

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

ANNUAL FINANCIAL REPORT

2005

WATER AND WASTEWATER UTILITY

CITY OF BUTLER

DEKALB COUNTY, INDIANA



**FILED**

09/19/2006



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Catharine S. Minehart	01-01-04 to 12-31-07
Mayor	Floyd C. Coburn	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Floyd C. Coburn	01-01-04 to 12-31-07
Superintendent of Utilities	William T. Miller	01-01-05 to 12-31-06
President of the Common Council	Ronald L. Walter	01-01-05 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE WATER AND WASTEWATER UTILITIES,  
CITY OF BUTLER, DEKALB COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Water and Wastewater Utilities, departments of the City of Butler, as of and for the year ended December 31, 2005. These financial statements are the responsibility of the Utility's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I, the financial statements of the Water and Wastewater Utilities, City of Butler, 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 Utilities. They do not purport to, and do not, present fairly the financial position of the City of Butler as of December 31, 2005, 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 Utilities, as of December 31, 2005, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The City 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

August 14, 2006

CITY OF BUTLER  
STATEMENT OF NET ASSETS  
December 31, 2005

<u>Assets</u>	Water Utility	Wastewater Utility	Total
Current assets:			
Cash and cash equivalents	\$ 308,066	\$ 522,931	\$ 830,997
Interest receivable	557	2,812	3,369
Accounts receivable	28,136	50,488	78,624
Prepaid items	4,496	11,738	16,234
	<u>341,255</u>	<u>587,969</u>	<u>929,224</u>
Total current assets			
Noncurrent assets:			
Restricted cash and cash equivalents:			
Capital assets cash and cash equivalents	193,593	73,410	267,003
Revenue bond covenant accounts cash and cash equivalents	-	43,471	43,471
Debt service reserve cash and cash equivalents	-	367,300	367,300
SDI replacement cash and cash equivalents	-	86,022	86,022
Customer deposit cash and cash equivalents	15,500	-	15,500
Capacity fee cash and cash equivalents	36,441	378,249	414,690
Cash reserve fund cash	-	40,000	40,000
Interest receivable restricted	2,251	11,726	13,977
	<u>247,785</u>	<u>1,000,178</u>	<u>1,247,963</u>
Total restricted assets			
Deferred charges unamortized bond issuance costs	-	333,211	333,211
Capital assets:			
Land and improvements to land and construction in progress	34,878	228,974	263,852
Other capital assets (net of accumulated depreciation)	1,332,280	7,208,769	8,541,049
	<u>1,367,158</u>	<u>7,437,743</u>	<u>8,804,901</u>
Total capital assets			
Total noncurrent assets			
	<u>1,614,943</u>	<u>8,771,132</u>	<u>10,386,075</u>
Total assets			
	<u>1,956,198</u>	<u>9,359,101</u>	<u>11,315,299</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	16,900	31,235	48,135
Taxes payable	1,086	-	1,086
Note payable - Vintage R.E.	-	1,600	1,600
Current liabilities payable from restricted assets:			
Contracts payable	-	211,084	211,084
Customer deposits	15,500	-	15,500
	<u>33,486</u>	<u>243,919</u>	<u>277,405</u>
Total current liabilities			
Noncurrent liabilities:			
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	-	3,378,079	3,378,079
Note payable - Vintage R.E.	-	10,470	10,470
	<u>-</u>	<u>3,388,549</u>	<u>3,388,549</u>
Total noncurrent liabilities			
Total liabilities			
	<u>33,486</u>	<u>3,632,468</u>	<u>3,665,954</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	1,367,158	3,848,580	5,215,738
Restricted for debt service	-	367,300	367,300
Restricted for other purposes	247,785	632,878	880,663
Unrestricted	307,769	877,875	1,185,644
	<u>1,922,712</u>	<u>5,726,633</u>	<u>7,649,345</u>
Total net assets			

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

CITY OF BUTLER  
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS  
As Of And For The Year Ended December 31, 2005

