

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

ANNUAL FINANCIAL REPORT

2010

WATER AND WASTEWATER UTILITY

CITY OF CARMEL

HAMILTON COUNTY, INDIANA



FILED
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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Diana Cordray	01-01-08 to 12-31-11
Mayor	James Brainard	01-01-08 to 12-31-11
President of the Board of Public Works	James Brainard	01-01-08 to 12-31-11
President of the Common Council	Richard Sharp Eric Seidensticker	01-01-10 to 12-31-10 01-01-11 to 12-31-11
Chief Financial Officer	Carol McManama	01-01-10 to 12-31-11
Water Superintendent	Paul Pace	01-01-10 to 12-31-11
Wastewater Superintendent	Edward Wolf	01-01-10 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE WATER AND WASTEWATER UTILITY,
CITY OF CARMEL, HAMILTON COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Water and Wastewater Utility (Utility), a department of the City of Carmel, as of and for the year ended December 31, 2010, which collectively comprise the Utility's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Utility's management. Our responsibility is to express opinions 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control over reporting. 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 Utility, City of Carmel, 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 Carmel 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 Water and 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 Utility has not presented Management's Discussion and Analysis, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

June 20, 2011

WATER AND WASTEWATER UTILITIES
CITY OF CARMEL
STATEMENT OF NET ASSETS
December 31, 2010

<u>Assets</u>	2010	
	Water Utility	Wastewater Utility
Current assets:		
Cash and cash equivalents	\$ 2,479,507	\$ 2,179,223
Interest receivable	53,511	-
Accounts receivable (net of allowance)	176,319	152,617
Other receivables	3,180,719	1,508,318
Interfund receivable:		
Due from associated Utility	-	480,607
Inventories	123,813	235,530
Prepaid items	58,138	50,087
Total current assets	6,072,007	4,606,382
Noncurrent assets:		
Restricted investments	16,000,000	-
Customer deposits	32,325	-
Total restricted assets:	16,032,325	-
Deferred charges		
Bond issuance costs	1,573,835	328,581
Investment in Indianapolis use of water	382,844	-
Total deferred charges	1,956,679	328,581
Capital assets:		
Land, improvements to land and construction in progress	45,441,260	8,645,514
Other capital assets (net of accumulated depreciation)	102,261,598	64,584,676
Total capital assets	147,702,858	73,230,190
Total noncurrent assets	165,691,862	73,558,771
Total assets	171,763,869	78,165,153
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	1,482,146	167,539
Interfund payables:		
Due to associated Utility	480,607	-
Accrued wages payable	47,685	46,510
Compensated absences	211,951	141,169
Other current payables	60,392	1,632,819
Current liabilities payable from restricted assets:		
Customer deposits	32,325	-
Revenue bonds payable	700,000	700,469
Notes and loans payable	805,599	-
Accrued interest payable	588,895	70,980
Total current liabilities	4,409,600	2,759,486
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	95,834,538	14,479,371
Notes and loans payable	17,254,925	-
Total noncurrent liabilities	113,089,463	14,479,371
Total liabilities	117,499,063	17,238,857
<u>Net Assets</u>		
Invested in capital assets, net of related debt	50,362,721	58,750,819
Restricted for debt service	1,505,599	700,469
Restricted for other purposes	32,325	-
Unrestricted	2,364,161	1,475,008
Total net assets	\$ 54,264,806	\$ 60,926,296

