

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, 2011 to December 31, 2011



FILED
12/04/2012

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
Exit Conference.....	19

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jeannine Myers	01-01-08 to 12-31-11
Controller	Stuart McKeeham (Interim) Adam Stone	01-01-12 to 03-26-12 03-27-12 to 12-31-12
Mayor	Charles E. Henderson Mark W. Myers	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Charles E. Henderson Mark W. Myers	01-01-08 to 12-31-11 01-01-12 to 12-31-12
President of the Common Council	Brent Corey Bruce Armstrong	01-01-11 to 12-31-11 01-01-12 to 12-31-12



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

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, 2011. 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, 2011, 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, 2011, 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

October 18, 2012

**WASTEWATER UTILITY
CITY OF GREENWOOD
Statement of Net Assets
December 31, 2011**

ASSETS

Current Assets	
Cash and cash equivalents	\$ 1,781,574
Accounts receivable (net of allowance)	<u>763,694</u>
Total Current Assets	<u>2,545,268</u>
Noncurrent Assets	
Restricted cash, cash equivalents and investments:	
Bond sinking cash and investments	373,844
Sewer availability cash and investments	1,592,886
SWO debt service	990,193
Waste management cash and investments	<u>544,116</u>
Total Restricted Assets	<u>3,501,039</u>
Deferred charges	<u>103,605</u>
Capital assets:	
Land, improvements to land and construction in progress	796,979
Other capital assets (net of accumulated depreciation)	<u>81,668,874</u>
Total Capital Assets	<u>82,465,853</u>
Total Noncurrent Assets	<u>86,070,497</u>
TOTAL ASSETS	<u><u>\$ 88,615,765</u></u>

LIABILITIES

Current Liabilities	
Accounts payable	\$ 508,800
Accrued wages payable	42,804
Payroll withholding payable	13,368
Compensated absences	9,480
Interest payable	158,207
15 Year Law	40,469
Deferred revenue	29,284
Current liabilities payable from restricted assets:	
Revenue bonds payable	880,000
Due to Indianapolis	<u>666,554</u>
Total Current Liabilities	<u>2,348,966</u>
Noncurrent Liabilities	
Due to Indianapolis	4,630,841
SAF credit	1,890,944
Revenue bonds payable (net of unamortized premium, discounts and deferred amount on refunding)	<u>13,369,840</u>
Total Noncurrent Liabilities	<u>19,891,625</u>
TOTAL LIABILITIES	<u>22,240,591</u>

NET ASSETS

Invested in capital assets, net of related debt	62,574,228
Restricted for debt	1,467,642
Restricted for capital improvements	1,592,886
Unrestricted	<u>740,418</u>
TOTAL NET ASSETS	<u>66,375,174</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 88,615,765</u></u>

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

**WASTEWATER UTILITY
CITY OF GREENWOOD
Statement of Revenues, Expenses, and Other Changes in Fund Net Assets
Year Ended December 31, 2011**

Operating Revenues	
Residential	\$ 5,825,875
Commercial	2,202,054
Industrial	161,076
Penalties	171,796
Other revenue	1,133,943
Flat rate revenues	887,128
Waste management	<u>1,937,142</u>
Total Operating Revenues	<u>12,319,014</u>
Operating Expenses	
General:	
Salaries and wages	225,592
Benefits and taxes	113,274
Office supplies	8,069
Professional services	428,722
Communication and transportation	(2,246)
Other services	79,692
Operations and maintenance:	
Salaries and wages	594,558
Benefits and taxes	319,491
Office supplies	2,083
Operating supplies	510,151
Repairs and maintenance	292,477
Other supplies	3,823
Professional services	6,030
Communication and transportation	20,036
Contractual services	1,257,547
Utilities	200,511
Purchased wastewater treatment	3,139,254
Other services	8,575
Insurance	2,057
Rentals	13,598
Waste management:	
Purchased waste removal	1,538,648
Contractual services	839,625
Amortization expense	40,797
Depreciation expense	<u>2,514,434</u>
Total Operating Expenses	<u>12,156,798</u>
Operating Income	<u>162,216</u>
Nonoperating Revenues (Expenses)	
Interest and investment revenue	744
Interest expense	(743,377)
Miscellaneous expense	<u>(5,678)</u>
Total Nonoperating Revenues (Expenses)	<u>(748,311)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	(586,095)
Capital contributions	<u>824,199</u>
Increase in net assets	<u>238,104</u>
Net Assets - Beginning of Year	69,794,614
Prior period adjustment see Note II. B.	<u>(3,657,544)</u>
Net Assets - Beginning of Year as Restated	<u>66,137,070</u>
NET ASSETS - END OF YEAR	<u><u>\$ 66,375,174</u></u>

