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

FINANCIAL STATEMENTS EXAMINATION REPORT
OF

WATER AND WASTEWATER UTILITIES
CITY OF PLYMOUTH
MARSHALL COUNTY, INDIANA

January 1, 2015 to December 31, 2015

FILED
04/25/2017

TABLE OF CONTENTS

SCHEDULE OF OFFICIALS

Office	Official	Term
Clerk-Treasurer	Jeanine M. Xaver	10-01-14 to 12-31-19
Mayor	Mark Senter	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	Mark Senter	01-01-12 to 12-31-19
President Pro Tempore of the Common Council	Michael A. Delp	01-01-15 to 12-31-15
	Don Ecker, Jr.	01-01-16 to 12-31-17
Superintendent of Utilities	Donnie Davidson	01-01-15 to 12-31-17

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statements of the Water and Wastewater Utilities (Utilities), departments of the City of Plymouth, for the year ended December 31, 2015. The financial statements are the responsibility of the Utilities' management. Our responsibility is to express an opinion on the financial statements 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 statements 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 Utilities are intended to present the financial position, and the changes in the financial position and cash flows of only that portion of the business-type activities of the City of Plymouth that is attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the City of Plymouth as of December 31, 2015, 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 Utilities, as of December 31, 2015, and the respective changes in financial position and cash flows, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has omitted the Management's Discussion and Analysis, Schedules of Changes in the Net Pension Liability and Related Ratios, and Schedule of Contributions, that accounting principles generally accepted in the United States of America, requires to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

April 12, 2015

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FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

The financial statements and accompanying notes were prepared by management of the Utilities. The financial statements and notes are presented as intended by the Utilities.

WATER AND WASTEWATER UTILITIES
CITY OF PLYMOUTH
STATEMENT OF NET POSITION
December 31, 2015

Assets	Water Utility	Wastewater Utility
Current assets:		
Cash and cash equivalents	$ 502,139	$ 698,691
Interest receivable	968	8,579
Accounts receivable (net of allowance)	86,510	115,976
Other receivables	37,664	106,102
Cylinder deposits	2,993	1,200
Inventories	220,511	272,614
Prepaid items	12,876	28,809
Total current assets	863,661	1,231,971
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Depreciation cash and cash equivalents	772,497	1,985,752
Depreciation investments	250,000	3,436,000
Bond and interest cash and cash equivalents	68,622	-
Bond and interest investments	-	263,400
Pretreatment cash and cash equivalents	3,071,580	101,938
Stormwater depreciation cash and cash equivalents	-	187,177
Customer deposits cash and cash equivalents	178,867	-
Total restricted assets	4,341,566	5,974,267
Capital assets:		
Land, improvements to land and construction in progress	3,363,809	679,463
Other capital assets (net of accumulated depreciation)	10,183,100	15,974,055
Total capital assets	13,546,909	16,653,518
Total noncurrent assets	17,888,475	22,627,785
Total assets	18,752,136	23,859,756
Deferred outflows of resources:		
Unamortized loss on refunding	-	12,225
Deferred debt issuance costs	211,081	106,811
Deferred pension	178,989	246,667
Total deferred outflows of resources	390,070	365,703

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

WATER AND WASTEWATER UTILITIES
CITY OF PLYMOUTH
STATEMENT OF NET POSITION
December 31, 2015
(Continued)

Liabilities	Water Utility	Wastewater Utility
Current liabilities:		
Accounts payable	662,665	136,077
Accrued wages payable	18,473	22,594
Taxes payable	6,855	-
Current liabilities payable from restricted assets:		
Customer deposits	178,867	-
Revenue bonds payable	160,000	200,000
Accrued interest payable	15,318	-
Total current liabilities	1,042,178	358,671
Noncurrent liabilities:		
Revenue bonds payable (includes discount/premium)	5,361,708	2,453,931
Net pension liability	471,954	650,404
Total noncurrent liabilities	5,833,662	3,104,335
Total liabilities	6,875,840	3,463,006
Deferred Inflows of Resources		
Deferred pension	47,851	65,943
Total deferred inflows of resources	47,851	65,943
Net Position		
Invested in capital assets, net of related debt	8,025,201	13,999,587
Restricted for debt service	68,622	263,400
Restricted for customer deposits	178,867	-
Restricted for capital outlay	4,094,077	5,710,867
Unrestricted	(148,252)	722,656
Total net position	$ 12,218,515	$ 20,696,510