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

WATER AND WASTEWATER UTILITIES
CITY OF CARMEL
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>Water</u>	<u>Wastewater</u>
	<u>Utility</u>	<u>Utility</u>
Operating Revenues:		
Metered water revenue:		
Residential	\$ 7,711,551	\$ 3,287,515
Commercial	2,096,250	2,986,492
Other	<u>297,720</u>	<u>2,894</u>
 Total operating revenues	 <u>10,105,521</u>	 <u>6,276,901</u>
 Operating expenses:		
Source of supply and expense - operations and maintenance	1,256,467	-
Water treatment expense - operations and maintenance	35,751	1,011,252
Transmission and distribution	2,183,471	-
Collection system - operations and maintenance	141,856	-
Pumping - operations and maintenance	73,114	163,431
Treatment and disposal - operations and maintenance	2,250,721	2,571,999
Customer accounts	550,592	410,783
Administration and general	579,854	674,543
Payroll tax expense	185,270	174,953
Payment in lieu of taxes	143	-
Utilities receipts tax expense	142,652	-
Depreciation and amortization	<u>2,981,179</u>	<u>1,811,828</u>
 Total operating expenses	 <u>10,381,070</u>	 <u>6,818,789</u>
 Operating income (loss)	 <u>(275,549)</u>	 <u>(541,888)</u>
 Nonoperating revenues (expenses):		
Interest and investment revenue	237,769	67,566
Miscellaneous revenue	167,558	36,321
Amortization of bond issue costs	(86,425)	(18,875)
Interest expense	(2,021,006)	(409,584)
Loss from disposition of property	<u>(23,729)</u>	<u>(109,940)</u>
 Total nonoperating revenues (expenses)	 <u>(1,725,833)</u>	 <u>(434,512)</u>
 Income (loss) before contributions and transfers	 <u>(2,001,382)</u>	 <u>(976,400)</u>
 Capital contributions	 <u>1,290,422</u>	 <u>310,407</u>
 Change in net assets	 <u>(710,960)</u>	 <u>(665,993)</u>
 Total net assets - beginning	 <u>54,975,766</u>	 <u>61,592,289</u>
 Total net assets - ending	 <u>\$ 54,264,806</u>	 <u>\$ 60,926,296</u>

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

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

	2010	
	Water Utility	Wastewater Utility
Cash flows from operating activities:		
Receipts from customers and users	\$ 9,785,671	\$ 6,089,275
Payments to suppliers and contractors	(1,752,782)	(8,294,605)
Payments to employees	(3,342,850)	3,319,470
Other receipts	359,881	39,215
	<u>5,049,920</u>	<u>1,153,355</u>
Net cash provided by operating activities		
Cash flows from capital and related financing activities:		
Capital contributions	1,383,514	310,407
Acquisition and construction of capital assets	(17,280,656)	(4,571,696)
Principal paid on capital debt	(1,293,559)	(574,160)
Interest paid on capital debt	(719,273)	(438,620)
Proceeds from sale of equipment	31,231	10,488
	<u>(17,878,743)</u>	<u>(5,263,581)</u>
Net cash provided (used) by capital and related financing activities		
Cash flows from investing activities:		
Net change in investments	12,500,000	-
Interest received	237,769	67,566
	<u>12,737,769</u>	<u>67,566</u>
Net cash provided (used) by capital and related financing activities		
Net increase in cash and cash equivalents	(91,054)	(4,042,660)
Cash and cash equivalents, January 1	<u>2,602,886</u>	<u>6,221,883</u>
Cash and cash equivalents, December 31	<u>\$ 2,511,832</u>	<u>\$ 2,179,223</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ (275,549)	\$ (541,889)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	2,981,180	1,811,828
Bad debt expense	16,619	-
Non-operating income (expense)	163,681	36,321
(Increase) decrease in assets:		
Accounts receivable - customer	(32,442)	5,622
Accounts receivable - other	(86,110)	172,899
Interfund receivable	(5,098)	(363,253)
Interest receivable	(24,720)	-
Inventories	(31,907)	17,377
Prepaid items	(41,306)	(39,492)
Investment in Indianapolis use of water	859,539	-
Increase (decrease) in liabilities:		
Accounts payable	1,184,939	1,660
Wages payable	8,847	12,854
Compensated absences payable	52,925	39,428
Interfund payables	363,253	-
Other current liabilities	(87,566)	-
Customer Deposits	3,635	-
	<u>5,325,469</u>	<u>1,695,244</u>
Total adjustments		
Net cash provided by operating activities	<u>\$ 5,049,920</u>	<u>\$ 1,153,355</u>
Noncash investing, capital and financing activities:		
Contributions of capital assets to government	<u>\$ 296,680</u>	<u>\$ 181,347</u>

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

WATER AND WASTEWATER UTILITY
CITY OF CARMEL
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 Carmel (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.

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 Utility has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

When both restricted and unrestricted resources are available for use, the Utility's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The 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.

WATER AND WASTEWATER UTILITY
CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

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 separately and their use is limited by ordinance or 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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land improvements	\$ 1	Not applicable	Not applicable
Buildings and improvements	5,000	Straight-line	50 years
Equipment	5,000	Straight-line	3 to 20 years
Water collection systems	750	Straight-line	3 to 100 years
Wastewater distribution and collection systems	750	Straight-line	3 to 100 years

WATER AND WASTEWATER UTILITY
CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 \$6,287,464. Of the amount, \$3,856,874 was included as part of the cost of capital assets under construction in connection with the Utility.