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

**WASTEWATER UTILITY
CITY OF GREENWOOD
Statement of Cash Flows
Year Ended December 31, 2011**

Cash flows from operating activities:	
Receipts from customers and users	\$ 12,148,808
Receipts from interfund reimbursements	483,340
Payments to suppliers and contractors	(9,163,161)
Payments to employees and for payroll taxes	(1,255,199)
Other payments	<u>(628,516)</u>
Net cash provided by operating activities	<u>1,585,272</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	
Principal paid on capital debt	(1,076,214)
Interest paid on capital debt	(720,885)
Purchase of assets	<u>(71,610)</u>
Net cash provided by capital and related financing activities	<u>(1,868,709)</u>
Cash flow from investing activities:	
Interest received	<u>744</u>
Net cash provided by investing activities	<u>744</u>
Net increase in cash and cash equivalents	(282,693)
Cash and Cash Equivalents, January 1	<u>5,565,306</u>
Cash and Cash Equivalents, December 31	<u>\$ 5,282,613</u>
Classified as:	
Current	\$ 1,781,574
Current assets, restricted	<u>3,501,039</u>
Total	<u>\$ 5,282,613</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 162,216</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	2,514,434
Amortization expense	40,797
(Increase) decrease in assets:	
Accounts receivable	219,680
Interest receivable	
Allowance for uncollectible accounts	16,863
Prepaid expenses	35,470
Miscellaneous non operating expense	(5,678)
Prior period Indianapolis settlement payment	(622,838)
Increase (decrease) in liabilities:	
Accounts payable	(747,289)
Employee benefits payable	(5,120)
Wages payable	9,432
Compensated absence payable	(6,596)
Deferred revenue	(36,122)
15 Year law agreement	40,469
Contracts payable	<u>(30,446)</u>
Total adjustments	<u>1,423,056</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,585,272</u>
Noncash investing, capital and financing activities:	
Contributions of capital assets	<u>\$ 824,199</u>
Supplemental disclosure of cash flow information:	
Sewer availability credits of \$1,890,944 are available to certain developers for future use against sewer availability fees.	

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

WASTEWATER UTILITY
CITY OF GREENWOOD
Notes to Financial Statements
December 31, 2011

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements reflect only the activity of the Wastewater Utility (Utility) and are not intended to present 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 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 flow of economic resources measurement focus to determine net income and financial position. The accounting principles used are similar to those applicable to businesses in the private sector and, thus, these funds are maintained on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

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.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Cash, 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.

WASTEWATER UTILITY
CITY OF GREENWOOD
Notes to Financial Statements
December 31, 2011
(Continued)

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 is reported as non-operating revenue in the Statement of Revenues, Expenses, and Other Changes in Fund Net Assets.

2. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the Statement of Net Assets.

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 annually 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 2011, gross receivables are \$765,242, of which \$1,548 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 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 \$743,377. 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
December 31, 2011
(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. \$29,284 of unearned revenues of the Utility at December 31, 2011, are 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. (Also see Note II, H)

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.

10. 15 Year Law agreement

The utility receives money for 15 year law agreements. These are receipts that are paid to the city by a contractor or developer that connects to an existing line put into service by another contractor or developer. When the connection is made, the city collects a fee from the connecting contractor and returns the fee to the original contractor or developer who constructed the line.

NOTE II – DETAILED NOTES ON ALL FUNDS

A. Deposits and Money Market 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. The Greenwood Wastewater Utility does not have a formal investment policy for custodial credit risk for deposits and investments.

WASTEWATER UTILITY
CITY OF GREENWOOD
Notes to Financial Statements
December 31, 2011
(Continued)

B. Prior Period Adjustments

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 had a disputed balance at December 31, 2010, in the amount of \$2,680,137. On August 24, 2011, a final agreement was reached between the two parties. The balance agreed to be paid by the Utility to DPW after all adjustments was \$622,838. This was paid in 2011 and is reflected in the financial statements as a reduction to SWO fund balance.