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

WATER AND WASTEWATER UTILITIES
CITY OF PLYMOUTH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
As Of And For The Year Ended December 31, 2015

	Water Utility	Wastewater Utility
Operating revenues:		
Metered revenue	$ 1,541,177	$ 1,941,771
Unmetered revenue	3,682	-
Stormwater revenue	-	174,389
Surcharge revenue	-	945,714
Fire protection revenue	502,501	-
Penalties	16,130	22,881
Other	47,247	79,507
Total operating revenues	2,110,737	3,164,262
Operating expenses:		
Source of supply	42,778	-
Water treatment	280,256	-
Transmission and distribution	355,893	-
Pumping	155,539	-
Collection system	-	1,074,644
Stormwater	-	142,339
Customer accounts	187,281	8,648
Administration and general	350,060	505,065
Depreciation	303,295	715,050
Total operating expenses	1,675,102	2,445,746
Operating income	435,635	718,516
Nonoperating revenues (expenses):		
Interest and investment revenue	6,191	31,926
Tap fees	9,851	85,835
Transfer from general fund	27,500	-
Interest expense	(118,981)	(127,750)
Total nonoperating revenues (expenses)	(75,439)	(9,989)
Change in net position	360,196	708,527
Payment in lieu of taxes	(70,711)	(139,209)
Total net position - beginning	12,304,700	20,619,296
Total net position - adjustment for pensions	(357,085)	(492,104)
Total net position - adjustment	(18,585)	-
Total net position - ending	$ 12,218,515	$ 20,696,510

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

WATER AND WASTEWATER UTILITIES
CITY OF PLYMOUTH
STATEMENT OF CASH FLOWS
As Of And For The Year Ended December 31, 2015

	Water Utility	Wastewater Utility
Cash flows from operating activities:		
Receipts from customers and users	$ 2,133,383	$ 3,113,813
Payments to suppliers and contractors	(629,094)	(799,932)
Payments to employees	(780,480)	(973,977)
Net cash provided by operating activities	723,809	1,339,904
Cash flows from noncapital and financing activities:		
Payment in lieu of taxes	(70,711)	(139,209)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,547,841)	(560,016)
Principal paid on capital debt	(275,000)	(90,000)
Interest paid on capital debt	(94,089)	(38,065)
Bond proceeds	5,535,000	2,725,000
Bond issuance premium	68,302	19,720
Principal paid to escrow for refunded debt	-	(2,730,000)
Interest paid to escrow	-	(85,514)
Bond issuance costs	(216,120)	(111,262)
Tap fees	9,851	85,835
Net cash provided (used) by capital and related financing activities	2,480,103	(784,302)
Cash flow from investing activities:		
Sale of investments	150,000	-
Purchase of investments	-	(384,400)
Interest received	7,362	47,120
TIF income	27,500	-
Net cash provided (used) by investing activities	184,862	(337,280)

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

WATER AND WASTEWATER UTILITIES
CITY OF PLYMOUTH
STATEMENT OF CASH FLOWS
As Of And For The Year Ended December 31, 2015
(Continued)

	Water Utility	Wastewater Utility
Net increase (decrease) in cash and cash equivalents	3,318,063	79,113
Cash and cash equivalents, January 1	1,275,642	2,894,445
Cash and cash equivalents, December 31	$ 4,593,705	$ 2,973,558
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 435,635	$ 718,516
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	303,295	715,050
(Increase) decrease in assets:		
Accounts receivable	4,275	(12,821)
Accounts receivable - other	18,371	(37,628)
Inventories	1,855	1,184
Prepaid items	1,498	(1,632)
Increase (decrease) in liabilities:		
Accounts payable	(9,390)	(8,816)
Accrued wages payable	(6,686)	(11,525)
Taxes payable	(1,106)	-
Deposits payable	10,917	-
Prior period adjustment to operating expenses	(18,585)	-
Actuarial accrual for pension expense in current period	(16,270)	(22,424)
Total adjustments	288,174	621,388
Net cash provided by operating activities	$ 723,809	$ 1,339,904
Noncash investing, capital and financing activities:		
Completed projects transferred to capital assets	$ 17,791	$ 681,801
Disposal of capital assets	23,964	17,915
Accounts payable related to capital assets	656,495	134,000
Net pension adjustments included in operating expenses	16,270	22,424

