

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

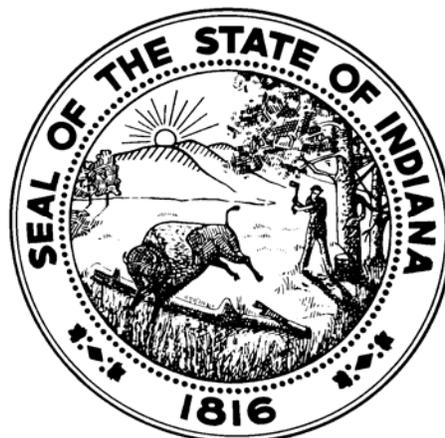
ANNUAL FINANCIAL REPORT

2005

WATER AND WASTEWATER UTILITIES

CITY OF PLYMOUTH

MARSHALL COUNTY, INDIANA



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Toni L. Hutchings	01-01-04 to 12-31-07
Mayor	Gary L. Cook	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Gary L. Cook	01-01-04 to 12-31-07
President of the Common Council	Kurt Garner Donald Gardner	01-01-05 to 12-31-05 01-01-06 to 12-31-06
Superintendent of Water Utility	Christopher M. Johnson Jeffrey J. Yeazel	01-01-05 to 04-11-05 04-12-05 to 12-31-06
Superintendent of Wastewater Utility	Donnie Davidson	01-01-05 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE WATER AND WASTEWATER UTILITIES,
CITY OF PLYMOUTH, MARSHALL COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Water and Wastewater Utilities, City of Plymouth, as of and for the year ended December 31, 2005. These financial statements are the responsibility of the Utilities' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I, the financial statements of the Water and Wastewater Utilities, City of Plymouth, 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 Plymouth as of December 31, 2005, 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 and Wastewater Utilities, as of December 31, 2005, 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 Utilities have not presented a Management 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 28, 2006

CITY OF PLYMOUTH
STATEMENT OF NET ASSETS
December 31, 2005

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 151,222	\$ 168,148	\$ 319,370
Interest receivable	551	538	1,089
Accounts receivable (net of allowance)	61,258	80,925	142,183
Other receivables	25,450	83,505	108,955
Cylinder deposits	3,030	100	3,130
Inventories	66,202	291,842	358,044
Prepaid items	14,925	32,705	47,630
	<u>322,638</u>	<u>657,763</u>	<u>980,401</u>
Total current assets			
Noncurrent assets:			
Restricted cash, cash equivalents and investments:			
Customer deposits	21,546	-	21,546
Revenue bond covenant accounts	690,833	356,383	1,047,216
Pretreatment	-	2,017	2,017
Depreciation	1,811,413	1,958,213	3,769,626
Customer deposits - investments	75,000	-	75,000
Interest receivable	6,641	7,472	14,113
	<u>2,605,433</u>	<u>2,324,085</u>	<u>4,929,518</u>
Total restricted assets:			
Deferred charges	34,232	10,778	45,010
	<u>34,232</u>	<u>10,778</u>	<u>45,010</u>
Capital assets:			
Land, improvements to land and construction in progress	194,016	303,133	497,149
Other capital assets (net of accumulated depreciation)	7,766,495	15,710,410	23,476,905
	<u>7,960,511</u>	<u>16,013,543</u>	<u>23,974,054</u>
Total capital assets			
Total noncurrent assets			
	<u>10,600,176</u>	<u>18,348,406</u>	<u>28,948,582</u>
Total assets			
	<u>10,922,814</u>	<u>19,006,169</u>	<u>29,928,983</u>
Liabilities			
Current liabilities:			
Accounts payable	14,514	21,836	36,350
Accrued wages payable	10,198	18,373	28,571
Taxes payable	4,731	-	4,731
Performance deposits	-	330	330
Current liabilities payable from restricted assets:			
Customer deposits	96,546	-	96,546
Revenue bonds payable	290,000	615,000	905,000
Accrued interest payable	14,858	-	14,858
	<u>430,847</u>	<u>655,539</u>	<u>1,086,386</u>
Total current liabilities			
Noncurrent liabilities:			
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	3,239,897	944,954	4,184,851
	<u>3,239,897</u>	<u>944,954</u>	<u>4,184,851</u>
Total liabilities			
	<u>3,670,744</u>	<u>1,600,493</u>	<u>5,271,237</u>
Net Assets			
Invested in capital assets, net of related debt	4,430,614	14,453,589	18,884,203
Restricted for debt service	690,833	356,383	1,047,216
Restricted for capital outlay	1,811,413	1,958,213	3,769,626
Unrestricted	319,210	637,491	956,701
	<u>7,252,070</u>	<u>17,405,676</u>	<u>24,657,746</u>
Total net assets			
	<u>\$ 7,252,070</u>	<u>\$ 17,405,676</u>	<u>\$ 24,657,746</u>

