflation. The actual results achieved may vary from the pro forma information and the variations may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

We have compiled the accompanying comparative statement of net assets of the Water Utility as of December 31, 2010, December 31, 2011, December 31, 2012 and May 31, 2013, and the related comparative statements of revenues, expenses, and other changes in fund net position, and cash flows for the periods then ended and supplementary data. We have not audited or reviewed the accompanying historical financial statements and supplementary data, and accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

(Continued on next page)

Town Council

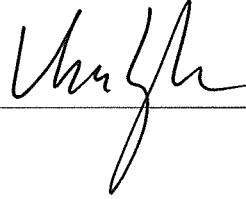
Date: November 12, 2013

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Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Water Utility's financial position, results of operations and its cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.



ELLETTSVILLE (INDIANA) MUNICIPAL WATER UTILITY

GENERAL COMMENTS

The Town of Ellettsville, located in Monroe County, Indiana, owns and operates a water utility and furnishes retail water service and fire protection to the residents of the Town and the surrounding area.

In order to provide sufficient revenues for the anticipated expenses of operation and maintenance including payment in lieu of property taxes, to provide for the payment of the principal and interest on the existing bonds and the proposed Waterworks Revenue Bonds of 2014 (the “2014 Bonds”) and to provide for replacements and improvements to utility plant, the Town Council of the Town of Ellettsville proposes to increase water rates and charges, subject to the approval of the Indiana Utility Regulatory Commission (“IURC”).

Estimated Project Costs and Funding – Page 5

Page 5 shows the estimated project costs and funding for the proposed improvement project to construct a secondary water main to the City of Bloomington.

Schedule of Amortization of \$1,710,000 Principal Amount of Proposed Waterworks Revenue Bonds of 2014 – Page 6

Page 6 shows the proposed bond amortization for the proposed 2014 Bonds. The 2014 Bonds are assumed to be issued May 1, 2014.

Schedule of Combined Debt Service – Page 7

Page 7 shows the combined debt service for the 2010 Bonds and Proposed 2014 Bonds.

Pro Forma Annual Operating Expenses – Pages 8 - 11

The recorded operating expenses for the twelve months ended May 31, 2013 have been adjusted for fixed, known and measurable changes as explained on pages 8 through 10 to arrive at the pro forma annual operating expenses. Significant among the adjustments are salaries and wages, employee benefits, the exclusion of capital and non recurring expenses and the normalization of purchased water.

Normalized Annual Operating Revenue – Page 12

Page 12 shows the calculated revenue normalization that adjusts the test year sales for the drought conditions experienced during the summer of 2012.

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ELLETTSVILLE (INDIANA) MUNICIPAL WATER UTILITY

(Cont'd)

GENERAL COMMENTS

Proposed Capital Improvement Plan – Page 13

Page 13 shows the proposed capital improvement plan provided by utility officials. The total annual requirement calculates to be \$170,687.

Pro Forma Annual Revenue Requirements and Available Revenues – Pages 14 - 15

The recorded operating expenses for the twelve months ended May 31, 2013, have been adjusted for expected changes as explained on pages 7 through 10 to arrive at the pro forma annual operating expenses. The annual debt service requirement reflects the average annual principal and interest payments on the outstanding Waterworks Refunding Revenue Bonds of 2010 (the “2010 Bonds” and the estimated debt service on the proposed 2014 Bonds. A debt service reserve requirement has been included to fund a reserve for the proposed 2014 Bonds over a five year period. The annual requirement for replacements and improvements to utility plant is based upon the utility’s capital improvement plan detailed on page 12. An allowance for payments in lieu of taxes has been included in the revenue requirements.

The pro forma deficiency of revenues as compared to pro forma revenue requirements for continuing operations amounts to \$376,787 after reducing revenues for the elimination of the outside of Town rate differential which results in a 26.68% calculated across-the-board increase in present inside of Town rates and charges. The outside of Town rate differential is proposed to be eliminated.

Schedule of Present and Proposed Water Rates and Charges – Pages 16 - 17

This schedule compares the rates currently being charged by the water utility with the proposed rates taking into account the elimination of the Outside of Town rate differential.

ELLETTSVILLE (INDIANA) MUNICIPAL WATER UTILITY

RATE STUDY

ELLETTSVILLE (INDIANA) MUNICIPAL WATER UTILITY

ESTIMATED PROJECT COSTS AND FUNDING

(Assumes Bond Closing on May 1, 2014)

	<u>Secondary Water Main</u>
Estimated Project Costs:	
Estimated construction costs, engineering and contingencies	\$1,500,000
Non Construction Costs	
Total underwriter's discount (1.5%)	25,650
Allowance for legal, bond counsel, financial advisory, bond issuance costs and rounding	<u>184,350</u>
Total Estimated Project Costs	<u><u>\$1,710,000</u></u>
Estimated Project Funding:	
Par Amount of Bonds	<u><u>\$1,710,000</u></u>

(See Accountants' Report and Accompanying Comments)

ELLETTSVILLE (INDIANA) MUNICIPAL WATER UTILITY

**SCHEDULE OF AMORTIZATION OF \$1,710,000 PRINCIPAL AMOUNT
OF PROPOSED WATERWORKS REVENUE BONDS OF 2014**

Principal and interest payable semi-annually on January 1st and July 1st, beginning July 1, 2014.
Assumes bonds dated May 1, 2014.