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Total</u>
Operating revenues:			
Metered water revenue:			
Residential	\$ 177,176	\$ -	\$ 177,176
Commercial	44,588	-	44,588
Industrial	26,267	-	26,267
Fire protection revenue	47,403	-	47,403
Penalties	2,286	12,984	15,270
Other water revenue	23,790	-	23,790
Measured revenue:			
Residential	-	343,536	343,536
Commercial	-	98,358	98,358
Industrial	-	463,256	463,256
Other	-	33,407	33,407
Total operating revenues	<u>321,510</u>	<u>951,541</u>	<u>1,273,051</u>
Operating expenses:			
Salaries and wages	79,886	170,995	250,881
Employee pensions and benefits	30,582	79,591	110,173
Purchased power	11,093	47,367	58,460
Chemicals	1,149	11,212	12,361
Materials and supplies	19,146	38,274	57,420
Contractual services	62,988	140,718	203,706
Rents	2,253	4,529	6,782
Transportation expenses	4,396	9,541	13,937
Insurance expense	8,111	19,868	27,979
Depreciation and amortization	53,765	193,375	247,140
Miscellaneous expenses	36,241	43,885	80,126
Total operating expenses	<u>309,610</u>	<u>759,355</u>	<u>1,068,965</u>
Operating income	<u>11,900</u>	<u>192,186</u>	<u>204,086</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	12,895	44,903	57,798
Interest expense	-	(199,511)	(199,511)
Miscellaneous expense	-	(22,835)	(22,835)
Total nonoperating revenues (expenses)	<u>12,895</u>	<u>(177,443)</u>	<u>(164,548)</u>
Change in net assets	24,795	14,743	39,538
Total net assets - beginning	<u>1,897,917</u>	<u>5,711,890</u>	<u>7,609,807</u>
Total net assets - ending	<u>\$ 1,922,712</u>	<u>\$ 5,726,633</u>	<u>\$ 7,649,345</u>

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

CITY OF BUTLER  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
As Of And For The Year Ended December 31, 2005

	Water Utility	Wastewater Utility	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 321,510	\$ 951,541	\$ 1,273,051
Payments to suppliers and contractors	(145,377)	(315,394)	(460,771)
Payments to employees	(110,468)	(250,586)	(361,054)
Other receipts	11,026	27,438	38,464
	<u>76,691</u>	<u>412,999</u>	<u>489,690</u>
Net cash provided by operating activities			
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(185,156)	(129,461)	(314,617)
Principal paid on capital debt	-	(145,000)	(145,000)
Interest paid on capital debt	-	(194,798)	(194,798)
	<u>(185,156)</u>	<u>(469,259)</u>	<u>(654,415)</u>
Net cash used by capital and related financing activities			
Cash flows from investing activities:			
Interest received	11,354	35,732	47,086
	<u>11,354</u>	<u>35,732</u>	<u>47,086</u>
Net decrease in cash and cash equivalents	(97,111)	(20,528)	(117,639)
Cash and cash equivalents, January 1	650,711	1,531,911	2,182,622
	<u>650,711</u>	<u>1,531,911</u>	<u>2,182,622</u>
Cash and cash equivalents, December 31 (Including \$245,534 and \$988,452, respectively, reported in restricted accounts)	<u>\$ 553,600</u>	<u>\$ 1,511,383</u>	<u>\$ 2,064,983</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 11,900	\$ 192,186	\$ 204,086
	<u>\$ 11,900</u>	<u>\$ 192,186</u>	<u>\$ 204,086</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	53,765	193,375	247,140
(Increase) decrease in assets:			
Accounts receivable	59	1,546	1,605
Deferred capacity fee receivable	-	15,333	15,333
Prepaid items	424	131	555
Due from Wastewater Utility	1,055	-	1,055
Increase (decrease) in liabilities:			
Accounts payable	11,269	16,797	28,066
Accrued wages payable	(1,634)	(3,714)	(5,348)
Taxes payable	3	(1,055)	(1,052)
Note payable - Vintage R.E.	-	(1,600)	(1,600)
Customer deposits	(150)	-	(150)
	<u>64,791</u>	<u>220,813</u>	<u>285,604</u>
Total adjustments			
Net cash provided by operating activities	<u>\$ 76,691</u>	<u>\$ 412,999</u>	<u>\$ 489,690</u>

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

WATER AND WASTEWATER UTILITIES  
CITY OF BUTLER  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the Utilities and are not intended to present fairly the position of the City of Butler (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 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 on the cash basis of accounting. Under the cash basis of accounting, revenues are recognized when cash is received and expenses are recognized when cash is disbursed.