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

CITY OF PLYMOUTH
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2005

	Water Utility	Wastewater Utility	Total
Operating revenues:			
Unmetered water revenue	\$ 1,162	\$ -	\$ 1,162
Metered revenue	1,223,662	1,632,866	2,856,528
Fire protection revenue	331,466	-	331,466
Penalties	16,259	16,066	32,325
Other	39,687	1,319,005	1,358,692
	<u>1,612,236</u>	<u>2,967,937</u>	<u>4,580,173</u>
Total operating revenues			
Operating expenses:			
Source of supply - operations and maintenance	139,371	-	139,371
Water treatment - operations and maintenance	131,912	-	131,912
Stormwater operations	-	105,572	105,572
Transmission and distribution	241,241	-	241,241
Collection system - operations and maintenance	-	982,061	982,061
Customer accounts	67,415	11,786	79,201
Administration and general	287,383	420,740	708,123
Depreciation	215,147	556,132	771,279
	<u>1,082,469</u>	<u>2,076,291</u>	<u>3,158,760</u>
Total operating expenses			
Operating income	<u>529,767</u>	<u>891,646</u>	<u>1,421,413</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	62,508	68,286	130,794
Miscellaneous revenue	16,249	14,275	30,524
Interest expense	(211,740)	(154,975)	(366,715)
Amortization of bond issue costs	(5,525)	(8,041)	(13,566)
Miscellaneous expense	(1,200)	-	(1,200)
	<u>(139,708)</u>	<u>(80,455)</u>	<u>(220,163)</u>
Total nonoperating expenses			
Change in net assets	390,059	811,191	1,201,250
Total net assets - beginning	<u>6,862,011</u>	<u>16,594,485</u>	<u>23,456,496</u>
Total net assets - ending	<u>\$ 7,252,070</u>	<u>\$ 17,405,676</u>	<u>\$ 24,657,746</u>

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

CITY OF PLYMOUTH
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Year Ended December 31, 2005

	Water Utility	Wastewater Utility	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,609,120	\$ 2,927,089	\$ 4,536,209
Payments to suppliers and contractors	(523,305)	(870,837)	(1,394,142)
Payments to employees	(325,209)	(645,022)	(970,231)
	<u>760,606</u>	<u>1,411,230</u>	<u>2,171,836</u>
Net cash provided by operating activities			
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(56,687)	(1,048,451)	(1,105,138)
Principal paid on capital debt	(275,000)	(595,000)	(870,000)
Interest paid on capital debt	(185,478)	(114,409)	(299,887)
	<u>(517,165)</u>	<u>(1,757,860)</u>	<u>(2,275,025)</u>
Net cash used by capital and related financing activities			
Cash flows from investing activities:			
Purchase of investments	(70,500)	-	(70,500)
Interest received	58,216	64,160	122,376
	<u>(12,284)</u>	<u>64,160</u>	<u>51,876</u>
Net cash provided (used) by investing activities			
Net increase in cash and cash equivalents	231,157	(282,470)	(51,313)
Cash and cash equivalents, January 1	<u>2,443,857</u>	<u>2,767,231</u>	<u>5,211,088</u>
Cash and cash equivalents, December 31	<u>\$ 2,675,014</u>	<u>\$ 2,484,761</u>	<u>\$ 5,159,775</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 529,767	\$ 891,646	\$ 1,421,413
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	215,147	556,132	771,279
(Increase) decrease in assets:			
Accounts receivable	(9,548)	(40,848)	(50,396)
Cylinder deposits	(190)	1,054	864
Inventories	379	(12,968)	(12,589)
Prepaid items	1,062	(476)	586
Increase (decrease) in liabilities:			
Accounts payable	2,004	3,170	5,174
Wages payable	251	(755)	(504)
Taxes payable	252	-	252
Customer deposits	6,432	-	6,432
Nonoperating revenue	16,249	14,275	30,524
Nonoperating expense	(1,200)	-	(1,200)
	<u>230,838</u>	<u>519,584</u>	<u>750,422</u>
Total adjustments			
Net cash provided by operating activities	<u>\$ 760,605</u>	<u>\$ 1,411,230</u>	<u>\$ 2,171,835</u>

