

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

EXAMINATION REPORT
OF

WASTEWATER UTILITY
CITY OF GREENWOOD
JOHNSON COUNTY, INDIANA

January 1, 2010 to December 31, 2010



FILED
08/08/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Statement of Net Assets.....	4
Statement of Revenues, Expenses and Other Changes in Fund Net Assets.....	5
Statement of Cash Flows	6
Notes to Financial Statements	7-18
Required Supplementary Information:	
Schedule of Funding Progress	19
Examination Result and Comment:	
Old Outstanding Checks.....	20
Exit Conference.....	21

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jeannine Myers	01-01-10 to 12-31-11
Mayor	Charles E. Henderson	01-01-10 to 12-31-11
President of the Board of Public Works and Safety	Charles E. Henderson	01-01-10 to 12-31-11
President of the Common Council	Brent Corey	01-01-10 to 12-31-11



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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statements of the business-type activities of the Wastewater Utility, a department of the City of Greenwood, as of and for the year ended December 31, 2010. The Utility's management is responsible for the financial statements presented herein. Our responsibility is to express an opinion based on our examination.

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

As discussed in Note I, the financial statements of the 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 Utility. They do not purport to, and do not, present fairly the financial position of the City of Greenwood as of December 31, 2010, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities for the Wastewater Utility, as of December 31, 2010, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Wastewater Utility has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

May 12, 2011

WASTEWATER UTILITY CITY OF GREENWOOD
STATEMENT OF NET ASSETS
December 31, 2010

	<u>2010</u>
<u>Assets</u>	<u>Wastewater</u>
Current assets:	
Cash and cash equivalents	\$ 1,271,425
Interest receivable	17,898
Prepaid items	35,470
Accounts receivable (net of allowance)	<u>966,512</u>
Total current assets	<u>2,291,305</u>
Noncurrent assets:	
Restricted cash, cash equivalents and investments:	
Bond sinking cash and investments	302,761
Sewer availability cash and investments	1,541,550
Sewer bond proceeds cash and investments	694,092
Sewage Works Operating Debt Service	860,761
Waste management cash and investments	<u>894,717</u>
	<u>4,293,881</u>
Deferred charges	<u>113,025</u>
Capital assets:	
Land, improvements to land and construction in progress	905,072
Other capital assets (net of accumulated depreciation)	<u>78,727,020</u>
Total capital assets	<u>79,632,092</u>
Total noncurrent assets	<u>84,038,998</u>
Total assets	<u>86,330,303</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	1,256,089
Contracts payable	30,446
Accrued wages payable	33,372
Payroll withholding payable	18,488
Compensated absences	16,076
Interest payable	127,350
Deferred revenue	65,406
Current liabilities payable from restricted assets:	
Revenue bonds payable	<u>770,000</u>
Total current liabilities	<u>2,317,227</u>
Noncurrent liabilities:	
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	<u>14,218,462</u>
Total noncurrent liabilities	<u>14,218,462</u>
Total liabilities	<u>16,535,689</u>
<u>Net assets</u>	
Invested in capital assets, net of related debt	64,643,630
Restricted for debt	1,276,547
Restricted for capital improvements	2,235,642
Unrestricted	<u>1,638,795</u>
Total net assets	<u>\$ 69,794,614</u>

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

WASTEWATER UTILITY CITY OF GREENWOOD
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2010