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. The activity has been classified Class A or B, requiring full accrual accounting records, by the National Association of Regulatory Utility Commissioners. However, the utilities continue to maintain Class C (cash basis) accounts.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The 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.

WATER AND WASTEWATER UTILITIES  
CITY OF BUTLER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

2. Inventories and Prepaid Items

Inventories of materials and supplies at year end are not considered material and are not reflected in the financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the 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 because they are maintained in separate bank accounts and their use is limited by applicable bond indentures or governing body action.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the statement of net assets.

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	\$ 1,000	Straight-line	45 years
Improvements other than buildings	1,000	Straight-line	30 to 100 years
Machinery and equipment	1,000	Straight-line	10 to 25 years
Transportation equipment	1,000	Straight-line	5 to 15 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 7 days per year. Sick leave does not accumulate from year to year.

WATER AND WASTEWATER UTILITIES  
CITY OF BUTLER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

- b. Vacation Leave – Utility employees earn vacation leave at rates from 5 days to 25 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 3 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 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

Deposits, made in accordance with Indiana Code 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 financial institution.

B. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 34,878	\$ -	\$ -	\$ 34,878
Construction in progress	<u>23,790</u>	<u>-</u>	<u>23,790</u>	<u>-</u>
Total capital assets, not being depreciated	<u>58,668</u>	<u>-</u>	<u>23,790</u>	<u>34,878</u>
Capital assets, being depreciated:				
Buildings	455,879	-	-	455,879
Improvements other than buildings	1,040,283	208,257	8,813	1,239,727
Machinery and equipment	283,138	18,502	9,000	292,640
Transportation equipment	<u>50,360</u>	<u>-</u>	<u>-</u>	<u>50,360</u>
Totals	<u>1,829,660</u>	<u>226,759</u>	<u>17,813</u>	<u>2,038,606</u>

WATER AND WASTEWATER UTILITIES  
CITY OF BUTLER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Water Utility (continued):				
Less accumulated depreciation for:				
Buildings	136,750	8,599	-	145,349
Improvements other than buildings	371,857	26,296	-	398,153
Machinery and equipment	130,698	13,834	-	144,532
Transportation equipment	<u>13,256</u>	<u>5,036</u>	<u>-</u>	<u>18,292</u>
Totals	<u>652,561</u>	<u>53,765</u>	<u>-</u>	<u>706,326</u>
Total capital assets, being depreciated, net	<u>1,177,099</u>	<u>172,994</u>	<u>17,813</u>	<u>1,332,280</u>
Total Water Utility capital assets, net	<u>\$ 1,235,767</u>	<u>\$ 172,994</u>	<u>\$ 41,603</u>	<u>\$ 1,367,158</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 17,890	\$ -	\$ -	\$ 17,890
Construction in progress	<u>7,667</u>	<u>211,084</u>	<u>7,667</u>	<u>211,084</u>
Total capital assets, not being depreciated	<u>25,557</u>	<u>211,084</u>	<u>7,667</u>	<u>228,974</u>
Capital assets, being depreciated:				
Buildings	487,472	-	-	487,472
Improvements other than buildings	7,355,197	30,471	29,118	7,356,550
Machinery and equipment	474,034	139,583	11,040	602,577
Transportation equipment	<u>55,953</u>	<u>-</u>	<u>-</u>	<u>55,953</u>
Totals	<u>8,372,656</u>	<u>170,054</u>	<u>40,158</u>	<u>8,502,552</u>
Less accumulated depreciation for:				
Buildings	64,222	10,016	-	74,238
Improvements other than buildings	883,271	144,803	-	1,028,074
Machinery and equipment	133,901	32,765	-	166,666
Transportation equipment	<u>26,246</u>	<u>5,791</u>	<u>7,232</u>	<u>24,805</u>
Totals	<u>1,107,640</u>	<u>193,375</u>	<u>7,232</u>	<u>1,293,783</u>
Total capital assets, being depreciated, net	<u>7,265,016</u>	<u>(23,321)</u>	<u>32,926</u>	<u>7,208,769</u>
Total Wastewater Utility capital assets, net	<u>7,290,573</u>	<u>187,763</u>	<u>40,593</u>	<u>7,437,743</u>
Total capital assets, net	<u>\$ 8,526,340</u>	<u>\$ 360,757</u>	<u>\$ 82,196</u>	<u>\$ 8,804,901</u>