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

WATER AND WASTEWATER UTILITIES
CITY OF PLYMOUTH
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the Water and Wastewater Utilities and are not intended to present fairly the position of the City of Plymouth (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 Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

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

The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

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

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

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Money market investments that mature within one year or less at the date of their acquisition are reported at amortized cost. Other money market investments are reported at fair value.

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

WATER AND WASTEWATER UTILITIES
CITY OF PLYMOUTH
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Restricted Assets

Certain proceeds of the enterprise funds' 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 indentures or governing body action.

4. Capital Assets

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

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 5,000	Straight-line	25 to 50 years
Improvements other than buildings	5,000	Straight-line	15 to 100 years
Machinery and equipment	5,000	Straight-line	10 to 25 years
Transportation equipment	5,000	Straight-line	5 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.

5. Compensated Absences

a. Sick Leave – Utility employees earn sick leave at the rate of ½ day per month after 3 calendar months, not to exceed 5 sick days per year. Unused sick leave may be accumulated to a maximum of 50 days. Accumulated sick leave is not paid to employees.

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.

WATER AND WASTEWATER UTILITIES
CITY OF PLYMOUTH
NOTES TO FINANCIAL STATEMENTS
(Continued)

- 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.

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

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

B. Capital Assets

Capital asset activity for the year ended December 31, 2005, 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	\$ 177,016	\$ -	\$ -	\$ 177,016
Construction in progress	<u>203,927</u>	<u>17,000</u>	<u>203,927</u>	<u>17,000</u>
Total capital assets, not being depreciated	<u>380,943</u>	<u>17,000</u>	<u>203,927</u>	<u>194,016</u>
Capital assets, being depreciated:				
Buildings	4,404,630	-	-	4,404,630
Improvements other than buildings	6,808,166	224,514	-	7,032,680
Machinery and equipment	<u>943,763</u>	<u>19,100</u>	-	<u>962,863</u>
Totals	<u>12,156,559</u>	<u>243,614</u>	<u>-</u>	<u>12,400,173</u>