	<u>2010</u>
	<u>Wastewater</u>
Operating Revenues:	
Unmetered water revenue	
Residential	\$ 4,464,186
Commercial	1,582,670
Industrial	159,403
Penalties	172,859
Other revenue	160,901
Flat rate revenues	1,193,881
Waste Management	<u>2,355,929</u>
Total operating revenues	<u>10,089,829</u>
Operating expenses:	
General:	
Salaries and wages	284,803
Benefits and taxes	99,918
Office supplies	10,874
Professional services	353,922
Communication and transportation	47,794
Other services	162,362
Operations and Maintenance:	
Salaries and wages	650,877
Benefits and taxes	308,676
Office supplies	2,428
Operating supplies	442,969
Repairs and maintenance	285,443
Other supplies	247
Professional services	7,768
Communication and transportation	25,762
Contractual services	1,128,410
Utilities	154,030
Purchased wastewater treatment	1,099,398
Other services	28,905
Machinery and equipment	247
Rentals	9,175
Waste management:	
Purchased waste removal	1,442,648
Amortization expense	21,516
Depreciation expense	1,923,618
Total operating expenses	<u>8,491,790</u>
Operating Income	<u>1,598,039</u>
Nonoperating revenues (expenses):	
Interest and investment revenue	9,367
Interest expense	(635,821)
Miscellaneous expense	<u>(1,865,427)</u>
Total nonoperating revenues (expenses)	<u>(2,491,881)</u>
Income Loss before contributions	(893,842)
Capital contributions	<u>926,150</u>
Change in net assets	32,308
Total net assets - beginning	<u>69,762,306</u>
Total net assets - ending	<u>\$ 69,794,614</u>

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

WASTEWATER UTILITY CITY OF GREENWOOD
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Year Ended December 31, 2010

	<u>2010</u>
	<u>Wastewater</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 10,160,153
Payments to suppliers and contractors	(6,471,867)
Payments to employees	(1,583,647)
Other Payments	<u>(1,865,427)</u>
Net cash provided by operating activities	<u>239,212</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	2,584,292
2010 Series A and B bonds payable, net	(31,175)
Defeasance of bonds	(750,000)
Principal paid on capital debt	(622,940)
Interest paid on capital debt	<u>(336,780)</u>
Net cash used by capital and related financing activities	<u>843,397</u>
Cash flows from investing activities:	
Interest received	<u>9,368</u>
Net cash provided (used) by investing activities	<u>9,368</u>
Net increase in cash and cash equivalents	1,091,977
Cash and cash equivalents, January 1	<u>4,473,329</u>
Cash and cash equivalents, December 31	<u>\$ 5,565,306</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 1,598,039</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	1,923,618
Amortization expense	21,516
(Increase) decrease in assets:	
Accounts receivable	98,293
Allowance for uncollectible accounts	(12,982)
Prepaid items	(35,470)
Miscellaneous	(1,865,427)
Increase (decrease) in liabilities:	
Accounts payable	325,267
Employee benefits payable	189
Wages payable	1,776
Compensated absence payable	1,285
Deferred revenue	(14,987)
15 year agreement payable	(242,622)
Contracts payable	(1,559,283)
Total adjustments	<u>(1,358,827)</u>
Net cash provided by operating activities	<u>\$ 239,212</u>
Noncash investing, capital and financing activities:	
Contributions of capital assets from government	<u>\$ 926,150</u>

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

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 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 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 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 and 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 and 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 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.

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.

2. Prepaid Items

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.

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

3. Accounts Receivable

Amounts due from private individuals and organizations, which pertain to charges for services rendered by the Utility, are reported as accounts receivable.

Receivables are reviewed periodically to establish or update the provisions for uncollectible amounts. These provisions are estimated based on an analysis of the age of the various accounts. For 2010, gross receivables are \$984,923, of which \$18,412 is estimated to be uncollectible.

4. 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 covenants.

5. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements 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 and Improvements	750	Straight-line	50 years
Improvements Other Than Buildings	750	Straight-line	50 years
Treatment Plant	750	Straight-line	10 years
Machinery and Equipment – Other	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.

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 current year was \$635,821. None of that amount was included as part of the cost of capital assets under construction in connection with additions and improvements to the municipal sewage works.

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

6. Compensated Absences

It is the policy of the Utility to permit employees to accumulate a limited amount of earned but unused leave benefits which will be paid to employees upon separation from service. Unpaid absences are recorded as a liability when the benefits are earned. Employees earn paid time-off (PTO) for sick, vacation, and personal leave at the rate of 91 hours to 240 hours per year. Employees may carry over 80 hours of unused PTO each year. The valuation of accrued leave benefits is calculated in accordance with GASB Statement No. 16, Accounting for Compensated Absences.