5. Compensated Absences

- a. Paid time off – Utility employees earn leave at rates from 6.75 hours to 10.25 hours per pay period based upon the number of years of service. Unused paid time off may be accumulated up to a maximum of 416.5 hours. However, at year-end, a maximum of 150 hours may be carried forward to the next year. Accumulated paid time off is paid to employees through cash payments upon termination or retirement.

Paid time off is accrued when incurred and reported as a liability in the statement of net assets and the proprietary funds statements.

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

1. 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. . The Utility does not have a deposit policy for custodial credit risk. At December 31, 2010, the Water and Wastewater Utilities had deposit balances in the amount of \$18,511,831.76 and \$2,179,223.04 respectively.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

WATER AND WASTEWATER UTILITY
CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the Utility to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the Utility to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Utility and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the Utility may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the Utility's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Utility does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Utility does not have a formal investment policy for interest rate risk for investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Utility does not have a formal investment policy for credit risk for investments.

WATER AND WASTEWATER UTILITY
CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Utility does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The Utility does not have a formal policy in regards to foreign currency risk.

B. Capital Assets

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

<u>2010</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,543,088	\$ 46,400	\$ -	\$ 2,589,488
Construction in progress	<u>38,253,478</u>	<u>23,093,766</u>	<u>9,849,958</u>	<u>51,497,286</u>
Total capital assets, not being depreciated	<u>40,796,566</u>	<u>23,140,166</u>	<u>9,849,958</u>	<u>54,086,774</u>
Capital assets, being depreciated:				
Buildings	55,194,981	1,444,485	215,170	56,424,296
Improvements other than buildings	133,626,800	5,373,240	88,472	138,911,568
Machinery and equipment	<u>15,439,463</u>	<u>1,773,527</u>	<u>194,142</u>	<u>17,018,848</u>
Totals	<u>204,261,244</u>	<u>8,591,252</u>	<u>497,784</u>	<u>212,354,712</u>
Less accumulated depreciation for:				
Buildings	(14,093,092)	(1,220,889)	(110,788)	(15,203,193)
Improvements other than buildings	(20,733,023)	(2,600,067)	(38,442)	(23,294,648)
Machinery and equipment	(6,182,603)	(972,051)	(144,057)	(7,010,597)
Distribution and collection systems	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>(41,008,718)</u>	<u>(4,793,007)</u>	<u>(293,287)</u>	<u>(45,508,438)</u>
Total capital assets, being depreciated, net	<u>163,252,526</u>	<u>3,798,245</u>	<u>204,497</u>	<u>166,846,274</u>
Total capital assets, net	<u>\$ 204,049,092</u>	<u>\$ 26,938,411</u>	<u>\$ 10,054,455</u>	<u>\$ 220,933,048</u>

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

	<u>2010</u>
Water	\$ 2,981,179
Wastewater	<u>1,811,828</u>
Total depreciation expense	<u>\$ 4,793,007</u>

WATER AND WASTEWATER UTILITY
CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Construction Commitments

Construction work in progress is composed of the following:

<u>Project</u>	<u>2010</u>	
	<u>Expended to December 31,</u>	<u>Committed</u>
Water treatment facilities	\$ 42,969,462	\$ 12,440,859
Wastewater treatment facilities	8,527,824	780,000
Totals	\$ 51,497,286	\$ 13,220,859

D. Interfund Balances and Activity

1. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2010, is as follows:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>2010</u>
Wastewater Utility	Water Utility	\$ 480,607
Totals		\$ 480,607

Interfund balances resulted from the time lag between the dates that (1) interfund loans are repaid, (2) interfund goods and services are provided or reimbursable expenditures occur, (3) transactions are recorded in the accounting system and (4) payments between funds are made.