WATER AND WASTEWATER UTILITIES
CITY OF PLYMOUTH
NOTES TO FINANCIAL STATEMENTS
(Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Utility (continued):				
Less accumulated depreciation for:				
Buildings	888,624	85,257	-	973,881
Improvements other than buildings	2,678,723	107,720	-	2,786,443
Machinery and equipment	<u>851,184</u>	<u>22,170</u>	<u>-</u>	<u>873,354</u>
 Totals	 <u>4,418,531</u>	 <u>215,147</u>	 <u>-</u>	 <u>4,633,678</u>
 Total capital assets, being depreciated, net	 <u>7,738,028</u>	 <u>28,467</u>	 <u>-</u>	 <u>4,466,495</u>
 Total capital assets, net	 <u>\$ 8,118,971</u>	 <u>\$ 45,467</u>	 <u>\$ 203,927</u>	 <u>\$ 7,960,511</u>
 Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 164,463	\$ -	\$ -	\$ 164,463
Construction in progress	<u>112,721</u>	<u>528,393</u>	<u>502,443</u>	<u>138,671</u>
 Total capital assets, not being depreciated	 <u>277,184</u>	 <u>528,393</u>	 <u>502,443</u>	 <u>303,134</u>
 Capital assets, being depreciated:				
Buildings	11,073,666	441,832	-	11,515,498
Improvements other than buildings	10,247,976	533,978	-	10,781,954
Machinery and equipment	<u>1,722,005</u>	<u>27,906</u>	<u>-</u>	<u>1,749,911</u>
 Totals	 <u>23,043,647</u>	 <u>1,003,716</u>	 <u>-</u>	 <u>24,047,363</u>
 Less accumulated depreciation for:				
Buildings	3,439,990	232,933	-	3,672,923
Improvements other than buildings	3,223,620	206,187	-	3,429,807
Machinery and equipment	<u>1,117,212</u>	<u>117,012</u>	<u>-</u>	<u>1,234,224</u>
 Totals	 <u>7,780,822</u>	 <u>556,132</u>	 <u>-</u>	 <u>8,336,954</u>
 Total capital assets, being depreciated, net	 <u>15,262,825</u>	 <u>447,584</u>	 <u>-</u>	 <u>15,710,409</u>
 Total capital assets, net	 <u>\$ 15,540,009</u>	 <u>\$ 975,977</u>	 <u>\$ 502,443</u>	 <u>\$ 16,013,543</u>

WATER AND WASTEWATER UTILITIES
CITY OF PLYMOUTH
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2005	Committed	Required Future Funding
Water mains	\$ 17,000	\$ 17,000	\$ -	\$ -
Wastewater mains	740,000	138,671	601,329	-
Totals	<u>\$ 757,000</u>	<u>\$ 155,671</u>	<u>\$ 601,329</u>	<u>\$ -</u>

The above water main projects will be completed by funding from Tax Incremental Financing Districts.

D. Long-Term Liabilities

1. Revenue Bonds

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

Purpose	Interest Rates	Amount
1998 Waterworks refunding	4.20% to 5.05%	\$ 680,000
1999 Waterworks improvements	4.90% to 5.50%	2,945,000
1996 Sewage works refunding	4.35% to 6.65%	1,695,000
Total		<u>\$ 5,320,000</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2006	\$ 290,000	\$ 171,439	\$ 305,000	\$ 45,271
2007	305,000	157,292	625,000	66,315
2008	320,000	142,377	670,000	32,494
2009	335,000	126,712	95,000	2,613
2010	350,000	110,098	-	-
2011-2015	<u>2,025,000</u>	<u>265,193</u>	-	-
Totals	<u>\$ 3,625,000</u>	<u>\$ 973,111</u>	<u>\$ 1,695,000</u>	<u>\$ 146,693</u>

WATER AND WASTEWATER UTILITIES
CITY OF PLYMOUTH
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Balance at December 31	Less: Unamortized Discount	Revenue Bonds
1998 Waterworks refunding	\$ 680,000	\$ 56,040	\$ 623,960
1999 Waterworks improvements	2,945,000	39,063	2,905,937
1996 Sewage works refunding	1,695,000	135,046	1,559,954
 Totals	 \$ 5,320,000	 \$ 230,149	 \$ 5,089,851

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable:					
Water Utility	\$ 3,900,000	\$ -	\$ 275,000	\$ 3,625,000	\$ 290,000
Wastewater Utility	2,290,000	-	595,000	1,695,000	615,000
 Total long-term liabilities	 \$ 6,190,000	 \$ -	 \$ 870,000	 \$ 5,320,000	 \$ 905,000

E. Segment Information

The Utilities issue revenue bonds to finance improvements to the utility plant in service. Investors in the revenue bonds rely solely on the revenue generated by the individual activities for repayment. Summary financial information for the Utilities is presented below.