Payment Date	Principal Balance	Assumed Interest Rate (%)	Debt Service			Bond Year Total
			Principal	Interest	Total	
07/01/14	\$1,710			\$16,935.83	\$16,935.83	
01/01/15	1,710			50,807.50	50,807.50	\$67,743.33
07/01/15	1,710			50,807.50	50,807.50	
01/01/16	1,710			50,807.50	50,807.50	101,615.00
07/01/16	1,710			50,807.50	50,807.50	
01/01/17	1,710			50,807.50	50,807.50	101,615.00
07/01/17	1,710			50,807.50	50,807.50	
01/01/18	1,710			50,807.50	50,807.50	101,615.00
07/01/18	1,710	3.65	\$30	50,807.50	80,807.50	
01/01/19	1,680	4.15	30	50,260.00	80,260.00	161,067.50
07/01/19	1,650	4.15	30	49,637.50	79,637.50	
01/01/20	1,620	4.55	30	49,015.00	79,015.00	158,652.50
07/01/20	1,590	4.55	30	48,332.50	78,332.50	
01/01/21	1,560	4.90	30	47,650.00	77,650.00	155,982.50
07/01/21	1,530	4.90	30	46,915.00	76,915.00	
01/01/22	1,500	5.15	35	46,180.00	81,180.00	158,095.00
07/01/22	1,465	5.15	35	45,278.75	80,278.75	
01/01/23	1,430	5.35	35	44,377.50	79,377.50	159,656.25
07/01/23	1,395	5.35	35	43,441.25	78,441.25	
01/01/24	1,360	5.55	35	42,505.00	77,505.00	155,946.25
07/01/24	1,325	5.55	40	41,533.75	81,533.75	
01/01/25	1,285	5.70	40	40,423.75	80,423.75	161,957.50
07/01/25	1,245	5.70	40	39,283.75	79,283.75	
01/01/26	1,205	5.90	40	38,143.75	78,143.75	157,427.50
07/01/26	1,165	5.90	45	36,963.75	81,963.75	
01/01/27	1,120	6.05	45	35,636.25	80,636.25	162,600.00
07/01/27	1,075	6.05	45	34,275.00	79,275.00	
01/01/28	1,030	6.15	45	32,913.75	77,913.75	157,188.75
07/01/28	985	6.15	50	31,530.00	81,530.00	
01/01/29	935	6.25	50	29,992.50	79,992.50	161,522.50
07/01/29	885	6.25	50	28,430.00	78,430.00	
01/01/30	835	6.30	55	26,867.50	81,867.50	160,297.50
07/01/30	780	6.30	55	25,135.00	80,135.00	
01/01/31	725	6.35	55	23,402.50	78,402.50	158,537.50
07/01/31	670	6.35	60	21,656.25	81,656.25	
01/01/32	610	6.40	60	19,751.25	79,751.25	161,407.50
07/01/32	550	6.40	60	17,831.25	77,831.25	
01/01/33	490	6.45	65	15,911.25	80,911.25	158,742.50
07/01/33	425	6.45	65	13,815.00	78,815.00	
01/01/34	360	6.50	70	11,718.75	81,718.75	160,533.75
07/01/34	290	6.50	70	9,443.75	79,443.75	
01/01/35	220	6.50	70	7,168.75	77,168.75	156,612.50
07/01/35	150	6.50	75	4,893.75	79,893.75	
01/01/36	75	6.55	75	2,456.25	77,456.25	157,350.00
Totals			<u>\$1,710</u>	<u>\$1,526,165.83</u>	<u>\$3,236,165.83</u>	<u>\$3,236,165.83</u>

Average annual principal and interest payment for the three bond years ending January 1, 2018.

\$101,615.00

(See Accountants' Report and Accompanying Comments)

ELLETTSVILLE (INDIANA) MUNICIPAL WATER UTILITY

SCHEDULE OF COMBINED DEBT SERVICE
(Unaudited)

Payment Date	Outstanding Refunding Revenue Bonds of 2010	Proposed Revenue Bonds of 2014	Total	Bond Year Total
1/1/2014	\$54,831.79		\$54,831.79	\$54,831.79
7/1/2014	54,824.59	\$16,935.83	71,760.42	
1/1/2015	54,825.47	50,807.50	105,632.97	177,393.39
7/1/2015	54,833.76	50,807.50	105,641.26	
1/1/2016	54,828.78	50,807.50	105,636.28	211,277.54
7/1/2016	54,830.33	50,807.50	105,637.83	
1/1/2017	54,827.74	50,807.50	105,635.24	211,273.07
7/1/2017	54,830.56	50,807.50	105,638.06	
1/1/2018	54,828.13	50,807.50	105,635.63	211,273.69
7/1/2018		80,807.50	80,807.50	
1/1/2019		80,260.00	80,260.00	161,067.50
7/1/2019		79,637.50	79,637.50	
1/1/2020		79,015.00	79,015.00	158,652.50
7/1/2020		78,332.50	78,332.50	
1/1/2021		77,650.00	77,650.00	155,982.50
7/1/2021		76,915.00	76,915.00	
1/1/2022		81,180.00	81,180.00	158,095.00
7/1/2022		80,278.75	80,278.75	
1/1/2023		79,377.50	79,377.50	159,656.25
7/1/2023		78,441.25	78,441.25	
1/1/2024		77,505.00	77,505.00	155,946.25
7/1/2024		81,533.75	81,533.75	
1/1/2025		80,423.75	80,423.75	161,957.50
7/1/2025		79,283.75	79,283.75	
1/1/2026		78,143.75	78,143.75	157,427.50
7/1/2026		81,963.75	81,963.75	
1/1/2027		80,636.25	80,636.25	162,600.00
7/1/2027		79,275.00	79,275.00	
1/1/2028		77,913.75	77,913.75	157,188.75
7/1/2028		81,530.00	81,530.00	
1/1/2029		79,992.50	79,992.50	161,522.50
7/1/2029		78,430.00	78,430.00	
1/1/2030		81,867.50	81,867.50	160,297.50
7/1/2030		80,135.00	80,135.00	
1/1/2031		78,402.50	78,402.50	158,537.50
7/1/2031		81,656.25	81,656.25	
1/1/2032		79,751.25	79,751.25	161,407.50
7/1/2032		77,831.25	77,831.25	
1/1/2033		80,911.25	80,911.25	158,742.50
7/1/2033		78,815.00	78,815.00	
1/1/2034		81,718.75	81,718.75	160,533.75
7/1/2034		79,443.75	79,443.75	
1/1/2035		77,168.75	77,168.75	156,612.50
7/1/2035		79,893.75	79,893.75	
1/1/2036		77,456.25	77,456.25	157,350.00
Totals	<u>\$493,461.15</u>	<u>\$3,236,165.83</u>	<u>\$3,729,626.98</u>	<u>\$3,729,626.98</u>