E. Long-Term Liabilities

1. Revenue Bonds

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Balance at December 31</u>	<u>Unamortized (Premium) Discount</u>	<u>Amount</u>
2002A Water plant extensions and improvements	4.20% to 5.15%	\$ 3,850,000	\$ (6,075)	\$ 3,843,925
2002B Water plant extensions and improvements	3.50% to 5.10%	4,725,000	8,869	4,733,869
2003A Waterworks expansion	2.00% to 3.85%	1,385,000	127	1,385,127
2008 Water plant appreciation bonds	4.00% to 5.79%	63,100,000	-	63,100,000
2008 Water plant expansion bonds	4.00% to 5.79%	23,471,617	-	23,471,617
2005 Wastewater improvements	3.15% to 4.61%	9,445,000	-	9,445,000
2009 Wastewater improvements-SFR	0.42%	5,734,840	-	5,734,840
Total		\$ 111,711,457	\$ 2,921	\$ 111,714,378

WATER AND WASTEWATER UTILITY
CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Revenue bonds debt service requirements to maturity are as follows:

	<u>Water Utility</u>		<u>Wastewater Utility</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	700,000	3,520,571	700,469	423,686
2012	740,000	3,493,533	706,625	406,686
2013	990,000	3,459,762	727,788	388,775
2014	1,265,000	3,759,348	748,955	369,732
2015	1,565,000	5,046,907	770,126	349,423
2016-2020	13,490,000	25,145,031	4,268,376	1,386,973
2021-2025	25,930,000	23,883,765	4,973,414	648,945
2026-2030	51,615,000	18,475,332	2,284,087	839,137
2031-2035	236,617	58,071,864	-	-
Totals	<u>\$ 96,531,617</u>	<u>\$ 144,856,113</u>	<u>\$ 15,179,840</u>	<u>\$ 4,813,357</u>

2. Notes and Loans Payable

The Utility has entered into a note payable with Indianapolis Water Company to purchase existing water lines, for \$22,237,250, to be serviced by the City of Carmel. Annual debt service requirements to maturity for the note are as follows:

	<u>Principal</u>	<u>Interest</u>
2011	805,599	994,401
2012	849,955	950,045
2013	896,753	903,247
2014	946,129	853,871
2015-2019	5,571,826	3,428,174
2020-2024	7,284,197	1,715,803
2025-2029	<u>1,706,055</u>	<u>93,945</u>
Totals	<u>\$ 18,060,514</u>	<u>\$ 8,939,486</u>

3. Changes in Long-Term Liabilities

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

WATER AND WASTEWATER UTILITY
CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

<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:					
Water Utility	\$ 95,774,982	\$ 1,286,635	\$ 530,000	\$ 96,531,617	\$ 700,000
Wastewater Utility	<u>9,860,000</u>	<u>5,894,000</u>	<u>574,160</u>	<u>15,179,840</u>	<u>700,469</u>
Total revenue bonds payable	105,634,982	7,180,635	1,104,160	111,711,457	1,400,469
Notes payable:					
Water Utility	\$ 18,824,073	\$ -	\$ 763,559	\$ 18,060,514	\$ 805,599
Compensated absences	<u>260,767</u>	<u>92,353</u>	<u>-</u>	<u>353,120</u>	<u>353,120</u>
Total Long-term liabilities	<u>\$ 124,719,822</u>	<u>\$ 7,272,988</u>	<u>\$ 1,867,719</u>	<u>\$ 130,125,091</u>	<u>\$ 2,559,188</u>

F. Restricted Assets

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

	<u>2010</u>
Customer deposits	\$ 32,325
Debt Service	<u>16,000,000</u>
Total restricted assets	<u>\$ 16,032,325</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 third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees, Retirees and Dependents

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amounts of pay outs, and other economic and social factors.

WATER AND WASTEWATER UTILITY
CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Rate Structure

1. Water Utility

The current rate structure was approved by the Utility on November 1, 2009. The Utility has 27,366 customers.

2. Wastewater Utility

The current rate structure was approved by the Utility on November 1, 2009. The Utility has 15,823 customers.

C. Pension Plan(s)

1. Agent Multiple-Employer and Single-Employer Defined Benefit 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 three percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy

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.

WATER AND WASTEWATER UTILITY
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Actuarial Information for the Above Plan

The Utility participates in a plan with the City. The information pertaining to the two units cannot be separated.

Funded Status and Funding Progress for the Above Plan

The Utility participates in a plan with the City. The information pertaining to the two units cannot be separated and is shown in the City Regulatory Report.

WATER AND WASTEWATER UTILITY
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EXIT CONFERENCE

The contents of this report were discussed on July 20, 2011, with Diana Cordray, Clerk-Treasurer, and James Brainard, Mayor. Our audit disclosed no material items that warrant comment at this time.