7. Deferred Revenue

In instances where assets have been received by the Utility for services to be rendered in future periods, asset balances have been offset by an unearned revenue liability in the financial statements. \$65,406 of unearned revenues of the Utility at December 31, 2010 is overpayments from customers on active accounts.

8. 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.

9. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the financial statement date and the reported amounts of revenues and expenses or expenditures during the reporting period. Actual results could differ from those estimates.

II. Detailed Notes on All Funds

A. Deposits and Investments

Deposits, made in accordance with IC 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 institution.

B. Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

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

<u>2010</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 294,579	\$ -	\$ -	\$ 294,579
Construction in progress	5,742,251	341,053	5,472,811	610,493
	<u>6,036,830</u>	<u>341,053</u>	<u>5,472,811</u>	<u>905,072</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	792,722	-	-	792,722
Improvements other than buildings	90,035,028	6,394,687	-	96,429,715
Machinery and equipment	850,345	-	-	850,345
Office/miscellaneous equipment	171,046	-	-	171,046
Transportation equipment	579,315	-	-	579,315
Treatment plant	177,854	-	-	177,854
	<u>92,606,310</u>	<u>6,394,687</u>	<u>-</u>	<u>99,000,997</u>
Totals				
Less accumulated depreciation for:				
Buildings	624,889	9,520	-	634,409
Improvements other than buildings	16,153,291	1,852,581	-	18,005,872
Machinery and equipment	732,369	18,017	-	750,386
Office/miscellaneous equipment	171,046	-	-	171,046
Transportation equipment	514,626	25,715	-	540,341
Treatment plant	154,139	17,785	-	171,924
	<u>18,350,359</u>	<u>1,923,618</u>	<u>-</u>	<u>20,273,977</u>
Totals				
Total capital assets, being depreciated, net	<u>74,255,951</u>	<u>4,471,069</u>	<u>-</u>	<u>78,727,020</u>
Total capital assets, net	<u>\$ 80,292,781</u>	<u>\$ 4,812,122</u>	<u>\$ 5,472,811</u>	<u>\$ 79,632,092</u>

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

	<u>2010</u>
Wastewater	<u>\$ 1,923,618</u>
Total depreciation expense	<u>\$ 1,923,618</u>

C. Construction Commitments

Construction work in progress is composed of the following:

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

Project	Total Project Authorized	Expended to December 31, 2010	Committed	Required Future Funding
Western regional sanitary sewer Gravity interceptor	\$ 1,200,000 <u>179,703</u>	\$ 430,790 <u>179,703</u>	\$ - <u>-</u>	\$ 769,210 <u>-</u>
Totals	<u>\$ 1,379,703</u>	<u>\$ 610,493</u>	<u>\$ -</u>	<u>\$ 769,210</u>

On December 21, 2010, the City of Greenwood Board of Public Works and Safety approved a \$565,000 commitment to St. Francis Hospital for constructing part of the West Regional Interceptor. This is not reflected in the financial statements.

D. Commitment for Wastewater Treatment

The Utility has a contractual agreement with the Indianapolis Department of Public Works for treatment capacity at the Southport Wastewater Treatment Plant. There are two payments of \$797,001 expensed each year. The contract extends through 2013. The final payment in 2013 is \$788,316.

E. Inter-fund Transactions

The Utility purchases gasoline for the City and is reimbursed by each department for their respective portions.

The Utility reimburses the City's general fund for legal, engineering, information technology, financial, and administrative services provided on the Utility's behalf.

Upon review of the SWO 15-year law agreement detail, it was discovered that payments totaling \$131,990 were posted to this account that were actually payments for sewer availability fees. There is a receivable and payable between the SWO fund and SAF fund. These funds are combined, therefore, there is no effect on the financial statements.