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

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the Water and Wastewater Utilities (Utilities) and are not intended to present fairly the position of the City of Plymouth (City), and the results of its operations and cash flows of its enterprise funds. The Utilities, whose operations are controlled by the City, 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 Position; Statement of Revenues, Expenses, and Changes in Net Position; 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.

Enterprise funds distinguish operating receipts and disbursements from non-operating 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 non-operating receipts and disbursements.

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

D. Assets, Liabilities and Net Position

1. Deposits and Investments

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

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

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

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

Open-end mutual funds are reported at fair value.

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

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

2. Inventories and Prepaid Items

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

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

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position because their use is limited by applicable bond indentures or governing body action.

The financial statements report $4,341,566 and $5,974,267 of restricted assets, in the Water Utility and the Wastewater Utility, respectively, of which $178,867 of customer deposits in the Water Utility is restricted by enabling legislation.

4. Capital Assets

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

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

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

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

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

5. Compensated Absences

   a. Sick Leave – Utility employees earn sick leave at the rate of 1/2 day per month after 3 calendar months, not to exceed 5 sick days per year. Unused sick leave may be accumulated to a maximum of 50 days. Accumulated sick leave is not paid to employees upon termination of employment.

   b. Vacation Leave – Utility employees earn vacation leave at rates from 5 days to 20 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

   c. Personal Leave – Utility employees earn personal leave at the rate of 2 days per year. Personal leave does not accumulate from year to year.

   No liability is reported for vacation, sick, and personal leave.

6. Long-Term Obligations

   Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

II. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Utilities do not have a deposit policy for custodial credit risk. At December 31, 2015, the Utilities had deposit balances in the amount of $4,843,705 in the Water Utility and $6,672,958 in the Wastewater Utility.

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.

B. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	$ 177,016	$ -	$ -	$ 177,016
Construction in progress	146,900	3,057,684	17,791	3,186,793
Total capital assets, not being depreciated	323,916	3,057,684	17,791	3,363,809
Capital assets, being depreciated:				
Buildings	6,468,690	-	-	6,468,690
Improvements other than buildings	8,732,092	71,632	-	8,803,724
Machinery and equipment	1,633,872	92,811	23,964	1,702,719
Totals	16,834,654	164,443	23,964	16,975,133
Less accumulated depreciation for:				
Buildings	1,756,063	127,484	-	1,883,547
Improvements other than buildings	3,722,968	114,742	-	3,837,710
Machinery and equipment	1,033,668	61,072	23,964	1,070,776
Totals	6,512,699	303,298	23,964	6,792,033
Total capital assets, being depreciated, net	10,321,955	(138,855)	-	10,183,100
Total Water Utility capital assets, net	$ 10,645,871	$ 2,918,829	$ 17,791	$ 13,546,909

	Beginning Balance	Increases	Decreases	Ending Balance
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	$ 164,463	$ -	$ -	$ 164,463
Construction in progress	647,116	549,685	681,801	515,000
Total capital assets, not being depreciated	811,579	549,685	681,801	679,463
Capital assets, being depreciated:				
Buildings	12,641,905	11,481	-	12,653,386
Improvements other than buildings	14,662,644	540,395	-	15,203,039
Machinery and equipment	2,684,828	274,256	17,915	2,941,169
Totals	29,989,377	826,132	17,915	30,797,594
Less accumulated depreciation for:				
Buildings	6,071,739	284,098	-	6,355,837
Improvements other than buildings	5,823,173	312,674	-	6,135,847
Machinery and equipment	2,231,492	118,278	17,915	2,331,855
Totals	14,126,404	715,050	17,915	14,823,539
Total capital assets, being depreciated, net	15,862,973	111,082	-	15,974,055
Total Wastewater Utility capital assets, net	$ 16,674,552	$ 660,767	$ 681,801	$ 16,653,518

