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

ANNUAL FINANCIAL REPORT

2007

AVIATION COMMISSION AND WASTEWATER UTILITY

CITY OF GREENWOOD

JOHNSON COUNTY, INDIANA



**FILED**  
12/31/2008



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jeannine Myers	01-01-07 to 12-31-08
Mayor	Charles E. Henderson	01-01-07 to 12-31-08
President of the Board of Public Works and Safety	Charles E. Henderson	01-01-07 to 12-31-08
President of the Common Council	Keith R. Hardin Ron Deer	01-01-07 to 12-31-07 01-01-08 to 12-31-08
Office Manager	Arnie Kaplan	01-01-07 to 12-31-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE AVIATION COMMISSION AND WASTEWATER  
UTILITY, CITY OF GREENWOOD, JOHNSON COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Aviation Commission and Wastewater Utility (Commission and Utility), departments of the City of Greenwood, as of and for the year ended December 31, 2007. These financial statements are the responsibility of the Commission and 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 Aviation Commission and Wastewater Utility, City of Greenwood, are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Commission and Utility. They do not purport to, and do not, present fairly the financial position of the City of Greenwood 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 Aviation Commission and Wastewater Utility, 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.

The Commission and Utility have not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

November 26, 2008

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
STATEMENT OF NET ASSETS  
December 31, 2007

<u>Assets</u>	<u>Aviation</u>	<u>Wastewater</u>
Current assets:		
Cash and cash equivalents	\$ 167,145	\$ 5,174,700
Accounts receivable (net of allowance)	38,202	985,175
Due from City	-	658,774
Grant receivable	155,467	-
Prepaid items	4,024	-
	<u>364,838</u>	<u>6,818,649</u>
Total current assets		
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Depreciation cash and investments	-	211,468
Bond sinking cash and investments	-	1,063,604
Sewer availability cash and investments	-	7,680,464
Sewer bond proceeds cash and investments	-	2,321
Waste management cash and investments	-	38,276
Restricted grant proceeds	35,439	-
	<u>35,439</u>	<u>8,996,133</u>
Total restricted assets		
Deferred charges	6,948	252,102
Capital assets:		
Land, improvements to land and construction in progress	3,426,467	1,916,638
Other capital assets (net of accumulated depreciation)	4,056,128	73,375,179
	<u>7,482,595</u>	<u>75,291,817</u>
Total capital assets		
Total noncurrent assets		
	<u>7,524,982</u>	<u>84,540,052</u>
Total assets		
	<u>7,889,820</u>	<u>91,358,701</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	6,076	447,507
Customer deposits payable	18,475	-
Contracts payable	65,383	1,112,112
Accrued wages payable	-	16,658
Payroll withholding payable	-	20,436
Compensated absences	-	13,181
15 year law agreement payable	-	242,622
Interest payable	-	181,159
Deferred revenue	76,917	80,393
Current liabilities payable from restricted assets:		
Revenue bonds payable	80,784	680,000
	<u>247,635</u>	<u>2,794,068</u>
Total current liabilities		
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	1,503,647	13,878,528
	<u>1,503,647</u>	<u>13,878,528</u>
Total noncurrent liabilities		
Total liabilities		
	<u>1,751,282</u>	<u>16,672,596</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	5,898,164	60,733,289
Restricted for debt	-	1,063,604
Restricted for capital improvements	35,439	7,682,785
Unrestricted	204,935	5,206,427
	<u>6,138,538</u>	<u>74,686,105</u>
Total net assets		
	<u>\$ 6,138,538</u>	<u>\$ 74,686,105</u>

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

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS  
As Of And For The Year Ended December 31, 2007

