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

ANNUAL FINANCIAL REPORT

2007

WATER AND WASTEWATER UTILITIES
CITY OF PLYMOUTH
MARSHALL COUNTY, INDIANA

FILED
09/22/2008

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OFFICIALS

Office	Official	Term
Clerk-Treasurer	Toni L. Hutchings	01-01-04 to 12-31-11
Mayor	Gary L. Cook	01-01-04 to 12-31-07
	Mark Senter	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Gary L. Cook	01-01-04 to 12-31-07
	Mark Senter	01-01-08 to 12-31-11
President of the Common Council	Jack Greenlee	01-01-07 to 12-31-07
	Charles Ripley	01-01-08 to 12-31-08
Superintendent of Water Utility	Jeffrey J. Yeazel	01-01-07 to 12-31-08
Superintendent of Wastewater Utility	Donnie Davidson	01-01-07 to 12-31-08

STATE OF INDIANA

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE WATER AND WASTEWATER UTILITIES, CITY OF PLYMOUTH, MARSHALL 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 Plymouth, as of and for the year ended December 31, 2007. These financial statements are the responsibility of the Utilities' 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 Plymouth, 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 are 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, 2007, 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, 2007, 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 Utilities have not presented a 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

August 26, 2008

WATER AND WASTEWATER UTILITIES
CITY OF PLYMOUTH
STATEMENT OF NET ASSETS
December 31, 2007

	Water Utility	Wastewater Utility
Assets		
Current assets:		
Cash and cash equivalents	$ 185,989	$ 318,915
Interest receivable	657	744
Accounts receivable (net of allowance)	61,944	88,260
Other receivables	31,228	69,577
Cylinder deposits	3,350	100
Inventories	61,775	288,293
Prepaid items	14,936	30,459
Total current assets	359,879	796,348
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Depreciation cash and investments	1,864,329	2,059,655
Bond and interest cash and investments	708,753	356,383
Pretreatment cash and investments	-	23,996
Customer deposits	103,471	-
Interest receivable	9,148	10,056
Total restricted assets:	2,685,701	2,450,090
Deferred charges	23,183	3,593
Capital assets:		
Land, improvements to land and construction in progress	177,016	285,738
Other capital assets (net of accumulated depreciation)	8,060,073	15,313,792
Total capital assets	8,237,089	15,599,530
Total noncurrent assets	10,945,973	18,053,213
Total assets	11,305,852	18,849,561
Liabilities		
Current liabilities:		
Accounts payable	18,560	9,153
Accrued wages payable	14,633	20,762
Taxes payable	4,343	-
Performance deposits	-	330
Current liabilities payable from restricted assets:		
Accounts payable	-	15,700
Customer deposits	103,471	-
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	320,000	389,984
Accrued interest payable	12,500	-
Total current liabilities	473,507	435,929
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	2,669,569	-
Total liabilities	3,143,076	435,929
Net Assets		
Invested in capital assets, net of related debt	5,215,984	15,205,097
Restricted for debt service	708,753	356,383
Restricted for customer deposits	103,471	-
Restricted for capital outlay	1,864,329	2,059,655
Unrestricted	270,239	792,497
Total net assets	$ 8,162,776	$ 18,413,632

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 OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2007

	Water Utility	Wastewater Utility
Operating revenues:		
Metered revenue	$ 1,119,315	$ 1,459,604
Unmetered water revenue	623	-
Storm water revenue	-	158,354
Surcharge revenue	-	430,036
Fire protection revenue	350,426	-
Penalties	16,453	17,547
Other	-	153,470
Total operating revenues	1,486,817	2,219,011
Operating expenses:		
Source of supply	11,266	-
Water treatment	127,897	-
Transmission and distribution	278,153	-
Pumping	116,449	-
Collection system	-	938,257
Storm water	-	70,103
Customer accounts	145,296	21,775
Administration and general	288,076	393,663
Depreciation	216,313	591,246
Total operating expenses	1,183,450	2,015,044
Operating income	303,367	203,967
Nonoperating revenues (expenses):		
Interest and investment revenue	132,063	130,254
Miscellaneous revenue	32,170	5,551
Loss on disposal of capital assets	-	(97,503)
Interest expense	(177,416)	(90,319)
Amortization of bond issue costs	(11,522)	(8,041)
Miscellaneous expense	(1,000)	-
Total nonoperating expenses	(25,705)	(60,058)
Income before contributions and transfers	277,662	143,909
Capital contributions	50,603	81,000
Change in net assets	328,265	224,909
Total net assets - beginning	7,834,511	18,188,723
Total net assets - ending	$ 8,162,776	$ 18,413,632