F. Long-Term Liabilities

1. Revenue Bonds

On November 18, 2010, the City of Greenwood, Indiana issued \$12,710,000 of Sewage Works Refunding Revenue Bonds of 2010, Series A and \$2,655,000 of Sewage Works Revenue Bonds of 2010, Series B. The Series A Bonds were issued for the current refunding of \$425,000 of current outstanding Sewage Works Revenue and Refunding Revenue Bonds of 1997, Series A, dated December 1, 1997, \$3,930,000 of currently outstanding Sewage Works Revenue and Refunding Bonds of 1997, Series B, dated December 1, 1997 and \$8,160,000 of currently outstanding Sewage Works Revenue and Refunding Bonds of 1998, Series C, dated December 1, 1998. The refunded bonds were originally issued to finance the cost of certain improvements and extensions to the City's sewage works. The Series B bonds were issued for the purpose of providing funds to pay the cost of purchasing wastewater treatment capacity from the City of Indianapolis, Indiana. The Bonds were also used to pay issuance costs which were \$113,025.

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

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

Purpose	Interest Rates	Amount
2010 Series A	4.00% to 4.625%	\$ 12,710,000
2010 Series B	4.00% to 4.625%	<u>2,655,000</u>
Total		<u>\$ 15,365,000</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Wastewater Utility	
	Principal	Interest
2011	\$ 770,000	\$ 553,917
2012	880,000	605,414
2013	920,000	569,814
2014	955,000	532,614
2015	990,000	494,114
2016-2020	5,605,000	1,831,789
2021-2024	<u>5,245,000</u>	<u>541,003</u>
Totals	<u>\$ 15,365,000</u>	<u>\$ 5,128,665</u>

2. Changes in Long-Term Liabilities Due to Refunding

The \$12,710,000 in refunding revenue bonds issued by the City of Greenwood on November 18, 2010 have an average interest rate of 3.95% to refund \$12,515,000 of outstanding A, B, and C series bonds with an average interest rate of 4.77%. The series A bond proceeds of \$12,615,927 (which includes the bond premium of \$147,417 and the underwriter's discount of \$241,490) and local contributions of \$31,176 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1997 series A, series B, and 1998 series C bond. As a result, these bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets. The refunding resulted in the accounting loss of \$99,917, which has been recognized on the Statement of Net Assets in the net amount titled Revenue Bonds Payable. This amount will be amortized using the straight-line method and charged to interest expense over the next 12 years. The City of Greenwood in effect decreased its aggregate debt service payment by \$339,201 over the next 12 years and realized an economic loss (difference between the present values of the old and new debt service payments) of \$337,688.

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

Long-term liability activity for the year ended December 31, 2010, was as follows:

<u>2010</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds payable:					
Wastewater Utility	\$ 12,515,000	\$ 15,365,000	\$ 12,515,000	\$ 15,365,000	\$ 770,000
Less:					
Unamortized discount	(37,729)	-	37,729	-	
Deferred amount on refunding	(25,563)	(99,917)	25,563	(99,917.00)	-
Deferred Debits		424,038		424,038.00	-
Plus: Bond Premium	-	(147,417)	-	(147,417.00)	-
 Total revenue bonds payable	 12,451,708	 14,988,462	 12,451,708	 14,988,462	 770,000
 Total Long-term liabilities	 <u>\$ 12,451,708</u>	 <u>\$ 14,988,462</u>	 <u>\$ 12,451,708</u>	 <u>\$ 14,988,462</u>	 <u>\$ 770,000</u>

III. Other Information

A. Risk Management

The Utility is 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; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters are covered by commercial insurance from independent 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.

B. Wastewater and Indianapolis Department of Public Works Balance Dispute

The Greenwood Wastewater Utility (Utility) contracts with the City of Indianapolis, Department of Public Works (DPW) to treat the sewage generated by the customers of the Utility. The Utility and DPW have a disputed balance at December 31, 2010 in the amount of \$2,680,137. Management has indicated the Utility and DPW are in final contract negotiations; the agreement will resolve this dispute. If the current year disputed invoices in the amount of \$561,289 were charged to 2010 expense, the Statement of Revenues, Expenses, and Other Changes in Fund Net Assets would indicate a loss before contributions of \$1,455,132. The prior year disputed balance of \$2,118,848 in addition to the current year disputed expense of \$561,289 would be a charge to Sewage Works Operating Fund balance reducing the fund balance to \$67,114,477 at December 31, 2010.

