

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

AUDIT REPORT

OF

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
JOHNSON COUNTY, INDIANA

January 1, 2004 to December 31, 2005



**FILED**  
05/02/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jeannine Myers	01-01-04 to 12-31-07
Mayor	Charles E. Henderson	01-01-04 to 12-31-07
President of the Board of Public Works	Charles E. Henderson	01-01-04 to 12-31-07
President of the Common Council	Jessie Reed Bruce Armstrong Ron Bates Keith Hardin	01-01-04 to 12-31-04 01-01-05 to 12-31-05 01-01-06 to 12-31-06 01-01-07 to 12-31-07
Office Manager	Sue Voyles Arnie Kaplin	01-01-04 to 06-14-04 06-15-04 to 12-31-07
Superintendent	Keith Meier	01-01-04 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE AVIATION COMMISSION AND WASTEWATER  
UTILITY, CITY OF GREENWOOD, JOHNSON COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Aviation Commission and Wastewater Utility, departments of the City of Greenwood, as of and for the years ended December 31, 2004 and 2005. These financial statements are the responsibility of the Units' 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 Aviation Commission and Wastewater Utility, City of Greenwood, 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 Commission and Utility. They do not purport to, and do not, present fairly the financial position of the City of Greenwood as of December 31, 2004 and 2005, and the changes in its financial position and its cash flows, where applicable, for the years 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 Aviation Commission and Wastewater Utility, as of December 31, 2004 and 2005, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules 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

March 29, 2007

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
STATEMENT OF NET ASSETS  
December 31, 2004 And 2005

	<u>2004</u>		<u>2005</u>	
<u>Assets</u>	<u>Aviation</u>	<u>Wastewater</u>	<u>Aviation</u>	<u>Wastewater</u>
<b>Current assets:</b>				
Cash and cash equivalents	\$ 211,392	\$ 4,753,102	\$ 182,074	\$ 1,993,890
Interest receivable	-	-	-	1,411
Accounts receivable (net of allowance)	6,465	621,100	8,820	818,200
Grant receivable	16,263	-	530,062	-
Prepaid items	<u>3,907</u>	<u>24,147</u>	<u>4,024</u>	<u>24,636</u>
Total current assets	<u>238,027</u>	<u>5,398,349</u>	<u>724,980</u>	<u>2,838,137</u>
<b>Noncurrent assets:</b>				
Restricted cash, cash equivalents and investments:				
Depreciation cash and investments	-	192,484	-	314,483
Bond sinking cash and investments	-	1,149,149	-	1,168,956
Sewer availability cash and investments	-	12,830,943	-	13,958,101
Sewer bond proceeds cash and investments	-	2,321	-	2,321
Waste management cash and investments	-	482,595	-	66,979
Restricted grant proceeds	-	-	<u>13,002</u>	<u>-</u>
Total restricted assets	<u>-</u>	<u>14,657,492</u>	<u>13,002</u>	<u>15,510,840</u>
Deferred charges	<u>8,293</u>	<u>329,558</u>	<u>7,844</u>	<u>303,740</u>
<b>Capital assets:</b>				
Land, improvements to land and construction in progress	3,965,121	21,110,372	5,116,998	24,909,583
Other capital assets (net of accumulated depreciation)	<u>2,909,080</u>	<u>37,981,798</u>	<u>2,590,135</u>	<u>45,712,184</u>
Total capital assets	<u>6,874,201</u>	<u>59,092,170</u>	<u>7,707,133</u>	<u>70,621,767</u>
Total noncurrent assets	<u>6,882,494</u>	<u>74,079,220</u>	<u>7,727,979</u>	<u>86,436,347</u>
<b>Total assets</b>	<u>7,120,521</u>	<u>79,477,569</u>	<u>8,452,959</u>	<u>89,274,484</u>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable	9,317	318,517	8,765	301,940
Customer deposits payable	17,083	-	16,713	-
Contracts payable	34,172	-	570,546	486,619
Accrued wages payable	-	9,572	-	11,605
Payroll withholding payable	-	12,379	-	10,417
Compensated absences	-	15,001	-	16,824
15 year law agreement payable	-	111,501	-	111,501
Interest payable	14,204	-	6,899	-
Deferred revenue	15,970	-	15,245	-
Current liabilities payable from restricted assets:				
Revenue bonds payable	80,870	590,000	84,094	620,000
Accrued interest payable	<u>-</u>	<u>194,447</u>	<u>-</u>	<u>187,964</u>
Total current liabilities	<u>171,616</u>	<u>1,251,417</u>	<u>702,262</u>	<u>1,746,870</u>
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	<u>1,747,149</u>	<u>15,771,258</u>	<u>1,663,055</u>	<u>15,170,348</u>
<b>Total liabilities</b>	<u>1,918,765</u>	<u>17,022,675</u>	<u>2,365,317</u>	<u>16,917,218</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	5,046,182	42,730,911	5,959,984	54,831,419
Restricted for debt	-	1,149,149	-	1,168,956
Restricted for capital improvements	-	12,833,264	13,002	13,960,422
Unrestricted	<u>155,574</u>	<u>5,741,570</u>	<u>114,656</u>	<u>2,396,469</u>
<b>Total net assets</b>	<u>\$ 5,201,756</u>	<u>\$ 62,454,894</u>	<u>\$ 6,087,642</u>	<u>\$ 72,357,266</u>