WATER AND WASTEWATER UTILITIES  
CITY OF BUTLER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. 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 including the amounts of unamortized bond discount or premium are as follows:

Purpose	Interest Rates	Balance at December 31	Less: Unamortized Discount	Revenue Bonds
1996 Wastewater expansion	4.1% to 5.5%	\$ 1,900,000	\$ 28,477	\$ 1,871,523
2000 Wastewater expansion	5.5% to 5.8%	1,520,000	13,444	<u>1,506,556</u>
Total				<u>\$ 3,378,079</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Wastewater Utility	
	Principal	Interest
2006	145,000	190,881
2007	155,000	183,240
2008	165,000	174,847
2009	175,000	166,035
2010	180,000	159,850
2011-2015	1,105,000	617,786
2016-2020	<u>1,495,000</u>	<u>266,911</u>
Totals	<u>\$ 3,420,000</u>	<u>\$ 1,759,550</u>

2. Notes and Loans Payable

The Utility has entered into a note. The annual debt service requirement to maturity for the note is as follows:

2006	\$ 1,600
2007	1,600
2008	1,600
2009	1,600
2010	1,600
2011-2014	<u>4,070</u>
Total	<u>\$ 12,070</u>

WATER AND WASTEWATER UTILITIES  
CITY OF BUTLER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

3. Changes in Long-Term Liabilities

Long-term debt activity for the year ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Wastewater Utility:					
Revenue bonds payable	\$ 3,565,000	\$ -	\$ 145,000	\$ 3,420,000	\$ -
Notes payable	<u>13,670</u>	<u>-</u>	<u>1,600</u>	<u>12,070</u>	<u>1,600</u>
Total business-type activities long-term liabilities	<u>\$ 3,578,670</u>	<u>\$ -</u>	<u>\$ 146,600</u>	<u>\$ 3,432,070</u>	<u>\$ 1,600</u>

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; 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. Risk financing is not utilized for the other risks of loss.

Job Related Illnesses or Injuries to Employees

During 1997, the City joined together with other governmental entities in the Indiana Public Employer's Plan, a public entity risk pool currently operating as a common risk management and insurance program for member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of workers compensation claims. The City pays an annual premium to the risk pool for its job related illnesses or injuries to employees. 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. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

B. Rate Structure

1. Water Utility

On July 19, 1993, the City Council adopted Ordinance No. 1201 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on September 5, 2000.

WATER AND WASTEWATER UTILITIES  
CITY OF BUTLER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Wastewater Utility

The current rate structure was approved by the City Council on May 1, 2000.

C. Pension Plan

Agent Multiple-Employer Defined Benefit Pension Plans

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 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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 (and is presented in the governmental activities of the financial statements and is not presented as an asset/liability of the proprietary funds).

WATER AND WASTEWATER UTILITIES  
CITY OF BUTLER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$26,664
Interest on net pension obligation	(3,238)
Adjustment to annual required contribution	3,690
Annual pension cost	27,116
Contributions made	19,431
Increase in net pension obligation	7,685
Net pension obligation, beginning of year	(44,665)
Net pension obligation, end of year	\$ (36,980)

Contribution rates:

Utilities	5%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 11,370	170%	\$ (39,458)
	06-30-04	15,826	133%	(44,665)
	06-30-05	27,116	123%	(36,980)

CITY OF BUTLER  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 424,279	\$ 395,383	\$ 28,896	107%	\$ 368,411	8%
07-01-04	429,954	501,671	(71,717)	86%	445,995	16%
07-01-05	445,225	595,950	(150,725)	75%	429,650	35%

WATER AND WASTEWATER UTILITY  
CITY OF BUTLER  
EXIT CONFERENCE

The contents of this report were discussed on August 14, 2006, with Catharine S. Minehart, Clerk-Treasurer; and Floyd C. Coburn, Mayor. Our report disclosed no material items that warrant comment at this time.