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

Water	$	303,295
Wastewater		715,050
Total depreciation expense	$	1,018,345

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Authorized	Expended to December 31,	Committed
Water Utility:			
Ledyard Water Treatment Plant Improvements	$ 5,535,000	$ 3,186,793	$ 2,348,207
Wastewater Utility:			
Improvement Project at Treatment Plant	$ 800,000	$ 515,000	$ 285,000

D. Long-Term Liabilities

1. Revenue Bonds

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

Purpose	Interest Rates	Balance at December 31	Less: Unamortized (Premium)	Amount
2015 Waterworks Revenue Bonds	3.0% - 4.0%	$ 5,455,000	$ (66,708)	$ 5,521,708
2015 Wastewater Refunding Revenue Bonds	2.0% - 3.0%	2,635,000	(18,931)	2,653,931
Totals		$ 8,090,000	$ (85,639)	$ 8,175,639

Revenue bonds debt service requirements to maturity are as follows:

	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2016	$ 160,000	$ 182,610	$ 200,000	$ 63,400
2017	160,000	177,810	200,000	59,400
2018	165,000	173,010	200,000	55,400
2019	170,000	167,985	205,000	51,400
2020	170,000	162,885	210,000	47,250
2021-2025	915,000	735,375	1,125,000	155,938
2026-2030	1,070,000	588,006	495,000	18,675
2031-2035	1,275,000	399,885	-	-
2036-2040	1,370,000	140,063	-	-
Totals	$ 5,455,000	$ 2,727,629	$ 2,635,000	$ 451,463

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

Type of Liability	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable:					
Water Utility	$ 195,000	$ 5,535,000	$ 275,000	$ 5,455,000	$ 160,000
Add unamortized premium		68,302	1,594	66,708	-
Less unamortized discount	1,735	-	1,735	-	-
Net Pension Liability	-	471,954	-	471,954	-
Total Water Utilty	$ 196,735	$ 6,075,256	$ 278,329	$ 5,993,662	$ 160,000
Revenue bonds payable:					
Wastewater Utility	$ 2,730,000	$ 2,725,000	$ 2,820,000	$ 2,635,000	$ 200,000
Add unamortized premium	-	19,720	789	18,931	-
Less unamortized discount	12,734	-	12,734	-	-
Net Pension Liability	-	650,404	-	650,404	-
Total Wastewater Utility	$ 2,742,734	$ 3,395,124	$ 2,833,523	$ 3,304,335	$ 200,000

E. Restricted Assets

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

	Water Utility	Wastewater Utility
Depreciation accounts	$ 1,022,497	$ 5,608,929
Bond and interest accounts	68,622	263,400
Pretreatment account	3,071,580	101,938
Customer deposit accounts	178,867	-
Total restricted assets	$ 4,341,566	$ 5,974,267

III. Other Information

A. Risk Management

The Utilities are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; dental benefits to employees and dependents; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; 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.

Job Related Illnesses or Injuries to Employees

During 1991, the City and Utilities joined together with other governmental entities in the Indiana Public Employers Plan, a public entity risk pool currently operating as a common risk management and insurance program for 350 member governmental entities. This risk pool was formed in 1990. The purpose of the risk pool is to provide a medium for the funding and administration of insurance costs related to job related illnesses or injuries to employees. The City, including the Utilities, pays an annual premium to the risk pool for its share of the costs of coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to $1,000,000 per insured event.

Dental Benefits to Employees and Dependents

The City and Utilities have chosen to be self-insured for risks associated with employee dental benefits. The total charge allocated to each of the funds is calculated using trends in actual claims experience.

B. Rate Structure

1. Water Utility

On March 13, 1989, the Common Council adopted Ordinance 1465 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Common Council on April 23, 2012, with three effective dates of June 1, 2012, and February 1, 2013 and 2014. Gallonage thresholds were amended August 24, 2015. The Utility has 3,929 customers.

2. Wastewater Utility

The current rate structure was approved by the Common Council on June 28, 2010. The Utility has 3,874 customers.