Average annual debt service for the three bond years ending January 1, 2018. \$211,274.77

(See Accountants' Report and Accompanying Comments)

ELLETTSVILLE (INDIANA) MUNICIPAL WATER UTILITY

PRO FORMA ANNUAL OPERATING EXPENSES

See explanation of adjustments, pages 9 - 11.

	12 Months Ended 5/31/2013	Adjustments	Ref	Adjusted Pro Forma
Operating Expenses:				
Source of Supply				
Purchased water	\$757,804	(\$60,946)	(1)	\$696,858
Transmission and distribution				
Salaries and wages	161,692	30,666	(2)	192,358
Employee benefits	57,064	9,971	(3) (4) (5)	67,035
Purchased power	14,982			14,982
Materials and supplies	108,534	(69,884)	(6)	38,650
Repairs and maintenance	135,794	(101,373)	(8)	34,421
Contractual services	121,911	(2,544)	(6) (7)	119,367
Equipment rental	64			64
Transportation	13,539			13,539
Miscellaneous expense	258			258
Customer Accounts				
Salaries and wages	68,719	(1,703)	(2)	67,016
Employee benefits	35,860	7,628	(3) (4) (5)	43,488
Materials and supplies	18,584			18,584
Contractual services	3,608			3,608
Customer refunds	3,086			3,086
Miscellaneous expense	-			-
Administrative and general				
Salaries and wages	62,162	2,165	(2)	64,327
Employee benefits	13,295	1,855	(3) (4) (5)	15,150
Utilities	3,098			3,098
Materials and supplies	7,154			7,154
Contractual services	15,795	(2,290)	(6)	13,505
Insurance	15,482	263	(9)	15,745
Advertising	234			234
Transportation	38			38
Miscellaneous expense	-			-
Utility Receipts Tax	23,829	(1,741)	(10)	22,088
Totals	<u>\$1,642,586</u>	<u>(\$187,933)</u>		<u>\$1,454,653</u>

(Continued on next page)

(See Accountants' Report and Accompanying Comments)

ELLETTSVILLE (INDIANA) MUNICIPAL WATER UTILITY

(Cont'd)

PRO FORMA ANNUAL OPERATING EXPENSES

Explanation of Adjustments

Adjustment (1) - Purchased Water

To normalize purchased water expense from the City of Bloomington for the drought conditions during the summer of 2012.

Pro Forma purchased water (1,000s) gallons	347,578
Times (1,000s Gallons)	<u>1.99</u>
Water usage charge	691,680
Service charge	<u>5,178</u>
Total purchased water expense	696,858
Less test year purchased water	<u>(757,804)</u>
Adjustment	<u><u>(\$60,946)</u></u>

Adjustment (2) - Salaries and Wages

To adjust test year payroll expense to reflect pro forma salary and wage expense.

Pro forma payroll	\$319,751
Plus longevity pay	3,950
Less test year amount	<u>(292,573)</u>
Adjustment	<u><u>\$31,128</u></u>

Adjustment (3) - FICA

To adjust test year FICA expense to reflect pro forma payroll.

Pro forma payroll	\$323,701
Times FICA rate	<u>7.65%</u>
Pro forma FICA expense	24,763
Less test year amount	<u>(21,109)</u>
Adjustment	<u><u>\$3,654</u></u>

Adjustment (4) - PERF

To adjust test year PERF expense to reflect pro forma payroll subject to PERF.

Pro forma payroll subject to PERF	\$285,044
Times PERF rate	<u>14.20%</u>
Pro forma PERF expense	40,476
Less test year amount	<u>(36,645)</u>
Adjustment	<u><u>\$3,831</u></u>

Adjustment (5) - Medical Insurance

To adjust test year medical insurance expense to reflect the estimated insurance premium.

Pro forma medical insurance expense	\$54,139
Less test year amount	<u>(42,170)</u>
Adjustment	<u><u>\$11,969</u></u>

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(See Accountants' Report and Accompanying Comments)

ELLETTSVILLE (INDIANA) MUNICIPAL WATER UTILITY

(Cont'd)

PRO FORMA ANNUAL OPERATING EXPENSES

Explanation of Adjustments

Adjustment (6) - Capital or Nonrecurring

To adjust the test year for those expenses considered capital or nonrecurring.

<u>Date</u>	<u>Expense Category</u>	<u>Description</u>	<u>Amount</u>
7/10/2012	Materials and Supplies - TDM	Asphalt	(\$3,949)
7/10/2012	Materials and Supplies - TDM	Supplies/Sale St	(29,529)
7/10/2012	Materials and Supplies - TDM	Stone	(3,096)
7/24/2012	Materials and Supplies - TDM	Asphalt	(4,888)
8/14/2012	Materials and Supplies - TDM	Supplies/Taco Bell	(1,019)
8/14/2012	Materials and Supplies - TDM	Supplies/Sale St	(4,525)
11/14/2012	Materials and Supplies - TDM	Materials/Bank Rd	(6,427)
12/11/2012	Materials and Supplies - TDM	Supplies/Valleyview	(1,018)
12/28/2012	Materials and Supplies - TDM	Supplies/Bank Rd	(1,034)
2/12/2013	Materials and Supplies - TDM	Meter Pits	(14,399)
3/25/2013	Engineering - TDM	Woodyard Line	(2,481)
4/23/2013	Engineering - TDO	Woodyard Line	(3,896)
5/29/2013	Accounting	2012 IURC	(2,290)
	Adjustment		<u><u>(\$78,551)</u></u>

Adjustment (7) - Management Contract

To adjust test year to reflect the current monthly payment for the management contract.