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

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS  
As Of And For The Years Ended December 31, 2004 And 2005

	2004		2005	
	Aviation	Wastewater	Aviation	Wastewater
Operating revenues:				
Property taxes	\$ -	\$ -	\$ 7,997	\$ -
Hanger rental	238,650	-	268,102	-
Operating grant revenue	-	-	908	-
Metered wastewater revenue:				
Residential	-	3,796,235	-	3,623,534
Commercial	-	1,328,007	-	1,636,320
Industrial	-	114,016	-	133,252
Penalties	-	66,541	-	67,788
Other wastewater revenue	-	324,146	-	57,328
Flat rate revenues	-	2,533,452	-	2,542,859
Waste management	-	1,146,943	-	1,241,755
	<u>238,650</u>	<u>9,309,340</u>	<u>277,007</u>	<u>9,302,836</u>
Total operating revenues				
Operating expenses:				
General:				
Salaries and wages	4,743	583,690	6,058	627,280
Benefits and taxes	-	66,906	-	128,924
Office supplies	141	10,660	1,271	8,487
Repairs and maintenance	30,716	-	26,564	-
Professional services	-	289,463	-	183,319
Communication and transportation	129	74,243	154	62,062
Contractual services	8,513	125,133	15,111	9,719
Printing and advertising	189	-	282	-
Utilities	27,033	-	28,457	-
Rentals	290	-	300	-
Other services	-	868	-	1,848
Insurance	7,938	438,062	7,453	302,812
Operations and maintenance:				
Salaries and wages	-	503,957	-	491,511
Benefits and taxes	-	69,257	-	15,444
Office supplies	-	2,053	-	1,341
Operating supplies	-	221,033	-	123,749
Repairs and maintenance	-	282,623	-	177,978
Professional services	-	74,519	-	7,132
Communication and transportation	-	8,083	-	12,059
Contractual services	-	1,067,916	-	-
Printing and advertising	-	1,720	-	45
Utilities	-	69,662	-	107,974
Purchased wastewater treatment	-	2,905,897	-	2,891,527
Other services	-	16,938	-	17,396
Machinery and equipment	-	-	-	31,574
Other capital outlay	-	-	-	5,473

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

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS  
As Of And For The Years Ended December 31, 2004 And 2005  
(Continued)