C. Pension Plans

Cost-Sharing Multiple-Employer Deferred Plans

Administration of System and Plans

The Indiana Public Retirement System (INPRS) administers nine (9) pension trust funds including eight (8) Defined Benefit retirement plans and one (1) Defined Contribution retirement plan, two (2) Other Postemployment Benefit funds and one (1) Agency fund. INPRS is governed by a nine-member Board of Trustees, appointed by the Governor pursuant to the following criteria: one (1) trustee with experience in economics, finance, or investments, one (1) trustee with experience in executive management of benefits administration, one (1) trustee who is an active or retired member of the 1977 Fund, two (2) trustees who are Teachers Retirement Fund (TRF) members with at least 10 years of creditable service, one (1) trustee who is a PERF member with at least 10 years of creditable service, Director of the State Budget Agency, or designee, Auditor of State, or nominee, and Treasurer of State, or nominee. The City of Plymouth participates in the Public Employees' Retirement Fund (PERF) and the 1997 Police Officers' and Firefighters' Pension and Disability Fund. The City's information for each fund is described as follows:

Public Employees Retirement Fund

Plan Description

The City participates in the Public Employees' Retirement Fund (PERF), a cost-sharing, multiple-employer defined benefit plan effective July 1, 2013 based on 35 IAC 21-1-1, 35 IAC 21-1-2 and amended IC 5-10.2-2-11(b). PERF was established to provide retirement, disability, and survivor benefits to full-time employees of the State of Indiana not covered by another plan, those political subdivisions that elect to participate in the retirement plan, and certain INPRS employees. Political subdivisions mean a county, city, town, township, political body corporate, public school corporation, public library, public utility of a county, city, town, township, and any department of, or associated with, a county, city, town, or township, which department receives revenue independently of, or in addition to, funds obtained from taxation. There are two (2) tiers to the PERF Plan. The first is the Public Employees' Defined Benefit Plan (PERF Hybrid Plan) and the second is the Public Employees' Annuity Savings Account Only Plan (PERF ASA Only Plan). Details of the PERF Hybrid Plan are described below.

PERF Hybrid Plan Description

The PERF Hybrid Plan was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees in accordance with Indiana Code (IC) 5-10.2, IC 5-10.3, and IC 5-10.5. There are two (2) aspects to the PERF Hybrid Plan defined benefit structure. The first portion is the monthly defined benefit pension that is funded by the employer. The second portion of the PERF Hybrid Plan benefit structure is the annuity savings account (ASA) that supplements the defined benefit at retirement.

Retirement Benefits – Defined Benefit Pension

The PERF Hybrid Plan retirement benefit consists of the sum of a defined pension benefit provided by employer contributions plus the amount credited to the member's annuity savings account. Pension benefits vest after 10 years of creditable service. The vesting period is eight (8) years for certain elected officials. Members are immediately vested in their annuity savings account. At retirement, a member may choose to receive a lump sum payment of the amount credited to the member's annuity savings account, receive the amount as an annuity, or leave the contributions invested with INPRS. Vested PERF members leaving a covered position, who wait 30 days after termination, may withdraw their annuity savings account and will not forfeit creditable service or a full retirement benefit. However, if a member is eligible for a full retirement at the time of the withdrawal request, he/she will have to begin drawing his/her pension benefit in order to withdraw the annuity savings account. A non-vested member who terminates employment prior to retirement may withdraw his/her annuity savings account after 30 days, but by doing so, forfeits his/her creditable service. A member who returns to covered service and works no less than six (6) months in a covered position may reclaim his/her forfeited creditable service.

A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position. All 20 calendar quarters do not need to be continuous, but they must be in groups of four (4) consecutive calendar quarters. The same calendar quarter may not be included in two (2) different groups. For PERF members who serve as an elected official, the highest one (1) year (total of four (4) consecutive quarters) of annual compensation is used. Member contributions paid by the employer on behalf of the member and severance pay up to $2,000 are included as part of the member's annual compensation.

A member who has reached age 60 and has at least 15 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit. A member who is at least 55 years old and whose age plus number of years of creditable service is at least 85 is entitled to 100 percent of the benefits as described above.

A member who has reached at least age 50 and has at least 15 years of creditable service is eligible for early retirement with a reduced pension. A member retiring early receives a percentage of the normal annual pension benefit. The percentage of the pension benefit at retirement remains the same for the member's lifetime. For age 59, the early retirement percentage of the normal annual pension benefit is 89 percent. This amount is reduced five (5) percentage points per year (e.g., age 58 is 84 percent) to age 50 being 44 percent.