	<u>Aviation</u>	<u>Wastewater</u>
Operating revenues:		
Hanger rental	\$ 246,444	\$ -
Residential	-	4,077,949
Commercial	-	1,437,001
Industrial	-	197,338
Penalties	-	110,717
Other wastewater revenue	-	31,439
Flat rate revenues	-	1,315,170
Waste management	-	1,695,096
	<hr/>	<hr/>
Total operating revenues	246,444	8,864,710
Operating expenses:		
General:		
Salaries and wages	3,734	261,717
Benefits and taxes	-	62,047
Office supplies	472	10,360
Repairs and maintenance	30,361	-
Professional services	-	200,446
Communication and transportation	711	107,981
Contractual services	12,400	180,000
Utilities	31,509	-
Rentals	213	-
Other services	1,422	312
Machinery and equipment	3,248	-
Insurance	7,570	13,306
Hanger Deposits	2,185	-
Other services	2,200	-
Operations and maintenance:		
Salaries and wages	-	572,749
Benefits and taxes	-	224,147
Office supplies	-	914
Operating supplies	2,579	386,082
Repairs and maintenance	-	384,431
Other supplies	-	745
Professional services	-	258,864
Communication and transportation	-	27,266
Contractual services	-	1,065,000
Printing and advertising	-	63
Utilities	-	141,229
Purchased wastewater treatment	-	2,952,416
Other services	-	30,100
Machinery and equipment	-	39,617
Rentals	-	7,519
Insurance	-	13,640
Transfers	-	8,400
Purchased waste removal	-	1,377,513
Amortization expense	448	-
Depreciation expense	430,944	1,748,037
Depreciation and amortization	-	25,819
Miscellaneous expenses	196	133,781
	<hr/>	<hr/>
Total operating expenses	530,192	10,234,501
Operating loss	<hr/>	<hr/>
	(283,748)	(1,369,791)
Nonoperating revenues (expenses):		
Interest and investment revenue	8,133	653,950
Grant revenue	132,268	-
Interest expense	(90,016)	(749,206)
Property tax	76	-
	<hr/>	<hr/>
Total nonoperating revenues (expenses)	50,461	(95,256)
Loss before contributions and transfers	(233,287)	(1,465,047)
Capital contributions	<hr/>	<hr/>
	161,736	2,821,073
Change in net assets	(71,551)	1,356,026
Total net assets - beginning, as previously stated	6,221,871	73,330,079
Prior period adjustment	<hr/>	<hr/>
	(11,782)	-
Total net assets - beginning, restated	<hr/>	<hr/>
	6,210,089	73,330,079
Total net assets - ending	<hr/>	<hr/>
	\$ 6,138,538	\$ 74,686,105

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

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
As Of And For The Year Ended December 31, 2007

	<u>Aviation</u>	<u>Wastewater</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 290,637	\$ 8,804,308
Payments to suppliers and contractors	(97,868)	(7,330,519)
Payments to employees	(5,934)	(1,466,349)
Other receipts	-	31,439
	<u>186,835</u>	<u>38,879</u>
Net cash provided by operating activities		
Cash flows from noncapital financing activities:		
Other income	76	-
Operating grants received	161,736	-
	<u>161,812</u>	<u>-</u>
Net cash provided by noncapital financing activities		
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(161,951)	(1,256,966)
Principal paid on capital debt	(78,625)	(650,000)
Interest paid on capital debt	(90,016)	(730,116)
	<u>(330,592)</u>	<u>(2,637,082)</u>
Net cash used by capital and related financing activities		
Cash flows from investing activities:		
Interest received	8,133	655,953
	<u>8,133</u>	<u>655,953</u>
Net cash provided by investing activities		
Net decrease in cash and cash equivalents	26,188	(1,942,250)
Cash and cash equivalents, January 1	<u>176,396</u>	<u>16,113,083</u>
Cash and cash equivalents, December 31	<u>\$ 202,584</u>	<u>\$ 14,170,833</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating loss	<u>\$ (283,748)</u>	<u>\$ (1,369,791)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	430,944	1,748,037
Amortization expense	448	25,819
(Increase) decrease in assets:		
Accounts receivable	(14,214)	(4,168)
Prepaid items	-	13,393
Increase (decrease) in liabilities:		
Accounts payable	(2,817)	(244,592)
Employee benefits payable	460	9,281
Wages payable	-	3,509
Compensated absence payable	-	(9,877)
Deferred revenue	55,762	(7,435)
Allowance for uncollectible accounts	-	(17,360)
Contracts payable	-	(187,405)
15 year agreement payable	-	79,468
Total adjustments	<u>470,583</u>	<u>1,408,670</u>
Net cash provided by operating activities	<u>\$ 186,835</u>	<u>\$ 38,879</u>
Noncash investing, capital and financing activities:		
Contributions of capital assets	\$ -	\$ 2,821,073
Construction of capital asset on account	65,383	-