Pro forma management contract expense	\$94,973
Less test year amount	<u>(91,140)</u>
Adjustment	<u><u>\$3,833</u></u>

Adjustment (8) - Periodic Maintenance

To adjust test year to reflect periodic maintenance expenses.

Annual tank maintenance contract agreement	\$24,160
Annual booster pump maintenance	5,600
Less test year repairs and maintenance	<u>(131,133)</u>
Adjustment	<u><u>(\$101,373)</u></u>

Adjustment (9) - Insurance

To adjust test year to reflect current insurance premiums.

Pro forma insurance expense	\$15,745
Less test year amount	<u>(15,482)</u>
Adjustment	<u><u>\$263</u></u>

(Continued on next page)

(See Accountants' Report and Accompanying Comments)

ELLETTSVILLE (INDIANA) MUNICIPAL WATER UTILITY

(Cont'd)

PRO FORMA ANNUAL OPERATING EXPENSES

Explanation of Adjustments

Adjustment (10) - Utility Receipts Tax

To adjust test year to include the pro forma Utility Receipts Tax expense at present rates.

Pro forma operating revenues at present rates	\$1,578,183
Less: exemption	<u>(500)</u>
Pro forma taxable revenues at present rates	1,577,683
Times: tax rate	<u>1.40%</u>
Pro forma Utility Receipts Tax at present rates	22,088
Less: test year expense	<u>(23,829)</u>
Adjustment	<u><u>(\$1,741)</u></u>

(See Accountants' Report and Accompanying Comments)

ELLETTSVILLE (INDIANA) MUNICIPAL WATER UTILITY

NORMALIZED ANNUAL OPERATING REVENUE

To normalize the test year for metered sales for the drought conditions during the summer of 2012.

Historical Water Sold (1,000s of Gallons)

<u>Year</u>	<u>1,000s Gallons Sold</u>	<u>Revenues</u>
2007	297,695	\$1,040,069
2008	290,159	1,024,794
2009	281,556	1,100,674
2010	294,669	1,272,295
2011	285,948	1,314,069
Average	<u>290,005</u>	

2008 Revenues	\$1,024,794
Times 2009 rate increase	<u>23.09%</u>
Revenues normalized for rate increase	1,261,419
Additional revenues from (\$0.76) tracker	<u>220,404</u>
Normalized Revenues	<u>\$1,481,823</u>

(See Accountants' Report and Accompanying Comments)

ELLETTSVILLE (INDIANA) MUNICIPAL WATER UTILITY

PROPOSED CAPITAL IMPROVEMENT PLAN
(Per Utility Officials)

Item Number	Description	Amount
I. 1	Replace 1987 International dump truck	\$52,000
2	Replace F250 4x4 with plow	28,000
3	Replace 1998 JD backhoe with ram	81,000
4	Replace 1998 JD 244 frontloader	90,000
5	Replace 1998 F450 service truck	50,000
6	Replace 2001 Compact Skid-loader with attachments	45,000
7	Replace 1997 JD Backhoe	95,000
8	Hand held meter reader	10,000
	Total proposed shared capital improvements	451,000
	Times 50% allocation to water utility	50%
	Subtotal	225,500
	Amortized over seven years	7
	Annual Requirement for Shared Capital Assets	32,214
II. 9	Upgrade 2,400 ft of line from Fourth Street to East End - Ritter Street	98,700
10	Upgrade 900 ft of line from Sharp St. to Third St. - Association St.	45,150
11	Upgrade 1,300 ft of line from Sale St. to First St. - Oak St.	55,950
12	Upgrade 600 ft of line from Second St. to School - Association St.	24,900
13	Upgrade 2,400 ft of line from St. Rd 46 to Forest View - Lakeview Dr.	153,000
14	Upgrade 400 ft of line from East End to 8" high pressure - Ritter St.	15,000
15	Upgrade 1,500 ft of line from Red Hill to Lifeway Church - SR 46	67,500
16	Upgrade 650 ft of line from Highland Park II to Sugar Lane - Sugar Acres	24,375
17	Allen Dick Project - Inter-connect	30,000
18	Upgrade 3,000 ft of line from Loudon Tank to Reeves Rd - Loudon Tank	133,300
19	Upgrade 2,200 ft of line from Hartstraight/Dallas to Greenbriar Rd - Harstraight Rd	66,000
20	Upgrade 910 ft of line from McNeely St. to Main St. - Matthews Drive	54,600
21	Thomas Rd line extension (2,000 ft)	60,000
22	Upgrade to Radio-Read meters (1,750 units) (50% allocated to Water)	218,750
23	Replace hydrants (12 outside of Town and 13 inside of Town)	87,500
	Proposed capital improvements	1,134,725
	Amortized over ten years	10
	Annual Requirement for Water Improvements	113,473
24	Leak survey (Estimated \$250/mile times 100 miles)	25,000
	Total Annual Requirement	<u>\$170,687</u>

(See Accountants' Report and Accompanying Comments)

ELLETTSVILLE (INDIANA) MUNICIPAL WATER UTILITY

**PRO FORMA ANNUAL REVENUE REQUIREMENTS
AND AVAILABLE REVENUES**

See Explanation of References, page 15.