The monthly pension benefits for members in pay status may be increased periodically as cost of living adjustments (COLA). Such increases are not guaranteed by statute and have historically been provided on an "ad hoc" basis and can only be granted by the Indiana General Assembly.

Retirement Benefits - Disability and Survivor Benefits

The PERF Hybrid Plan also provides disability and survivor benefits. A member who has at least five (5) years of creditable service and becomes disabled while in active service, on FMLA leave, receiving workers' compensation benefits, or receiving employer-provided disability insurance benefits may retire for the duration of the disability, if the member has qualified for social security disability benefits and has furnished proof of the qualification. The disability benefit is calculated the same as that for a normal retirement without reduction for early retirement. The minimum benefit is $180 per month, or the actuarial equivalent.

Upon the death in service of a member with 15 or more years of creditable service as of January 1, 2007, a survivor benefit may be paid to the surviving spouse to whom the member had been married for two (2) or more years, or surviving dependent children under the age of 18. This payment is equal to the benefit which would have been payable to a beneficiary if the member had retired at age 50 or at death, whichever is later, under an effective election of the joint and survivor option available for retirement benefits. A surviving spouse or surviving dependent children are also entitled to a survivor benefit upon the death in service after January 1, 2007, of a member who was at least 65 years of age and had at least 10 but not more than 14 years of creditable service.

Retirement Benefits – Annuity Savings Account

Members are required to participate in an Annuity Savings Account (ASA). The ASA consists of the member's contributions, set by statute at three (3) percent of compensation as defined by IC 5-10.2-3-2 for PERF, plus the interest/earnings or losses credited to the member's account. The employer may elect to make the contributions on behalf of the member. In addition, under certain conditions, members may elect to make additional voluntary contributions of up to 10 percent of their compensation into their annuity savings accounts. A member's contributions and interest credits belong to the member and do not belong to the State or political subdivision.

Investments in the members' annuity savings accounts are individually directed and controlled by plan participants who direct the investment of their account balances among the following eight (8) investment options, with varying degrees of risk and return potential:

Guaranteed Fund – This fund's objective is to provide stability of principal and a competitive interest rate. The interest rate is set by the INPRS Board of Trustees each year and is guaranteed for the fiscal year. Market risk is assumed by the Fund.

Large Cap Equity Index Fund – This fund's objective is to seek investment growth/capital appreciation through passive investment in the stocks of the 500 largest U.S. companies. Market risk is assumed by the member.

Small/Mid Cap Equity Fund – This fund's objective is to seek investment growth/capital appreciation through both active and passive investment in stocks of small- and mid-sized U.S. companies. Market risk is assumed by the member.

International Equity Fund – This fund's objective is to seek investment growth/capital appreciation through both active and passive investment in stocks of non-U.S. companies in both developed and emerging markets. Market risk is assumed by the member.

Fixed Income Fund – This fund's objective is to seek total return, consisting of income and capital appreciation. Market risk is assumed by the member.

Inflation-Linked Fixed Income Fund – This fund's objective is to provide investors inflation protection and income consistent with investment in inflation-indexed securities. Principal and interest payments are adjusted in response to changes in inflation. Market risk is assumed by the member.

Target Date Funds – The Funds are designed to seek an appropriate amount of total return, commensurate with risk, given the specific time horizon of each Fund. The Target Date Funds provide participants with a one-stop shop for investing. Participants simply choose the Fund most appropriate for them based on the year in which they plan to withdraw their money (usually their retirement year). Once a participant selects the appropriate Fund, the underlying asset allocation automatically adjusts over time. Market risk is assumed by the member.

Money Market Fund – This fund's objective is to provide a market rate of return consistent with the preservation of capital through a shorter maturity, high quality portfolio. Market risk is assumed by the member.

Members may make changes to their investment directions daily and investments are reported at fair value.