	2004		2005	
	Aviation	Wastewater	Aviation	Wastewater
Operating expenses (continued):				
Waste management:				
Salaries and wages	-	78,248	-	260,514
Office supplies	-	5,754	-	3,422
Repairs and maintenance	-	7,889	-	18,609
Professional services	-	5,185	-	8,124
Communication and transportation	-	3,241	-	29,774
Printing and advertising	-	1,229	-	9,235
Purchased waste management	-	1,197,071	-	1,031,529
Utilities	-	1,070	-	-
Rentals	-	500	-	45,499
Other services	-	1,227	-	255,476
Machinery and equipment	-	-	-	936
Bad debt expense	-	3,738	-	10,705
Amortization of bond issue cost	448	25,819	448	25,819
Depreciation expense	303,935	918,808	318,945	1,079,090
Miscellaneous expenses	690	-	696	-
	<u>384,765</u>	<u>9,062,462</u>	<u>405,739</u>	<u>7,986,386</u>
Total operating expenses				
	<u>384,765</u>	<u>9,062,462</u>	<u>405,739</u>	<u>7,986,386</u>
Operating income (loss)	<u>(146,115)</u>	<u>246,878</u>	<u>(128,732)</u>	<u>1,316,450</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	1,104	226,838	6,619	595,933
Grant revenue	489,889	-	1,109,636	-
Interest expense	<u>(105,961)</u>	<u>(819,935)</u>	<u>(101,637)</u>	<u>(796,169)</u>
Total nonoperating revenues (expenses)	<u>385,032</u>	<u>(593,097)</u>	<u>1,014,618</u>	<u>(200,236)</u>
Income (loss) before contributions and transfers	238,917	(346,219)	885,886	1,116,214
Capital contributions	<u>-</u>	<u>6,776,562</u>	<u>-</u>	<u>8,786,158</u>
Change in net assets	238,917	6,430,343	885,886	9,902,372
Total net assets - beginning - as originally stated	2,943,311	56,024,551	5,201,756	62,454,894
Prior period adjustment	<u>2,019,528</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets - beginning - restated	4,962,839	56,024,551	5,201,756	62,454,894
Total net assets - ending	<u>\$ 5,201,756</u>	<u>\$ 62,454,894</u>	<u>\$ 6,087,642</u>	<u>\$ 72,357,266</u>

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

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
As Of And For The Years Ended December 31, 2004 And 2005

	2004		2005	
	Aviation	Wastewater	Aviation	Wastewater
Cash flows from operating activities:				
Receipts from customers and users	\$ 256,753	\$ 8,859,584	\$ 265,297	\$ 9,048,408
Payments to suppliers and contractors	(71,518)	(7,309,213)	(81,601)	(5,374,871)
Payments to employees	(4,742)	(1,331,887)	(6,058)	(1,521,779)
Other receipts	-	324,145	8,905	57,328
Net cash provided by operating activities	<u>180,493</u>	<u>542,629</u>	<u>186,543</u>	<u>2,209,086</u>
Cash flows from capital and related financing activities:				
Capital contributions	473,626	-	595,837	-
Acquisition and construction of capital assets	(639,934)	(6,308,287)	(615,503)	(3,335,912)
Principal paid on capital debt	(78,181)	(565,000)	(80,870)	(590,000)
Interest paid on capital debt	(99,360)	(807,026)	(108,942)	(783,562)
Net cash used by capital and related financing activities	<u>(343,849)</u>	<u>(7,680,313)</u>	<u>(209,478)</u>	<u>(4,709,474)</u>
Cash flows from investing activities:				
Interest received	<u>1,104</u>	<u>227,963</u>	<u>6,619</u>	<u>594,522</u>
Net increase in cash and cash equivalents	(162,252)	(6,909,721)	(16,316)	(1,905,866)
Cash and cash equivalents, January 1	<u>373,644</u>	<u>26,320,315</u>	<u>211,392</u>	<u>19,410,594</u>
Cash and cash equivalents, December 31	<u>\$ 211,392</u>	<u>\$ 19,410,594</u>	<u>\$ 195,076</u>	<u>\$ 17,504,728</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ (146,115)	\$ 246,878	\$ (128,732)	\$ 1,316,450
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	303,935	918,808	318,945	1,079,089
Amortization of bond issue costs	448	25,819	448	25,819
(Increase) decrease in assets:				
Accounts receivable	788	(125,611)	(2,354)	(197,100)
Prepaid items	-	(5,104)	(117)	(489)
Increase (decrease) in liabilities:				
Accounts payable	5,552	(518,883)	(552)	(16,577)
Employee benefits payable	-	3,657	-	(1,962)
Customer deposits payable	(85)	-	(370)	-
Wages payable	-	(45,141)	-	2,033
Compensated absence payable	-	11,655	-	1,823
Deferred revenue	15,970	-	(725)	-
15 year agreement payable	-	30,551	-	-
Total adjustments	<u>326,608</u>	<u>295,751</u>	<u>315,275</u>	<u>892,636</u>
Net cash provided by operating activities	<u>\$ 180,493</u>	<u>\$ 542,629</u>	<u>\$ 186,543</u>	<u>\$ 2,209,086</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ -	\$ 6,776,562	\$ -	\$ 8,786,158
Construction of capital asset on account	72,204	-	536,374	-

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

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the Aviation Commission and Wastewater Utility (Commission and Utility) and are not intended to present fairly the position of the City of Greenwood (City), and the results of its operations and cash flows of its enterprise funds. The Commission and Utility, whose operations are controlled by the City, represents a substantial portion of the City's enterprise funds.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and Other Changes in Fund Net Assets; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

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

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

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

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 Commission's and 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 Utility 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.