In addition, the parties agreed that the Utility was responsible for its pro-rata share of "fixed cost" and/or capital investments from 2001 through and including 2011. The total amount allocable to the Utility is \$5,761,215. Of this amount, \$4,857,437 is reflected in the financial statements as an addition to capital assets and \$746,174 of prior interest expense has been charged to fund balance as a prior period adjustment. The balance of \$157,604 is shown as a current period charge to interest expense. Prior period payments that would have been due annually through the end of calendar year 2011 are payable without interest in four installments, as follows:

November 30, 2011	\$428,346	(Net of \$35,470 prepayment)
November 30, 2012	\$463,816	
November 30, 2013	\$463,816	
November 30, 2014	\$463,816	

Approximate principle payments on the remaining principle balance of \$3,905,950 for the succeeding five years and thereafter are as follows:

November 30, 2012	\$ 202,736
November 30, 2013	210,541
November 30, 2014	218,650
November 30, 2015	227,074
November 30, 2016	235,837
Thereafter	<u>2,811,112</u>
Total	<u>\$3,905,950</u>

Depreciation in the amount of \$2,288,531 is shown on the financial statements as an increase in accumulated depreciation and a reduction to SWO fund balance.

C. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

WASTEWATER UTILITY
CITY OF GREENWOOD
Notes to Financial Statements
December 31, 2011
(Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 294,579	\$ --	\$ --	\$ 294,579
Construction in progress	<u>610,493</u>	<u>71,610</u>	<u>(179,703)</u>	<u>502,400</u>
Total Capital Assets Not Being Depreciated	<u>905,072</u>	<u>71,610</u>	<u>(179,703)</u>	<u>796,979</u>
Capital Assets Being Depreciated:				
Buildings	792,721	--	--	792,721
Improvements other than buildings	96,429,715	2,887,382	--	99,317,097
Machinery and equipment	5,707,783	--	--	5,707,783
Office/miscellaneous equipment	171,046	--	--	171,046
Transportation equipment	579,315	--	--	579,315
Treatment plant	<u>177,854</u>	<u>--</u>	<u>--</u>	<u>177,854</u>
Totals	<u>103,858,434</u>	<u>2,887,382</u>	<u>--</u>	<u>106,745,816</u>
Less Accumulated Depreciation:				
Buildings	(634,406)	(9,319)	--	643,725
Improvements other than buildings	(18,005,871)	(1,972,890)	--	19,978,761
Machinery and equipment	(3,038,918)	(502,914)	--	3,541,832
Office/miscellaneous equipment	(171,046)	--	--	171,046
Transportation equipment	(540,342)	(23,383)	--	563,725
Treatment plant	<u>(171,925)</u>	<u>(5,928)</u>	<u>--</u>	<u>177,853</u>
Totals	<u>(22,562,508)</u>	<u>(2,514,434)</u>	<u>--</u>	<u>25,076,942</u>
Total Capital Assets Being Depreciated, Net	<u>81,295,926</u>	<u>372,948</u>	<u>--</u>	<u>81,668,874</u>
Total Capital Assets, Net	<u>\$ 82,200,998</u>	<u>\$ 444,558</u>	<u>\$(179,703)</u>	<u>\$ 82,465,853</u>

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

Wastewater	\$2,514,434
Total Depreciation Expense	<u>\$2,514,434</u>

Beginning balance for machinery and equipment, as well as accumulated depreciation for the respective account, were adjusted for a prior period adjustment. See Note II, B for details.

D. Construction Commitments

Construction work in progress is composed of the following:

WASTEWATER UTILITY
CITY OF GREENWOOD
Notes to Financial Statements
December 31, 2011
(Continued)

<u>Project</u>	<u>Total Project Authorized</u>	<u>Expended to 12/31/11</u>	<u>Committed</u>	<u>Required Future Funding</u>
Western Regional Sanitary Sewer	<u>\$1,200,000</u>	<u>\$504,678</u>	<u>\$ --</u>	<u>\$695,322</u>
Totals	<u>\$1,200,000</u>	<u>\$504,678</u>	<u>--</u>	<u>\$695,322</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.