C. Operating Leases

The Utility entered into a 60-month lease with Xerox for its copy machine in 2007. The monthly base charges are \$349.63 each month. There is a charge for excess copies of \$.0098 that is billed quarterly to the Utility. The future minimum lease payments for the remainder of the lease are as follows:

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

2011	\$4,195
2012	<u>4,195</u>
Total	<u>\$8,190</u>

D. Subsequent Events

Management has evaluated subsequent events through May 13, 2011, the date the financial statements were available to be issued.

The Greenwood Wastewater Utility (Utility) serves approximately twenty-five thousand eight hundred (25,800) customers in the northern Johnson County urban area. This area includes the City of Greenwood and northern urban area of White River Township. The area consists mostly of a mix of residential and commercial properties whose combined assessed value is in excess of two billion dollars.

The Utility contracts with the City of Indianapolis (City) to provide sewage treatment services for the Utility. The Utility also has a contract with the City to purchase permanent treatment capacity within the City's Southport Wastewater Treatment Facility. The Utility has been in negotiations with the City on various issues including disputed sewage treatment charges, purchase of additional capacity in the Southport Treatment Facility and disputed excessive infiltration and inflow (I&I) issues.

The final payment on the contract between the City and the Utility for the purchase of permanent treatment capacity in the Southport Wastewater Treatment Facility will be made in December 2013. Those principal payments are required to be expensed as a current period cost. The amounts expensed were \$1,220,401 in 2007, \$1,269,705 in 2008, \$2,118,002 in 2009, and \$1,629,472 in 2010.

For the past several years, the Utility in a good faith effort to address concerns that the City raised during contract discussions regarding I&I during wet weather conditions, expended considerable funds to alleviate these issues. These projects were one-time expenditures that were funded with available cash. These costs were \$484,200 in 2007, \$2,302,550 in 2008, \$149,260 in 2009, and \$341,053 in 2010. The Utility also expended \$5,097,575 from cash reserves to construct a major infrastructure improvement and, subsequently, spent \$260,000 in legal fees in 2009 to safeguard the sewer service area surrounding that improvement. These are considered non-recurring expenditures.

The Greenwood Board of Public Works and Safety (Board), the oversight board for the Utility, has the philosophy that Utility rates should not be increased during difficult economic conditions until savings have been depleted to a reasonable level. The Board indicated that future long-lived projects would be funded with long-term debt. The Greenwood Common Council has passed a rate increase effective with the December 2010 billing; this addresses concerns of cash flow issues within the general fund

E. Rate Structure

1. Wastewater Utility

The prior rate structure was approved by the Greenwood Common Council on May 2, 2003 and was in effect through November 2010. A rate increase was approved by the Greenwood Common Council under Ordinance No.10-26 on October 1, 2010 effective for December 2010. The new rate structure is as follows:

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

	<u>Old Rate</u>	<u>INew Rate</u>
Per 1000 gallons usage	\$ 1.66	\$ 2.39
<hr/>		
Per Meter Size:		
5/8"	7.25	10.44
1"	17.18	24.74
1 1/4"	27.11	39.04
1 1/2"	38.36	55.24
2"	66.83	96.24
3"	152.89	220.16
4"	265.43	382.22
6"	603.05	863.39
8"	1,086.31	1,564.29
<hr/>		
Connection Fee per meter size:		
5/8"	600.00	835.00
>5/8"<2"	1,500.00	2,087.00
2"	6,000.00	8,346
>2"	13,800.00	19,196.00
<hr/>		
Sewer Availability Fee	1,490.00	2,073.00

The Utility has approximately 25,800 customers. The City of Greenwood Wastewater Utility is not under the jurisdiction of the Indiana Regulatory Utility Commission.