<u>Annual Revenue Requirements</u>	12 Months Ended 5/31/2013	Adjustments	Adjusted Pro Forma
Operation and maintenance expenses (1)	\$1,642,586	(\$187,933)	\$1,454,653
Additional utility receipts tax (2)	-	2,510	2,510
Debt service (3)	109,657	101,618	211,275
Debt service reserve (4)	-	29,162	29,162
Payment in lieu of taxes (5)	16,100		16,100
Allowance for replacements and improvements (6)	<u>13,634</u>	<u>157,053</u>	<u>170,687</u>
Sub-totals	1,781,977	102,410	1,884,387
Less penalties (5)	(11,296)		(11,296)
Less miscellaneous revenue (7)	(34,737)	1,578	(33,159)
Less other income (5)	<u>(51,099)</u>		<u>(51,099)</u>
Total net annual revenue requirements	<u>\$1,684,845</u>	<u>\$103,988</u>	<u>\$1,788,833</u>
 <u>Available Revenues</u>			
Metered water sales (8)	\$1,530,041	(\$48,218)	\$1,481,823
Unmetered water sales (5)	1,148		1,148
Fire protection (5)	126,549		126,549
Eliminate outside town surcharge (9)	-	(182,809)	(182,809)
Adjust for billing correct meter size (10)	<u>-</u>	<u>(14,665)</u>	<u>(14,665)</u>
Total Available Revenues	<u>\$1,657,738</u>	<u>(\$245,692)</u>	<u>\$1,412,046</u>
Additional Revenues Required			<u>\$376,787</u>
Approximate Across-The-Board Increase In Present Rates and Charges			<u>26.68%</u>
Resulting Approximate Average Residential Bill - Inside Town (Presently \$17.76 for 4,000 gallons)			<u>\$22.49</u>
Resulting Approximate Average Residential Bill - Outside Town (Presently \$22.07 for 4,000 gallons)			<u>\$22.49</u>

(Continued on next page)

(See Accountants' Report and Accompanying Comments)

ELLETTSVILLE (INDIANA) MUNICIPAL WATER UTILITY

(Cont'd)

PRO FORMA ANNUAL REVENUE REQUIREMENTS
AND AVAILABLE REVENUES
(Explanation of References)

- (1) See "Pro Forma Annual Operating Expenses," pages 8-11.
- (2) To provide an allowance for additional utility receipts tax on the proposed increase in water sales revenues.
- (3) To provide for the average annual debt service on the combined bond amortization for the three years ending January 1, 2018, see page 7.
- (4) To provide for the additional debt service reserve to be funded over five years.

Debt service reserve requirement on proposed bonds	\$211,278
Less debt service reserve on outstanding 2010 refunding bonds	<u>(65,468)</u>
Remaining debt service reserve to be funded	145,810
Divide by 5 years	<u>5</u>
Annual Debt Service Reserve Requirement	<u><u>\$29,162</u></u>

- (5) Assumed at test year amounts.
- (6) Assumes annual replacement and improvements is equal to the capital improvement plan, see page 13.
- (7) To normalize miscellaneous revenues as follows:

Test year miscellaneous revenues	\$34,737
Less : reimbursements	<u>(1,578)</u>
Normalized Miscellaneous Revenues	<u><u>\$33,159</u></u>
- (8) Revenues have been normalized, see page 12.
- (9) Assumes reduction of revenues from elimination of outside of Town surcharge calculated in the outside of Town consumer analysis.
- (10) Calculated test year customer outside of Town overbilling from the outside of Town consumer analysis.

(See Accountants' Report and Accompanying Comments)

ELLETTSVILLE (INDIANA) MUNICIPAL WATER UTILITY
SCHEDULE OF PRESENT AND PROPOSED WATER RATES AND CHARGES

(a) Metered User Block Schedule:

For use of and service rendered by the waterworks system of the Town, based upon the use of water supplied by said waterworks system:

<u>Monthly Water Usage</u>		Present Rate Per 1,000	
<u>Inside Town</u>		<u>Gallons (1)</u>	<u>Proposed (2)</u>
First	3,000 gallons	\$4.55 *	\$5.76
Next	5,000 gallons	4.11 *	5.21
Next	12,000 gallons	3.57 *	4.52
Next	30,000 gallons	3.38 *	4.28
Next	50,000 gallons	3.22 *	4.08
Next	100,000 gallons	3.11 *	3.94
Over	200,000 gallons	3.02 *	3.83
 <u>Outside Town</u>			
First	3,000 gallons	5.63 *	N/A
Next	7,000 gallons	5.18 *	N/A
Next	90,000 gallons	4.28 *	N/A
Next	100,000 gallons	3.74 *	N/A
Over	200,000 gallons	3.49 *	N/A

(b) Metered User Minimum Schedule:

Each user shall pay a minimum charge in accordance with the following applicable size of meter installed, for which the user will be entitled to the quantity of water set out in the above schedule of rates.

<u>Minimum Charges</u>		Present Monthly		
<u>Inside Town</u>		<u>Monthly Gallorage</u>	<u>Charge (1)</u>	<u>Proposed (2)</u>
5/8	inch meter	3,000	\$13.65 *	\$17.28
3/4	inch meter	3,336	15.03 *	19.03
1	inch meter	3,611	16.16 *	20.46
1 1/4	inch meter	5,826	25.26 *	32.00
1 1/2	inch meter	6,934	29.82 *	37.78
2	inch meter	11,405	46.36 *	58.72
3	inch meter	19,730	76.08 *	96.35
4	inch meter	49,765	177.65 *	224.96

* Includes \$0.76 per 1,000 gallons water tracking factor effective December 21, 2011.

(1) Rates and charges approved June 3, 2009 pursuant to the IURC Order in Cause No. 43582U

(2) Proposed rates and charges assume that the outside of Town surcharge is eliminated.