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Debt securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency.

Open-end mutual funds are reported at fair value.

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.

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 they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 750	Straight-line	50 years
Improvements other than buildings	750	Straight-line	50 years
Machinery and equipment - treatment plant	750	Straight-line	10 years
Machinery and equipment - other	750	Straight-line	5 years
Transportation equipment	750	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.

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Utility during the years 2004 and 2005, was \$819,935 and \$796,196, respectively. Of the amount, zero was included as part of the cost of capital assets under construction.

5. Compensated Absences

Employees earn paid time off (PTO) for sick, vacation, and personal leave at the rate of 91 hours to 240 hours per year. Unused PTO may be accumulated to a maximum of 320 hours. Accumulated PTO is paid to employees through cash payments upon termination.

Paid time off is accrued when incurred.

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

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. At December 31, 2005, the bank balance was insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Capital Assets

Capital asset activity for the years ended December 31, 2004 and 2005, was as follows:

<u>Aviation Commission</u>	<u>01-01-04</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>12-31-04</u> <u>Balance</u>
Capital assets, not being depreciated:				
Land	\$ 3,382,821	\$ -	\$ -	\$ 3,382,821
Construction in progress	<u>1,142,437</u>	<u>560,935</u>	<u>1,121,072</u>	<u>582,300</u>
				-
Total capital assets, not being depreciated	<u>4,525,258</u>	<u>560,935</u>	<u>1,121,072</u>	<u>3,965,121</u>

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

<u>Aviation Commission (continued)</u>	<u>01-01-04 Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>12-31-04 Balance</u>
Capital assets, being depreciated:				
Buildings	1,564,560	879,087	-	2,443,647
Improvements other than buildings	4,967,906	248,781	-	5,216,687
Machinery and equipment	<u>138,568</u>	<u>-</u>	<u>-</u>	<u>138,568</u>
Totals	<u>6,671,034</u>	<u>1,127,868</u>	<u>-</u>	<u>7,798,902</u>
Less accumulated depreciation for:				
Buildings	594,533	40,082	-	634,615
Improvements other than buildings	3,974,325	254,615	-	4,228,940
Machinery and equipment	<u>17,029</u>	<u>9,238</u>	<u>-</u>	<u>26,267</u>
Totals	<u>4,585,887</u>	<u>303,935</u>	<u>-</u>	<u>4,889,822</u>
Total capital assets, being depreciated, net	<u>2,085,147</u>	<u>823,933</u>	<u>-</u>	<u>2,909,080</u>
Total capital assets, net	<u>\$ 6,610,405</u>	<u>\$ 1,384,868</u>	<u>\$ 1,121,072</u>	<u>\$ 6,874,201</u>
<u>Aviation Commission</u>	<u>01-01-05 Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>12-31-05 Balance</u>
Capital assets, not being depreciated:				
Land	\$ 3,382,821	\$ -	\$ -	\$ 3,382,821
Construction in progress	<u>582,300</u>	<u>1,151,877</u>	<u>-</u>	<u>1,734,177</u>
Total capital assets, not being depreciated	<u>3,965,121</u>	<u>1,151,877</u>	<u>-</u>	<u>5,116,998</u>
Capital assets, being depreciated:				
Buildings	2,443,647	-	-	2,443,647
Improvements other than buildings	5,216,687	-	-	5,216,687
Machinery and equipment	<u>138,568</u>	<u>-</u>	<u>-</u>	<u>138,568</u>
Totals	<u>7,798,902</u>	<u>-</u>	<u>-</u>	<u>7,798,902</u>
Less accumulated depreciation for:				
Buildings	634,615	48,873	-	683,488
Improvements other than buildings	4,228,940	260,834	-	4,489,774
Machinery and equipment	<u>26,267</u>	<u>9,238</u>	<u>-</u>	<u>35,505</u>
Totals	<u>4,889,822</u>	<u>318,945</u>	<u>-</u>	<u>5,208,767</u>
Total capital assets, being depreciated, net	<u>2,909,080</u>	<u>(318,945)</u>	<u>-</u>	<u>2,590,135</u>
Total capital assets, net	<u>\$ 6,874,201</u>	<u>\$ 832,932</u>	<u>\$ -</u>	<u>\$ 7,707,133</u>