E. Classification of Utility

The Greenwood Wastewater Utility is Class A utility with annual operating revenues exceeding \$1,000,000. As such, accrual records are required. The records of the utility are maintained on a cash basis and modified by a certified public account to present accrual financial statements.

F. Other Postemployment Benefits

Single-Employer Defined Benefit Healthcare Plan

Plan Description

The City provides postemployment health benefits, as authorized Indiana Code 5-10-8, to all employees who retire from the City on or after attaining specified age with at least 20 years of service. Currently, nine retirees meet these eligibility requirements. The City provides the cost of these postemployment benefits that exceeds 50% of the monthly health insurance premium. Disbursements for those postemployment benefits include insurance premiums and benefit payments under the City's self-insurance plan and are on a pay-as-you-go basis. Disbursements for postemployment benefits cannot be reasonably estimated.

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

Funding Policy

The contribution requirements of plan members are established by the City's Common Council. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2010, the City contribution to the plan cannot be determined.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) expense has not been calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The City has not engaged an actuary to perform an actuarial valuation of the plan.

Funded Status and Funding Progress

As of December 31, 2010, the plan was not funded and is on a pay-as-you-go basis. An actuarial valuation has not been performed, consequently, the unfunded actuarial accrued liability for benefits is unknown.

G. Pension Plan

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. 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 three percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established and may be amended by the PERF Board of Trustees. 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.

Actuarial Information for the Above Plan

		PERF
Annual required contribution	\$	481,819
Interest on net pension obligation		(413)
Adjustment to annual required contribution		470
Annual pension cost		481,876
Contributions made		467,587
Increase in net pension obligation		14,289
Net pension obligation, beginning of year		(5,692)
Net pension obligation, end of year	\$	8,597
Contribution rates:		
Utility		7%
Plan members		3%
Actuarial valuation date		07-01-10
Actuarial cost method		Entry age
Amortization method		Level percentage of projected payroll, closed
Amortization period		30 years
Amortization period (from date)		4 years
Asset valuation method		Smoothed market

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

Actuarial Assumptions	PERF
Investment rate of return	7.00%
Projected future salary increases:	
Total	4.00%
Attributed to inflation	3.00%
Attributed to merit/seniority	1.00%
Cost-of-living adjustments	1.00%

THREE YEAR TREND INFORMATION

	Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
PERF	6/30/2008	\$ 398,058	101%	\$ (10,941)
	6/30/2009	\$ 432,261	99%	\$ (5,692)
	6/30/2010	\$ 481,876	97%	\$ 8,597

WASTEWATER UTILITY CITY OF GREENWOOD
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Funds

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
7/1/2008	5,067,704	6,394,417	(1,326,713)	79%	5,762,005	23%
7/1/2009	5,532,582	7,147,358	(1,614,776)	77%	6,365,614	25%
7/1/2010	5,279,210	8,164,759	(2,885,550)	65%	6,576,495	44%

The above schedule represents data for City and Utility employees. Information is not available to distinguish between City and Utility employees.

WASTEWATER UTILITY
CITY OF GREENWOOD
EXAMINATION RESULT AND COMMENT

OLD OUTSTANDING CHECKS

Our review of the bank reconcilements as of December 31, 2010, revealed checks outstanding in excess of seven years.

If the outstanding check is an overpayment of sewer fees, a stop payment should be made on the check at the bank, and the check should be receipted back into the fund it was paid from. That customer's account should then be adjusted to reflect the overpayment still owed to the customer.

An overpayment of sewer fees that remains unclaimed by a payor for more than seven (7) years after the termination of the service for which overpayment was made becomes the property of the municipality. [IC 36-9-23-28.5] (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

WASTEWATER UTILITY
CITY OF GREENWOOD
EXIT CONFERENCE

The contents of this report were discussed on July 7, 2011, with Charles E. Henderson, Mayor; Jeannine Myers, Clerk-Treasurer; and Arnold Kaptain, Office Manager. The officials concurred with our examination finding.