(Continued on next page)

(See Accountants' Report and Accompanying Comments)

ELLETTSVILLE (INDIANA) MUNICIPAL WATER UTILITY
(Cont'd)
SCHEDULE OF PRESENT AND PROPOSED WATER RATES AND CHARGES

(b) Metered User Minimum Schedule (Cont'd)

<u>Minimum Charges</u>		<u>Monthly Gallonage</u>	<u>Present Monthly Charge (1)</u>		<u>Proposed (2)</u>
<u>Outside Town:</u>					
5/8	inch meter	2,988	\$16.82	*	N/A
3/4	inch meter	3,170	17.77	*	N/A
1	inch meter	3,496	19.46	*	N/A
1 1/4	inch meter	5,500	29.84	*	N/A
1 1/2	inch meter	6,170	33.31	*	N/A
2	inch meter	14,267	71.41	*	N/A
3	inch meter	24,286	114.29	*	N/A
4	inch meter	54,335	242.90	*	N/A

(c) Fire Protection Service

<u>Municipal Hydrant User Charges</u>		<u>Present Monthly Charge (1)</u>		<u>Proposed (2)</u>
<u>Meter Size</u>				
5/8	inch		\$1.49	\$1.89
3/4	inch		1.64	2.08
1	inch		2.08	2.63
1 1/2	inch		2.67	3.38
2	inch		4.31	5.46
3	inch		16.38	20.75
8	inch		43.19	54.71
Private Hydrants (Per Hydrant, Per Annum)			\$179.45	\$227.33
<u>Automatic Sprinkler Charges</u>		<u>Present Monthly Charge (1)</u>		<u>Proposed (2)</u>
1	inch connection		\$4.99	\$6.32
1 1/4	inch connection		7.79	9.87
1 1/2	inch connection		11.20	14.19
2	inch connection		19.94	25.26
3	inch connection		44.80	56.75
4	inch connection		79.75	101.03
6	inch connection		179.45	227.33
8	inch connection		319.04	404.16

* Includes \$0.76 per 1,000 gallons water tracking factor effective December 21, 2011.

(1) Rates and charges approved June 3, 2009 pursuant to the IURC Order in Cause No. 43582U

(2) Proposed rates and charges assume that the outside of Town surcharge is eliminated.

(See Accountants' Report and Accompanying Comments)

ELLETTSVILLE (INDIANA) MUNICIPAL WATER UTILITY

SUPPLEMENTAL HISTORICAL FINANCIAL DATA

ELLETTSVILLE (INDIANA) MUNICIPAL WATER UTILITY

COMPARATIVE STATEMENT OF NET POSITION
(Unaudited)

ASSETS:	As of			
	12/31/2010	12/31/2011	12/31/2012	5/31/2013
Current Assets:				
Operating cash	\$309,896	\$199,436	\$205,752	\$171,837
Accounts receivable (net)	135,711	141,155	154,436	168,208
Interest receivable	161	62	35	-
Materials and supplies	77,932	33,975	38,930	38,930
Total Current Assets	523,700	374,628	399,153	378,975
Non-Current Assets:				
Restricted Assets:				
Operating investments	100,000	100,000	100,000	100,000
Bond and interest cash and cash equivalents	9	59	117	45,829
Debt service reserve cash and cash equivalents	92,825	66,131	65,742	65,468
Vehicle transfer fund	-	36,890	32,621	45,121
Meter deposit cash and cash equivalents	24,595	25,525	25,970	24,950
Water tank maintenance cash	1,457	19,797	20,118	11,874
Capital improvement cash and cash equivalents	299	9,103	625	7,304
Total Restricted Assets	219,185	257,505	245,193	300,546
Deferred Debits:				
Unamortized bond premium	(39,821)	(34,132)	(28,443)	(26,073)
Deferred amount on refunding	35,308	30,264	25,220	23,118
Unamortized bond issuance cost	25,021	21,447	17,872	16,383
Total Deferred Debits	20,508	17,579	14,649	13,428
Capital Assets:				
Capital assets	6,419,171	6,432,771	6,467,039	6,467,039
Less accumulated depreciation	(2,229,593)	(2,326,469)	(2,423,345)	(2,463,710)
Net Capital Assets	4,189,578	4,106,302	4,043,694	4,003,329
TOTAL ASSETS	\$4,952,971	\$4,756,014	\$4,702,689	\$4,696,278

(Continued on next page)

(See Accountants' Report)

ELLETTSVILLE (INDIANA) MUNICIPAL WATER UTILITY

(Cont'd)

COMPARATIVE STATEMENT OF NET POSITION
(Unaudited)

LIABILITIES:	As of			
	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>5/31/2013</u>
Current Liabilities:				
(Payable from current assets)				
Accounts payable	\$94,388	\$68,970	\$77,789	
Wages payable	4,561	1,125	8,032	
Customer deposits payable	21,493	22,655	23,135	\$22,115
Meter deposits payable	2,870	2,870	2,835	2,835
Sales tax payable	7,179	7,300	8,127	8,984
Accrued taxes payable	80	-	315	-
Accrued interest payable	-	-	-	8,583
Current portion of bonds payable	80,000	85,000	90,000	85,000
Total Current Liabilities	<u>210,571</u>	<u>187,920</u>	<u>210,233</u>	<u>127,517</u>
Non-Current Liabilities:				
Revenue bonds payable	573,210	487,250	397,010	402,010
Unamortized bond discount	(9,881)	(8,470)	(7,058)	(6,470)
Total Non-Current Liabilities	<u>563,329</u>	<u>478,780</u>	<u>389,952</u>	<u>395,540</u>
Total Liabilities	<u>\$773,900</u>	<u>\$666,700</u>	<u>\$600,185</u>	<u>\$523,057</u>
NET POSITION				
Invested in Capital Assets, Net of Related Debt	\$3,625,264	\$3,622,446	\$3,645,256	\$3,599,102
Restricted	194,822	231,980	219,223	275,596
Unrestricted	358,985	234,888	238,025	298,523
TOTAL NET POSITION	<u>\$4,179,071</u>	<u>\$4,089,314</u>	<u>\$4,102,504</u>	<u>\$4,173,221</u>