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

<u>Wastewater Utility</u>	01-01-04 <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	12-31-04 <u>Balance</u>
Capital assets, not being depreciated:				
Land	\$ 294,579	\$ -	\$ -	\$ 294,579
Construction in progress	<u>14,974,285</u>	<u>6,263,438</u>	<u>421,930</u>	<u>20,815,793</u>
 Total capital assets, not being depreciated	 <u>15,268,864</u>	 <u>6,263,438</u>	 <u>421,930</u>	 <u>21,110,372</u>
 Capital assets, being depreciated:				
Buildings	787,095	5,628	-	792,723
Improvements other than buildings	38,707,357	7,203,502	-	45,910,859
Machinery and equipment	670,174	-	-	670,174
Office/miscellaneous equipment	171,046	-	-	171,046
Transportation equipment	439,078	-	-	439,078
Treatment plant	<u>177,854</u>	<u>-</u>	<u>-</u>	<u>177,854</u>
 Totals	 <u>40,952,604</u>	 <u>7,209,130</u>	 <u>-</u>	 <u>48,161,734</u>
 Less accumulated depreciation for:				
Buildings	531,488	15,943	-	547,431
Improvements other than buildings	7,481,214	853,167	-	8,334,381
Machinery and equipment	670,174	-	-	670,174
Office/miscellaneous equipment	141,726	11,683	-	153,409
Transportation equipment	389,098	20,230	-	409,328
Treatment Plant	<u>47,428</u>	<u>17,785</u>	<u>-</u>	<u>65,213</u>
 Totals	 <u>9,261,128</u>	 <u>918,808</u>	 <u>-</u>	 <u>10,179,936</u>
 Total capital assets, being depreciated, net	 <u>31,691,476</u>	 <u>6,290,322</u>	 <u>-</u>	 <u>37,981,798</u>
 Total capital assets, net	 <u>\$ 46,960,340</u>	 <u>\$ 12,553,760</u>	 <u>\$ 421,930</u>	 <u>\$ 59,092,170</u>
 <u>Sanitation Utility</u>	 01-01-05 <u>Balance</u>	 <u>Increases</u>	 <u>Decreases</u>	 12-31-05 <u>Balance</u>
Capital assets, not being depreciated:				
Land	\$ 294,579	\$ -	\$ -	\$ 294,579
Construction in progress	<u>20,815,793</u>	<u>3,799,211</u>	<u>-</u>	<u>24,615,004</u>
 Total capital assets, not being depreciated	 <u>21,110,372</u>	 <u>3,799,211</u>	 <u>-</u>	 <u>24,909,583</u>

AVIATION COMMISSION AND WASTEWATER UTILITY  
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NOTES TO FINANCIAL STATEMENTS  
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<u>Sanitation Utility (continued)</u>	<u>01-01-05</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>12-31-05</u> <u>Balance</u>
Capital assets, being depreciated:				
Buildings	792,723	-	-	792,723
Improvements other than buildings	45,910,859	8,786,156	-	54,697,015
Machinery and equipment	670,174	-	-	670,174
Office/miscellaneous equipment	171,046	-	-	171,046
Transportation equipment	439,078	23,320	-	462,398
Treatment plant	<u>177,854</u>	<u>-</u>	<u>-</u>	<u>177,854</u>
 Totals	 <u>48,161,734</u>	 <u>8,809,476</u>	 <u>-</u>	 <u>56,971,210</u>
Less accumulated depreciation for:				
Buildings	547,431	16,546	-	563,977
Improvements other than buildings	8,334,381	1,016,421	-	9,350,802
Machinery and equipment	670,174	-	-	670,174
Office/miscellaneous equipment	153,409	9,630	-	163,039
Transportation equipment	409,328	18,707	-	428,035
Treatment plant	<u>65,213</u>	<u>17,786</u>	<u>-</u>	<u>82,999</u>
 Totals	 <u>10,179,936</u>	 <u>1,079,090</u>	 <u>-</u>	 <u>11,259,026</u>
 Total capital assets, being depreciated, net	 <u>37,981,798</u>	 <u>7,730,386</u>	 <u>-</u>	 <u>45,712,184</u>
 Total capital assets, net	 <u>\$ 59,092,170</u>	 <u>\$ 11,529,597</u>	 <u>\$ -</u>	 <u>\$ 70,621,767</u>