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

WATER AND WASTEWATER UTILITIES
CITY OF PLYMOUTH
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Year Ended December 31, 2007

	Water Utility	Wastewater Utility
Cash flows from operating activities:		
Receipts from customers and users	$ 1,499,316	$ 2,209,433
Payments to suppliers and contractors	(430,721)	(727,238)
Payments to employees	(506,074)	(651,399)
Net cash provided by operating activities	562,521	830,796
Cash flows from capital and related financing activities:		
Capital contributions	50,603	81,000
Acquisition and construction of capital assets	(424,925)	(321,887)
Principal paid on capital debt	(305,000)	(645,000)
Interest paid on capital debt	(157,292)	(49,753)
Net cash used by capital and related financing activities	(836,614)	(935,640)
Cash flows from investing activities:		
Interest received	131,339	129,203
Net increase (decrease) in cash and cash equivalents	(142,754)	24,359
Cash and cash equivalents, January 1	3,005,296	2,734,590
Cash and cash equivalents, December 31	$ 2,862,542	$ 2,758,949
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 303,367	$ 203,967
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	216,313	591,246
Other nonoperating revenues (expenses)	31,170	(91,952)
(Increase) decrease in assets:		
Accounts receivable	8,727	(9,578)
Inventories	(7,760)	119,535
Prepaid items	693	1,949
Increase (decrease) in liabilities:		
Accounts payable	2,512	14,408
Accrued wages payable	3,219	1,221
Customer deposits	4,472	-
Interfund payables	(16)	-
Taxes payable	(176)	-
Total adjustments	259,154	626,829
Net cash provided by operating activities	$ 562,521	$ 830,796
Noncash investing, capital and financing activities:		
Completed construction in progress	$ 31,727	$ -
Disposal of assets	-	12,230

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 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 economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues 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.

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 funds' revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets balance sheet because 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 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 equipment	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 ½ 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.

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 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

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, 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	$ 177,016	$ -	$ -	$ 177,016
Construction in progress	31,727	-	31,727	-
Total capital assets, not being depreciated	208,743	-	31,727	177,016
Capital assets, being depreciated:				
Buildings	4,404,630	37,269	-	4,441,899
Improvements other than buildings	7,270,143	377,320	-	7,647,463
Machinery and equipment	969,141	42,063	-	1,011,204
Totals	12,643,914	456,652	-	13,100,566

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility (continued):				
Capital assets, being depreciated (continued)				
Less accumulated depreciation for:				
Buildings	1,059,138	85,630	-	1,144,768
Improvements other than buildings	2,894,889	109,754	-	3,004,643
Machinery and equipment	870,153	20,929	-	891,082
Totals	4,824,180	216,313	-	5,040,493
Total capital assets, being depreciated, net	7,819,734	240,339	-	8,060,073
Total capital assets, net	$ 8,028,477	$ 240,339	$ 31,727	$ 8,237,089
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	$ 164,463	$ -	$ -	$ 164,463
Construction in progress	-	121,275	-	121,275
Total capital assets, not being depreciated	164,463	121,275	-	285,738
Capital assets, being depreciated:				
Buildings	11,515,498	5,716	-	11,521,214
Improvements other than buildings	11,302,104	132,500	-	11,434,604
Machinery and equipment	1,810,374	62,396	12,230	1,860,540
Totals	24,627,976	200,612	12,230	24,816,358
Less accumulated depreciation for:				
Buildings	3,916,902	243,995	-	4,160,897
Improvements other than buildings	3,651,398	227,382	-	3,878,780
Machinery and equipment	1,355,250	119,869	12,230	1,462,889
Totals	8,923,550	591,246	12,230	9,502,566
Total capital assets, being depreciated, net	15,704,426	(390,634)	-	15,313,792
Total capital assets, net	$ 15,868,889	$ (269,359)	$ -	$ 15,599,530