Condensed Statement of Net Assets

Assets:	
Current assets	\$ 980,401
Deferred charges	45,010
Restricted assets	4,929,518
Capital assets	23,974,054
 Total assets	 \$ 29,928,983
 Liabilities:	
Current liabilities	\$ 69,982
Current liabilities payable from restricted assets	1,016,494
Noncurrent liabilities	4,184,851
 Total liabilities	 \$ 5,271,327

WATER AND WASTEWATER UTILITIES
CITY OF PLYMOUTH
NOTES TO FINANCIAL STATEMENTS
(Continued)

Condensed Statement of Net Assets (Continued)

Net assets:		
Invested in capital assets, net of related debt	\$	18,884,203
Restricted		4,816,842
Unrestricted		<u>956,701</u>
Total net assets	\$	<u><u>24,657,746</u></u>

Condensed Statement of Revenues, Expenses and Changes in Net Assets

Charges (pledged against bonds)	\$	4,580,173
Depreciation expense		771,279
Other operating expenses		<u>2,387,481</u>
Operating income		1,421,413
Nonoperating revenues (expenses):		
Investment earnings		130,794
Miscellaneous revenue		30,524
Interest expense		(366,715)
Amortization expense		(13,566)
Miscellaneous expense		<u>(1,200)</u>
Change in net assets		1,201,250
Beginning net assets		<u>23,456,496</u>
Ending net assets	\$	<u><u>24,657,746</u></u>

Condensed Statement of Cash Flows

Net cash provided (used) by:		
Operating activities	\$	2,171,835
Noncapital financing activities		
Capital and related financing activities		(2,275,024)
Investing activities		<u>51,876</u>
Net decrease		(51,313)
Beginning cash and cash equivalents		<u>5,211,088</u>
Ending cash and cash equivalents	\$	<u><u>5,159,775</u></u>

WATER AND WASTEWATER UTILITIES
CITY OF PLYMOUTH
NOTES TO FINANCIAL STATEMENTS
(Continued)

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; dental benefits to employees and dependents; 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; dental benefits to employees, and dependents; 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.

Dental Benefits

The City and the Utilities have chosen to be self-insured for risks associated with employee dental benefits. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. The total charge allocated to each of the funds is calculated based on the actual claims.

Job Related Illnesses or Injuries to Employees

During 1991, the City, including the Utilities, joined together with other governmental entities to form the Indiana Public Employers' Plan, 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 1990. The purpose of the risk pool is to provide a medium for the funding and administration of insurance costs related to job related illnesses or injuries to employees. The City, including the Utilities, pays an annual premium to the risk pool for its share of the costs of 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 City Council on December 9, 2002. The Utility has 3,928 customers.

2. Wastewater Utility

The current rate structure was approved by the City Council on May 13, 2002. The Utility has 3,852 customers.

WATER AND WASTEWATER UTILITIES
CITY OF PLYMOUTH
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City, including the Utility, 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 Utility's 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 (and is not presented as an asset/liability of the proprietary funds).

WATER AND WASTEWATER UTILITIES
CITY OF PLYMOUTH
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 119,121
Interest on net pension obligation	(3,368)
Adjustment to annual required contribution	3,838
Annual pension cost	119,591
Contributions made	117,187
Increase in net pension obligation	2,404
Net pension obligation, beginning of year	(46,449)
Net pension obligation, end of year	\$ (44,045)
Contribution rates:	
Utilities	4.88%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

Actuarial Assumptions

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 118,110	78%	\$ (45,814)
	06-30-04	107,243	101%	(46,449)
	06-30-05	119,591	109%	(44,045)

CITY OF PLYMOUTH
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES 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)
07-01-03	\$ 2,086,208	\$ 2,113,645	\$ (27,437)	99%	\$ 2,345,717	(1%)
07-01-04	2,117,686	2,191,486	(73,800)	97%	2,432,123	(3%)
07-01-05	2,210,116	2,596,765	(386,649)	85%	2,220,740	(17%)

WATER AND WASTEWATER UTILITIES
CITY OF PLYMOUTH
EXIT CONFERENCE

The contents of this report were discussed on July 6, 2006, with Gary L. Cook, Mayor; and Toni L. Hutchings, Clerk-Treasurer. Our audit disclosed no material items that warrant comment at this time.