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

	<u>2004</u>	<u>2005</u>
Aviation Commission	\$ 303,935	\$ 318,945
Sanitation	<u>918,808</u>	<u>1,079,090</u>
 Total depreciation expense	 <u>\$ 1,222,743</u>	 <u>\$ 1,398,035</u>

C. Construction Commitments

Construction work in progress is composed of the following:

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Project	Total Project Authorized	Expended to December 31, 2005	Committed	Required Future Funding
Aviation Commission:				
Runway extension AIP 17	\$ 326,344	\$ 326,344	\$ -	\$ -
Runway extension AIP 18	1,052,632	961,957	-	90,675
Midfield taxiway connector	<u>448,000</u>	<u>445,876</u>	-	<u>2,124</u>
Totals	<u>\$ 1,826,976</u>	<u>\$ 1,734,177</u>	<u>\$ -</u>	<u>\$ 92,799</u>
Wastewater Utility:				
Eastside interceptor phase I and II	\$ 21,492,023	\$ 21,492,023	\$ -	\$ -
Western regional sanitary sewer	2,125,059	381,085	-	1,743,974
Park forest storm and sewer project	2,431,352	2,431,352	-	-
Drainage project	34,211	34,211	-	-
Valle vista 1	<u>276,333</u>	<u>276,333</u>	-	-
Totals	<u>\$ 26,358,978</u>	<u>\$ 24,615,004</u>	<u>\$ -</u>	<u>\$ 1,743,974</u>

D. Long-Term Liabilities

1. Revenue Bonds

The Commission and Utility issue 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
1999 Airport bonds	5.25% to 5.75%	\$ 735,000
2003 Airport bonds	5%	1,012,149
1997 Sewage works refunding	4.20% to 5.00%	2,330,000
1997 Series B sewage works refunding	4.60% to 4.875%	4,565,000
1998 Series C sewage works	4.2% to 4.9%	<u>9,035,000</u>
Total		<u>\$ 17,677,149</u>

AVIATION COMMISSION AND WASTEWATER UTILITY  
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NOTES TO FINANCIAL STATEMENTS  
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Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Aviation Commission		Wastewater Utility	
	Principal	Interest	Principal	Interest
2006	\$ 84,094	\$ 101,719	\$ 620,000	\$ 745,989
2007	78,625	90,016	650,000	728,616
2008	85,784	85,758	680,000	799,744
2009	93,063	80,985	715,000	669,166
2010	95,469	75,860	750,000	636,529
2011-2015	558,420	293,973	4,365,000	2,623,546
2016-2020	572,284	122,572	5,505,000	1,471,068
2021-2025	179,410	10,895	2,645,000	196,245
Totals	<u>\$ 1,747,149</u>	<u>\$ 861,778</u>	<u>\$ 15,930,000</u>	<u>\$ 7,870,903</u>

2. Changes in Long-Term Liabilities

Long-term liability activity for the years ended December 31, 2004 and 2005, was as follows:

	01-01-04 Balance	Additions	Reductions	12-31-04 Balance	Due Within One Year
Revenue bonds payable:					
Aviation Commission	\$ 1,906,199	\$ -	\$ 78,180	\$ 1,828,019	\$ 80,870
Wastewater Utility	17,085,000	-	565,000	16,520,000	590,000
Less unamortized discount	(64,621)	-	(4,482)	(60,139)	-
Less deferred amount on refunding	(113,211)	-	(14,608)	(98,603)	-
Total Wastewater Utility	<u>16,907,168</u>	<u>-</u>	<u>545,910</u>	<u>16,361,258</u>	<u>590,000</u>
Total long-term liabilities	<u>\$ 18,813,367</u>	<u>\$ -</u>	<u>\$ 624,090</u>	<u>\$ 18,189,277</u>	<u>\$ 670,870</u>