(See Accountants' Report)

ELLETTSVILLE (INDIANA) MUNICIPAL WATER UTILITY
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
OTHER CHANGES IN FUND NET POSITION
(Unaudited)

	Calendar Year			12 Months
	2010	2011	2012	Ended 5/31/2013
Operating Revenues:				
Metered water revenue	\$1,272,295	\$1,314,069	\$1,522,297	\$1,530,041
Unmetered revenue	1,258	1,694	2,500	1,148
Fire protection	120,942	121,554	126,344	126,549
Forfeited discounts	11,195	10,949	11,298	11,296
Miscellaneous revenues	30,361	38,941	44,526	34,737
Total Operating Revenues	<u>1,436,051</u>	<u>1,487,207</u>	<u>1,706,965</u>	<u>1,703,771</u>
Operating Expenses:				
Source of Supply				
Purchased water	470,578	532,815	739,815	757,804
Transmission and distribution				
Salaries and wages	149,474	141,611	158,812	161,692
Employee benefits	46,151	50,192	53,710	57,064
Purchased power	12,538	14,271	15,590	14,982
Materials and supplies	86,838	165,327	109,665	108,534
Repairs and maintenance	49,557	168,409	132,137	135,794
Contractual services	101,855	107,882	111,255	121,911
Equipment rental	-	-	101	64
Transportation	10,855	14,402	15,121	13,539
Miscellaneous expense	502	282	448	258
Customer Accounts				
Salaries and wages	80,361	88,112	71,342	68,719
Employee benefits	32,932	45,800	37,100	35,860
Materials and supplies	17,866	18,825	19,321	18,584
Contractual services	2,366	2,581	3,505	3,608
Customer refunds	2,206	1,348	3,351	3,086
Administrative and general				
Salaries and wages	57,418	54,546	59,542	62,162
Employee benefits	9,204	9,180	10,700	13,295
Utilities	2,789	2,839	2,868	3,098
Materials and supplies	9,687	3,689	5,258	7,154
Contractual services	11,528	15,870	14,224	15,795
Insurance	14,413	19,297	15,192	15,482
Advertising	93	147	234	234
Transportation	-	-	-	38
Miscellaneous expense	-	7	-	-
Utility receipts tax	20,987	21,525	23,422	23,829
Sub-Totals	1,190,198	1,478,957	1,602,713	1,642,586
Depreciation expense	96,876	96,876	96,876	96,876
Total Operating Expenses	<u>1,287,074</u>	<u>1,575,833</u>	<u>1,699,589</u>	<u>1,739,462</u>
Net Operating Revenues	<u>\$148,977</u>	<u>(\$88,626)</u>	<u>\$7,376</u>	<u>(\$35,691)</u>

(Continued on next page)

(See Accountants' Report)

ELLETTSVILLE (INDIANA) MUNICIPAL WATER UTILITY
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
OTHER CHANGES IN FUND NET POSITION
(Unaudited)

(Cont'd)

	Calendar Year			12 Months Ended
	2010	2011	2012	5/31/2013
Non Operating Income:				
Tap fees	\$38,741	\$18,826	\$23,113	\$23,308
Water tank rental income	24,499	26,693	25,626	25,871
Interest income	5,691	2,491	1,933	1,920
Totals	<u>68,931</u>	<u>48,010</u>	<u>50,672</u>	<u>51,099</u>
Non Operating Expenses:				
Interest expense	36,481	28,700	24,417	22,437
Amortization expense	1,400	4,341	4,341	4,341
Totals	<u>37,881</u>	<u>33,041</u>	<u>28,758</u>	<u>26,778</u>
Income Before Transfers	<u>180,027</u>	<u>(73,657)</u>	<u>29,290</u>	<u>(11,370)</u>
Transfers out:				
Payment in lieu of taxes	<u>13,600</u>	<u>16,100</u>	<u>16,100</u>	<u>16,100</u>
Change In Net Position	166,427	(89,757)	13,190	(27,470)
Net Position - Beginning	<u>4,012,644</u>	<u>4,179,071</u>	<u>4,089,314</u>	<u>4,200,691</u>
Net Position - Ending	<u><u>\$4,179,071</u></u>	<u><u>\$4,089,314</u></u>	<u><u>\$4,102,504</u></u>	<u><u>\$4,173,221</u></u>

(See Accountants' Report)

ELLETTSVILLE (INDIANA) MUNICIPAL WATER UTILITY

COMPARATIVE STATEMENT OF CASH FLOWS
Increase (Decrease) in cash and cash equivalents
(Unaudited)

	Calendar Year			12 Months Ended 5/31/2013
	2010	2011	2012	
Cash flows from Operating Activities:				
Cash received from customers	\$1,435,209	\$1,525,819	\$1,688,756	\$1,696,544
Cash paid to suppliers, employees and others	(1,154,617)	(1,506,608)	(1,585,400)	(1,645,239)
Net Cash from Operating Activities	<u>280,592</u>	<u>19,211</u>	<u>103,356</u>	<u>51,305</u>
Cash Flows from Capital and Related Financing Activities:				
Additions to utility plant	-	(13,601)	(34,267)	(13,634)
Principal paid on bonds	(136,790)	(80,960)	(85,240)	(85,240)
Interest on revenue bonds	(36,481)	(28,700)	(24,417)	(22,437)
Unamortized issuance costs	(634)	-	-	-
Payment in lieu of taxes	(13,600)	(16,100)	(16,100)	(16,100)
Tap fees	38,741	18,826	23,113	23,308
Water tank rental income	24,499	26,693	25,626	25,871
Net Cash from Capital Financing Activities	<u>(124,265)</u>	<u>(93,842)</u>	<u>(111,285)</u>	<u>(88,232)</u>
Cash Flows from Investing Activities:				
Interest income	<u>5,691</u>	<u>2,491</u>	<u>1,933</u>	<u>1,920</u>
Cash and Investments				
Increase (Decrease)	162,018	(72,140)	(5,996)	(35,007)
Beginning Balance	<u>367,063</u>	<u>529,081</u>	<u>456,941</u>	<u>507,390</u>
Ending Balance	<u>\$529,081</u>	<u>\$456,941</u>	<u>\$450,945</u>	<u>\$472,383</u>