E. 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.

F. 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.

G. 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>Amount</u>
2010 Series A	4.0% to 4.625%	\$12,280,000
2010 Series B	4.0% to 4.625%	<u>2,315,000</u>
Total		<u>\$14,595,000</u>

Revenue bonds debt service requirements to maturity are as follows:

WASTEWATER UTILITY
CITY OF GREENWOOD
Notes to Financial Statements
December 31, 2011
(Continued)

Year Ended <u>December 31, 2011</u>	<u>Wastewater Utility</u>	
	<u>Principle</u>	<u>Interest</u>
2012	\$ 880,000	\$ 605,414
2013	920,000	569,814
2014	955,000	532,614
2015	990,000	494,114
2016	1,030,000	454,114
2017 - 2024	<u>9,820,000</u>	<u>1,918,678</u>
Totals	<u>\$14,595,000</u>	<u>\$4,574,748</u>

2. Summary and Resolutions

Type: Sewage Works Refunding Revenue Bonds of 2010 Series A

Date: November 4, 2010

Final Maturity Date: October 1, 2022

Principle Payment Date: April 1 and October 1

Interest Payment Date: April 1 and October 1

Interest Rates: 4.00% - 4.30%

Reserve Requirements: \$1,474,595.83 (\$850,000 plus \$10,410.00 per month for 60 months)

Revenue Pledges: Net revenue of the Greenwood Sewage Works are pledged.

Purpose: Refunding of Sewage Works Revenue and Refunding Bonds of 1997 Series A, B, and 1998 Series C.

Call Provisions: The Bonds maturing on or after April 1, 2019, are redeemable prior to maturity at the option of the City on October 1, 2018, or any date thereafter, in whole or in part in any order of maturity as determined by the City and by lot within maturities, at face value plus the following premiums:

1.0% if redeemed on October 1, 2018, or thereafter
on or before September 30, 2019

0.5% if redeemed on October 1, 2019, or thereafter
on or before September 30, 2020

0.0% if redeemed on October 1, 2020, or thereafter
prior to maturity;

plus accrued interest to the date fixed for redemption.

WASTEWATER UTILITY
CITY OF GREENWOOD
Notes to Financial Statements
December 31, 2011
(Continued)

Call Provisions: The Bonds maturing on October 1 in the years 2017 through and including 2024 (collectively, the "Term Bonds") are subject to mandatory sinking fund redemption prior to maturity at a redemption price equal to the principal amount thereof plus accrued interest on the dates and in the amounts in accordance with the following schedules:

Term Bond due October 1, 2017		Term Bond due October 1, 2018	
<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
04/01/2017	\$ 530,000	04/01/2018	\$ 555,000
10/01/2017 Final maturity	545,000	10/01/2018 Final maturity	565,000
Total	<u>\$1,075,000</u>	Total	<u>\$1,120,000</u>
Term Bond due October 1, 2020		Term Bond due October 1, 2022	
<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
04/01/2019	\$ 575,000	04/01/2021	\$ 625,000
10/01/2019	590,000	10/01/2021	640,000
04/01/2020	600,000	04/01/2022	655,000
10/01/2020 Final maturity	615,000	10/01/2022 Final maturity	670,000
Total	<u>\$2,380,000</u>	Total	<u>\$2,590,000</u>

Type: Sewage Works Revenue Bonds of 2010 Series B

Date: November 4, 2010

Final Maturity Date: October 1, 2024

Principle Payment Date: April 1 and October 1 (Interest only through 4/1/22)

Interest Payment Date: April 1 and October 1

Interest Rates: 4.625%

Reserve Requirements: \$1,474,595.83 (\$850,000 plus \$10,410.00 per month for 60 months)

Revenue Pledges: Net revenue of the Greenwood Sewage Works are pledged.

Purpose: To purchase wastewater treatment capacity from the Consolidated City of Indianapolis, Indiana, to fund Debt Service Reserve Account and pay costs incurred.

WASTEWATER UTILITY
CITY OF GREENWOOD
Notes to Financial Statements
December 31, 2011
(Continued)

Call Provisions: The Bonds maturing on or after April 1, 2019, are redeemable prior to maturity at the option of the City on October 1, 2018, or any date thereafter, in whole or in part in any order of maturity as determined by the City and by lot within maturities, at face value plus the following premiums:

- 1.0% if redeemed on October 1, 2018, or thereafter on or before September 30, 2019
- 0.5% if redeemed on October 1, 2019, or thereafter on or before September 30, 2020
- 0.0% if redeemed on October 1, 2020, or thereafter prior to maturity;

plus accrued interest to the date fixed for redemption.