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	<u>01-01-05</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12-31-05</u> <u>Balance</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Revenue bonds payable:					
Aviation Commission	\$ 1,828,019	\$ -	\$ 80,870	\$ 1,747,149	\$ 84,094
Wastewater Utility	16,520,000	-	590,000	15,930,000	620,000
Less unamortized discount	(60,139)	-	(4,482)	(55,657)	-
Less deferred amount on refunding	<u>(98,603)</u>	<u>-</u>	<u>(14,608)</u>	<u>(83,995)</u>	<u>-</u>
Total Wastewater Utility	<u>16,361,258</u>	<u>-</u>	<u>570,910</u>	<u>15,790,348</u>	<u>620,000</u>
Total long-term liabilities	<u>\$ 18,189,277</u>	<u>\$ -</u>	<u>\$ 651,780</u>	<u>\$ 17,537,497</u>	<u>\$ 704,094</u>

E. Restatements

For the year ended December 31, 2004, certain changes have been made to the financial statements to more appropriately reflect financial activity of the Aviation Commission. Prior period adjustments represent capital assets not reported in prior years.

<u>December 31,</u> <u>2003</u>	<u>Period</u> <u>Adjustments</u>	<u>January 1,</u> <u>2003</u>
<u>\$ 2,943,311</u>	<u>\$ 2,019,528</u>	<u>\$ 4,962,839</u>

III. Other Information

A. Risk Management

The Commission and Utility are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; retirees, and dependents (excluding postemployment benefits); 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

The Commission and Utility have chosen to establish a risk financing fund for risks associated with medical benefits. 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 \$1,000,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past

AVIATION COMMISSION AND WASTEWATER UTILITY  
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NOTES TO FINANCIAL STATEMENTS  
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three years. The cost of administration, including stop loss coverage and actual claims paid are allocated to four different coverage groups. These allocated cost are reimbursed by the City Funds – General and Fire and by the Wastewater Utility Funds based on the costs associated with each coverage group.

B. Postemployment Benefits

In addition to the pension benefits described below, the Commission and Utility provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire on or after attaining a specific age with at least 25 years of service. Currently, 1 retiree meets these eligibility requirements. The Commission and Utility provide the cost of these postemployment benefits that exceed 50% of the monthly health insurance premium. Expenditures for those postemployment benefits include insurance premiums and benefit payments under the self-insurance plan and are recognized on a pay-as-you-go basis. Expenditures for postemployment benefits cannot be reasonably estimated.

C. Rate Structure

Wastewater Utility

The current rate structure was approved by the City Council on May 7, 2003.

D. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City, including the Aviation Commission and Wastewater 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

AVIATION COMMISSION AND WASTEWATER UTILITY  
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Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Commission and 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 Commission and Utility is not available. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the City as a whole.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 265,190
Interest on net pension obligation	(7,537)
Adjustment to annual required contribution	8,589
Annual pension cost	266,242
Contributions made	263,498
Increase in net pension obligation	2,744
Net pension obligation, beginning of year	(103,955)
Net pension obligation, end of year	\$ (101,211)
Contribution rates:	
Commission and Utility	4%
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	75% of expected actuarial value plus 25% of market value
<u>Actuarial Assumptions</u>	
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%

AVIATION COMMISSION AND WASTEWATER UTILITY  
 CITY OF GREENWOOD  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-03	\$ 255,361	72%	\$ (115,611)
	06-30-04	231,851	95%	(103,955)
	06-30-05	266,242	114%	(101,211)

AVIATION COMMISSION AND WASTEWATER UTILITY  
 CITY OF GREENWOOD  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

PERF Pension Plan

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	\$ 3,154,453	\$ 3,653,350	\$ (498,897)	86%	\$ 4,417,101	(11%)
07-01-04	3,248,996	3,927,090	(678,094)	83%	4,785,036	(14%)
07-01-05	3,457,869	4,753,988	(1,296,119)	73%	5,032,112	(26%)

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
EXIT CONFERENCE

The contents of this report were discussed on April 12, 2007, with Charles E. Henderson, Mayor; and Jeannine Myers, Clerk-Treasurer. The officials concurred with our findings.