<u>Contributions</u>

Members are required to contribute 3% of their annual covered salary. The primary government is required to contribute at an actuarially determined rate; the current rate for calendar year 2015 is 11.20% percent of annual covered payroll. The rate for 2016 is also 11.20%. The contribution requirements of plan members and the primary government are established and may be amended by the INPRS Board of Trustees. 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. The actuarial amount, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the PERF plan from the Water Utility and Wastewater Utility were $62,027 and $85,699 respectively for the calendar year ended December 31, 2015.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, the Water Utility and Wastewater Utility reported a liability of $471,954 and $650,404 respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating units, actuarially determined. At June 30, 2015, the City's proportion was .0005765 percent, which was an increase of .0000181 from its proportion measured as of June 30, 2014. Of this proportion, the City, Water Utility and Wastewater Utility are allocated 52.1%, 20.1% and 27.7% respectively based on an allocation of payroll PERF expense.

For the year ended December 31, 2015, the Water Utility and Wastewater Utility recognized pension expense of $45,756 and $63,275 respectively. At December 31, 2015, the Utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Water Utility:		
Differences between expected and actual experience	$ 20,258	$ 976
Net difference between projected and actual investment earnings on pension plan investments	79,577	44,385
Change of assumptions	39,896	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	8,174	2,489
Contributions subsequent to the measurement date	31,084	
Totals	$ 178,989	$ 47,850

	Deferred Outflow of Resources	Deferred Inflow of Resources
Wastewater Utility:		
Differences between expected and actual experience	$ 27,918	$ 1,345
Net difference between projected and actual investment earnings on pension plan investments	109,666	61,168
Change of assumptions	54,981	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	11,264	3,430
Contributions subsequent to the measurement date	42,837	
Totals	$ 246,666	$ 65,943

$31,084 and $42,837 reported as deferred outflows of resources for the Water Utility and Wastewater Utility respectively related to pensions resulting from contributions subsequent to the measurement date will be recognized as a deferred outflow in the year ended December 31, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Water Utility	Wastewater Utility
2016	$ 32,301	$ 44,516
2017	32,302	44,516
2018	15,556	21,438
2019	19,894	27,416
Total	$ 100,053	$ 137,886

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	2.50% to 4.25%
Mortality rates	RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2016
Investment rate of return	6.75% net of pension plan investment expense
Cost of Living Increases (COLA) or "Ad Hoc"	1.00%

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the four years ended June 30, 2014. The Study was performed in April 2015. As a result of the study inflation decreased from 3.00% to 2.25%, future salary rates decreased from a table range of 3.25% to 4.50% to a table ranging from 2.50% to 4.25%. The mortality rates changed from the 2013 IRS Static Mortality projected five years with Scale AA to the process referenced above. Each of these assumption changes were made to more closely reflect actual experience.

The long-term expected rate of return on pension plan investments was developed by the INPRS Board of Trustees and is described in the Investment Policy Statement effective January 1, 2012 and is characterized by the following target allocation and best estimates of arithmetic real rates of return for each major asset class:

Global Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	22.5%	5.3%
Private Equity	10.0%	5.6%
Fixed income- Ex inflation-linked	22.0%	2.1%
Fixed income - inflation linked	10.0%	0.7%
Commodities	8.0%	2.0%
Real estate	7.5%	3.0%
Absolute return	10.0%	3.9%
Risk parity	10.0%	5.0%

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from units will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Utility's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Utility's proportional share of the net pension liability calculated using the discount rate of 6.75 percent, as well as what the Utility's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentatge-point lower (5.75 percent) or 1-percentage point higher (7.75 percent) than the current rate:

	5.75% 1% Decrease	6.75% Current Rate	7.75% 1% Increase
Net Pension Liability - Water Utility	$ 696,574	$ 319,332	$ 285,811
Net Pension Liability - Wastewater Utility	959,955	441,429	393,879

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued INPRS Comprehensive Annual Financial Report (CAFR) and Actuarial Valuations. These reports can be found at:

http://www.in.gov/inprs/files/2015INPRSCAFRBook.pdf
http://www.in.gov/inprs/files/2015PERFActuarialValuationReport.pdf