The Bonds maturing on October 1 in the years 2017 through and including 2024 (collectively, the "Term Bonds") are subject to mandatory sinking fund redemption prior to maturity at a redemption price equal to the principal amount thereof plus accrued interest on the dates and in the amounts in accordance with the following schedules:

Term Bond due October 1, 2024	
Date	Amount
10/01/2022	\$ 5,000
04/01/2023	645,000
10/01/2023	655,000
04/01/2024	670,000
10/01/2024 Final maturity	680,000
 Total	 \$2,655,000

H. Long-Term Liability Activity

Long-term liability activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Due to Indianapolis	\$ -	\$6,712,701	\$1,415,305	\$ 5,297,396	\$ 666,554
SAF Credits	-	1,890,944	-	1,890,944	
Revenue Bonds Payable:					
Wastewater utility	15,365,000	-	770,000	14,595,000	880,000
Less: Unamortized discount					
Deferred amount on refunding	(99,917)	-	(8,326)	(91,591)	
Deferred debits	(424,038)	-	(35,337)	(388,701)	
Plus: Bond premium	147,417	-	12,285	135,132	
Totals	\$14,988,462	\$8,603,645	\$2,153,927	\$21,438,180	\$1,546,554

WASTEWATER UTILITY
CITY OF GREENWOOD
Notes to Financial Statements
December 31, 2011
(Continued)

Agreements were made with developers to issue credits against the Sewer availability fees that would be owed by the developer/builder. In 2011, \$1,890,944 of credits were available to developers for future use against sewer availability fees. The credits are shown on the financial statements as long term liabilities. The credits do not expire. The SAF Credits and Due to Indianapolis amounts in the "additions" column are shown on the financial statements as prior period adjustments. See Note II, B for details.

NOTE 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. 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:

2012	<u>\$ 4,195</u>
Total	<u>\$ 4,195</u>

C. Subsequent Events

Management has evaluated subsequent events through February 28, 2011, the date the financial statements were available to be issued.

The Greenwood City Council gave preliminary approval for sewer rate increases on February 20, 2011. If the rate increases receive final approval on March 5, 2011, sewer rates will increase by 10% in 2012 and an additional 10% in 2013. See next section (III, D) for current and proposed rate structure.

WASTEWATER UTILITY
CITY OF GREENWOOD
Notes to Financial Statements
December 31, 2011
(Continued)

D. Current and Proposed Rate Structure

	Current <u>Rate</u>	Proposed	
		March 15 2012 <u>Rate</u>	January 1 2013 <u>Rate</u>
Per 1,000 gallons usage	\$ 2.39	\$ 2.63	\$ 2.89
<hr/>			
Per Meter Size:			
5/8"	10.44	11.48	12.63
1"	24.74	27.21	29.93
1 1/4"	39.04	42.94	47.23
1 1/2"	55.24	60.76	66.84
2"	96.24	105.86	116.45
3"	220.16	242.16	266.38
4"	382.22	420.44	462.48
6"	863.39	955.23	1,050.75
8"	1,564.29	1,720.72	1,892.79
<hr/>			
Connection Fee per meter size:			
5/8"	835.00	No change	No change
>5/8"<2"	2,087.00	No change	No change
2"	8,346.00	No change	No change
>2"	19,196.00	No change	No change
<hr/>			
Sewer Availability Fee	2,073.00	No change	No change

The Utility has approximately 23,600 customers. The City of Greenwood Wastewater Utility is not under the jurisdiction of the Indiana Regulatory Utility Commission.

E. Pension Plan

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

a. Public Employees' Retirement Fund

(1) 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 Indiana Public Retirement System (INPRS) 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

WASTEWATER UTILITY
CITY OF GREENWOOD
Notes to Financial Statements
December 31, 2011
(Continued)

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.

INPRS 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:

Indiana Public Retirement System
One North Capital Street, Suite 001
Indianapolis, IN 46204
Phone (888) 526-1687

(2) 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.

b. Funding Policy and Annual Pension Cost (continued)

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.

WASTEWATER UTILITY
CITY OF GREENWOOD
EXIT CONFERENCE

The contents of this report were discussed on October 18, 2012, with Mark W. Myers, Mayor; Adam Stone, Controller; Jeannine Myers, City Clerk (former Clerk-Treasurer); and Pat Sherman, CPA, Financial Consultant. Our examination disclosed no material items that warrant comment at this time.