(Continued on next page)

(See Accountants' Report)

ELLETTSVILLE (INDIANA) MUNICIPAL WATER UTILITY

(Cont'd)

COMPARATIVE STATEMENT OF CASH FLOWS
Increase (Decrease) in cash and cash equivalents
(Unaudited)

	Calendar Year			12 Months Ended 5/31/2013
	2010	2011	2012	
Reconciliation of net income to cash provided from operations:				
Net Operating Revenues	\$148,977	(\$88,626)	\$7,376	(\$35,691)
Adjustments to reconcile net income to net cash provided from operating activities:				
Depreciation Expense	96,876	96,876	96,876	96,876
Change in assets and liabilities:				
Decrease (Increase) in				
Accounts receivable	499	(5,444)	(13,281)	(2,271)
Interest receivable	250	99	27	-
Materials and supplies inventory	(1,591)	43,957	(4,955)	(4,956)
Increase (Decrease) in				
Accounts payable	26,228	(25,418)	8,819	-
Wages payable	2,694	(3,436)	6,907	-
Accrued interest	-	-	-	(1,980)
Accrued taxes payable	80	(80)	315	-
Sales tax payable	7,179	121	827	227
Customer deposits payable	(600)	1,162	480	(900)
Meter deposits payable	-	-	(35)	-
Net Cash Provided from Operations	<u>\$280,592</u>	<u>\$19,211</u>	<u>\$103,356</u>	<u>\$51,305</u>

(See Accountants' Report)

ELLETTSVILLE (INDIANA) MUNICIPAL WATER UTILITY
COMPARISON OF ACCOUNT BALANCES WITH MINIMUM BALANCES REQUIRED

<u>Account:</u>	<u>As of 5/31/2013 (Unaudited)</u>	<u>Minimum Balance Required *</u>	<u>Ref.</u>	<u>Variance</u>
Operation and maintenance	\$271,837	\$242,491	(1)	\$29,346
Bond and interest	45,829	45,693	(2)	136
Debt service reserve	65,468	65,321	(3)	147
Capital improvement	7,304	110,541	(4)	(103,237)
Vehicle transfer	45,121	45,121	(5)	-
Water tank maintenance	11,874	11,874	(6)	-
Meter deposit	<u>24,950</u>	<u>24,950</u>	(7)	-
Totals	<u><u>\$472,383</u></u>	<u><u>\$545,991</u></u>		<u><u>(\$73,608)</u></u>

* Per outstanding Bond Ordinance and management policies.

- (1) A balance equal to two months' pro forma operating and maintenance expenses must be accumulated before funds can be transferred.

Pro forma cash operating expenses	\$1,454,653
Times factor for 2 months	<u>0.1667</u>
Minimum Balance Required	<u><u>\$242,491</u></u>

- (2) A balance must be maintained equal to the sum of the monthly transfers in the amount of one-sixth (1/6) of the next succeeding principal payment and one-sixth (1/6) of the next succeeding interest payment.

	<u>Amount</u>		<u>Factor</u>		<u>Months</u>		<u>Totals</u>
2010 Refunding Bonds							
Principal due 1/1/2014	\$45,020	x	1/6	x	5	=	\$37,517
Interest due 1/1/2014	9,812	x	1/6	x	5	=	<u>8,176</u>
Minimum Balance Required							<u><u>\$45,693</u></u>

- (3) A balance should be maintained equal to 10% of the original par value of 2010 Refunding Bonds.

- (4) No minimum balance required. However, as a general rule an amount equal to one year's depreciation expense is typically set aside in this fund to provide for unforeseen capital expenditures and contingencies.

- (5) Balance is restricted for vehicle replacement.

- (6) Balance is restricted for water tank maintenance.

- (7) Balance is restricted for meter deposit refunds.

(See Accountants' Report)

ELLETTSVILLE (INDIANA) MUNICIPAL WATER UTILITY

**SCHEDULE OF AMORTIZATION OF \$442,970 PRINCIPAL AMOUNT OF
OUTSTANDING WATERWORKS REFUNDING REVENUE BONDS OF 2010**

Principal payable semi-annually, January 1st and July 1st.

Interest payable semi-annually, January 1st and July 1st.

Interest rate as indicated

Payment Date	Principal Balance (-----In Dollars-----)	Principal	Interest Rate (%)	Debt Service		Bond Year Total
				Interest (-----In Dollars-----)	Total	
01/01/14	\$442,970	\$45,020	4.43	\$9,811.79	\$54,831.79	\$54,831.79
07/01/14	397,950	46,010	4.43	8,814.59	54,824.59	
01/01/15	351,940	47,030	4.43	7,795.47	54,825.47	109,650.06
07/01/15	304,910	48,080	4.43	6,753.76	54,833.76	
01/01/16	256,830	49,140	4.43	5,688.78	54,828.78	109,662.54
07/01/16	207,690	50,230	4.43	4,600.33	54,830.33	
01/01/17	157,460	51,340	4.43	3,487.74	54,827.74	109,658.07
07/01/17	106,120	52,480	4.43	2,350.56	54,830.56	
01/01/18	53,640	53,640	4.43	1,188.13	54,828.13	109,658.69
Totals		<u>\$442,970</u>		<u>\$50,491.15</u>	<u>\$493,461.15</u>	<u>\$493,461.15</u>

Average annual debt service for the 5 bond years ending January 1, 2013.

\$98,692.23

(See Accountants' Report)