D. Current Refunding – Wastewater Utility

On May 21, 2015, the Wastewater utility issued $2,725,000 of Sewage Works Refunding Revenue Bonds for the current refunding of $2,730,000 of outstanding Sewage Works Revenue Bonds of 2008. The refunded bonds were originally issued to finance certain improvements and extensions to the City's Sewage Works. Interest rates on the new bonds range from 2.00% to 3.00%. The bond proceeds together with an original issue premium of $19,719.90 and sinking fund cash on hand of $463,863 were used to place $2,815,529.38 into an irrevocable escrow for the current refunding of the principal and interest on the outstanding debt. Of the remaining funds, $263,400 was used to establish a new debt service reserve and the remaining $129,653.02 was used for an underwriter's discount and other professional fees associated with the new bonds. The 2008 Bonds are considered defeased and the liability for those bonds has been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by $12,734. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. The government refunded the bonds to achieve reduced annual debt service payments and achieve a net present value savings of $479,157.

E. Deferred Outflows and Deferred Inflows

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The utilities have three items that qualify for reporting in this category: 1) Unamortized loss on refunding, 2) Deferred debt issuance costs, and 3) Deferred pension.

An unamortized loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or new debt. Deferred debt issuance costs result from fees associated with the issuance of long-term debt that are amortized over the life of the debt and are a necessary determinant for ratemaking purposes. Deferred pension results from changes in expected and actual experience in the pension plan, change of actuarial assumptions and change in the proportional share of the overall pension plan.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of deferred inflow for pensions resulting from changes in expected and actual experience in the pension plan, change of actuarial assumptions and change in the City proportional share of the overall pension plan.

F. Revenues Pledged

Water Utility Revenues Pledged

The Water Utility has pledged future operating revenues, net of specified operating expenditures, to repay the remaining $5,455,000 of revenue bonds issued in 2015. Proceeds from the bonds provided financing for utility improvements. The bonds are payable solely from operating net revenues and are payable through 2040. Annual principal and interest payments are expected to require less than eighty two percent of net revenues. The total principal and interest remaining to be paid on the bonds is $8,182,629. Principal and interest accrued on the 2015 bonds for the current year and total customer net revenues were $200,204 and $421,216.

Wastewater Utility Revenues Pledged

The Wastewater Utility has pledged future operating revenues, net of specified operating expenditures, to repay the remaining $2,635,000 of refunding revenue bonds issued in 2015. Proceeds from the bonds provided financing for refunding the 2008 revenue bonds and provided financing for utility improvements. The bonds are payable solely from operating net revenues and are payable through 2028. Annual principal and interest payments are expected to require less than thirty eight percent of net revenues. The total principal and interest remaining to be paid on the bonds is $3,086,463. Principal and interest accrued on the 2015 bonds for the current year and total customer net revenues were $128,065 and 696,092.

G. Restatements and Reclassifications

For the fiscal year ended December 31, 2015, certain changes have been made to the financial statements to more appropriately reflect financial activity. A prior period adjustment for the cumulative effects of implementing GASB 68 is presented. In addition, a prior period adjustment to reclassify prior year operating expenses is presented.

	Water Utility	Wastewater Utility
Net Position, December 31, 2014	$ 12,304,700	$ 20,619,296
Cumulative effect of implementing GASB 68 - PERF	(357,085)	(492,104)
Restatement of operating expenses	(18,585)	-
Net Position, December 31, 2014 (Restated)	$ 11,929,030	$ 20,127,192

H. Subsequent Events

Wastewater Utility Revenue Bonds of 2016

The Wastewater Utility of the City of Plymouth, Indiana issued Revenue Bonds in the amount of $12,505,000 for additions, extensions and improvements to the Wastewater Utility. These bonds were sold on June 16, 2016 with the closing on June 30, 2016, at a 2% to 3% interest rate. The bonds mature over a period of approximately twenty years with a final payment due on July 1, 2036.

Wastewater Utility Rates and Charges

The Wastewater Utility adopted ordinance 2016-2099 to adjust the utility's rates and charges to support the increased revenue requirements associated with inflation and the issuance of the Wastewater Utility Revenue Bonds of 2016. The new schedule of rates and charges went into effect on May 23, 2016.

OTHER REPORTS

In addition to this report, other reports may have been issued for the Utilities. All reports can be found on the Indiana State Board of Accounts' website: http://www.in.gov/sboa/.