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

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

Water	$ 216,313
Wastewater	591,246
Total depreciation expense	$ 807,559

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2007	Committed	Required Future Funding
Wastewater - Combined Sewer Overflow	$ 187,400	$ 93,900	$ 93,500	$ -
Wastewater - Goshen Rd./Lift Station	103,600	27,375	76,225	-
Totals	$ 291,000	$ 121,275	$ 169,725	$ -

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	Amount	Less: Unamortized Discount	Less: Unamortized Loss on Refunding	Revenue Bonds
1998 Waterworks refunding	4.8%	$ 140,000	$ 770	$ 8,895	$ 130,335
1999 Waterworks improvements	4.6%	2,890,000	30,766	-	2,859,234
1996 Sewage works refunding	5.3%	435,000	4,449	40,567	389,984
Totals		$ 3,465,000	$ 35,985	$ 49,462	$ 3,379,553

Revenue bonds debt service requirements to maturity are as follows:

Year Ended	Water Utility		Wastewater Utility	
December 31	Principal	Interest	Principal	Interest
2008	$ 320,000	$ 142,378	$ 435,000	$ 14,405
2009	335,000	126,713	-	-
2010	350,000	110,098	-	-
2011	365,000	92,580	-	-
2012	385,000	74,013	-	-
2013-2015	1,275,000	98,601	-	-
Totals	$ 3,030,000	$ 644,383	$ 435,000	$ 14,405

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable:					
Water Utility	$ 3,335,000	$ -	$ 305,000	$ 3,030,000	$ 320,000
Wastewater Utility	1,080,000	-	645,000	435,000	435,000
Total long-term liabilities	$ 4,415,000	$ -	$ 950,000	$ 3,465,000	$ 755,000

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 to form the Indiana Public Employers' Plan, a public entity risk pool currently operating as a common risk management and insurance program for approximately 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 the Utilities have chosen to be self-insured for risks associated with employee dental benefits. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. The total charge allocated to each of the funds is calculated based on the actual claims.

B. Subsequent Events

The City is planning on issuing $3,945,000 of wastewater revenue bonds to pay for the cost of certain additions, extensions, and improvements to the sewage works of the City. The estimated cost of the project is $5,375,925. The project will be financed by the bond issued and current utility funding.

On March 24, 2008, the Common Council approved Ordinance 2008-1951 establishing new sewage rates and charges for the Wastewater Utility. These rates and charges were effective on the June billing for May 2008 usage.

C. 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 December 9, 2002. The Utility has 3,478 customers.

2. Wastewater Utility

   The current rate structure was approved by the Common Council on October 9, 2006. The Utility has 3,497 customers.

D. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City, including the Utilities, 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).

Actuarial Information for the above Plan

Annual required contribution	$ 137,136
Interest on net pension obligation	(1,385)
Adjustment to annual required contribution	1,578
Annual pension cost	137,329
Contributions made	128,344
Increase in net pension obligation	8,985
Net pension obligation, beginning of year	(19,105)
Net pension obligation, end of year	$ (10,120)

Contribution rates:	
Utilities	5.38%
Plan members	3%
Actuarial valuation date	07-01-07
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	75% of expected actuarial value plus 25% of market value

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
06-30-05	$ 119,591	98%	$ (44,045)
06-30-06	140,413	82%	(19,105)
06-30-07	137,329	93%	(10,120)

WATER AND WASTEWATER UTILITIES
CITY OF PLYMOUTH
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)
07-01-05	$ 2,210,116	$ 2,596,765	$ (386,649)	85%	$ 2,220,740	(17%)
07-01-06	2,684,126	2,661,841	22,285	101%	2,444,070	1%
07-01-07	3,033,896	3,046,547	(12,651)	100%	2,480,525	(1%)

WATER AND WASTEWATER UTILITIES
CITY OF PLYMOUTH
EXIT CONFERENCE

The contents of this report were discussed on August 26, 2008, with Toni L. Hutchings, Clerk-Treasurer; Mark Senter, Mayor; and E. Nelson Chipman, Jr., City Attorney. Our audit disclosed no material items that warrant comment at this time.