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

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the Aviation Commission and Wastewater Utility (Commission and Utility) and are not intended to present fairly the position of the City of Greenwood (City), and the results of its operations and cash flows of its enterprise funds. The Commission and Utility, whose operations are controlled by the City, represent a substantial portion of the City's enterprise funds.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and Other Changes in Fund Net Assets; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

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. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

4. Capital Assets

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

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

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

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
<u>Wastewater Utility</u>			
Buildings and improvements	\$ 750	Straight-line	50 years
Improvements other than buildings	750	Straight-line	50 years
Machinery and equipment – treatment plant	750	Straight-line	10 years
Machinery and equipment – other	750	Straight-line	5 years
Transportation equipment	750	Straight-line	5 years
<u>Aviation Commission</u>			
Buildings and improvements	5,000	Straight-line	50 years
Improvements other than buildings	5,000	Straight-line	50 years
Machinery and equipment	5,000	Straight-line	10 years

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred during the current year by the Commission was \$90,016 and by the Utility was \$749,206. None of that amount was included as part of the cost of capital assets under construction.

5. **Compensated Absences**

Employees earn paid time-off (PTO) for sick, vacation, and personal leave at the rate of 91 hours to 240 hours per year. Employees may carry over 80 hours of unused PTO each year. Accumulated PTO is paid to employees through cash payments upon termination.

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**

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 depositor eligible to receive state funds and has a principal office or branch that qualifies to receive public funds for

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

the political subdivision. At December 31, 2007, the bank balance was 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, 2007, was as follows:

<u>Aviation Commission</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 3,382,821	\$ -	\$ -	\$ 3,382,821
Construction in progress	1,181,820	84,080	1,222,254	43,646
 Total capital assets, not being depreciated	 4,564,641	 84,080	 1,222,254	 3,426,467
Capital assets, being depreciated:				
Buildings	2,443,647	-	-	2,443,647
Improvements other than buildings	6,180,693	1,275,976	-	7,456,669
Machinery and equipment	138,568	-	-	138,568
 Totals	 8,762,908	 1,275,976	 -	 10,038,884
Less accumulated depreciation for:				
Buildings	732,361	48,873	-	781,234
Improvements other than buildings	4,774,708	372,833	-	5,147,541
Machinery and equipment	44,743	9,238	-	53,981
 Totals	 5,551,812	 430,944	 -	 5,982,756
 Total capital assets, being depreciated, net	 3,211,096	 845,032	 -	 4,056,128
 Total capital assets, net	 \$ 7,775,737	 \$ 929,112	 \$ 1,222,254	 \$ 7,482,595
 <u>Wastewater Utility</u>				
Capital assets, not being depreciated:				
Land	\$ 294,579	\$ -	\$ -	\$ 294,579
Construction in progress	490,596	1,131,463	-	1,622,059
 Total capital assets, not being depreciated	 785,175	 1,131,463	 -	 1,916,638

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

<u>Wastewater Utility (continued)</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Buildings	792,722	-	-	792,722
Improvements other than buildings	82,666,115	2,821,073	-	85,487,188
Machinery and equipment	834,011	8,584	-	842,595
Office/miscellaneous equipment	171,046	-	-	171,046
Transportation equipment	462,398	116,917	-	579,315
Treatment plant	177,854	-	-	177,854
	<u>85,104,146</u>	<u>2,946,574</u>	<u>-</u>	<u>88,050,720</u>
Totals				
Less accumulated depreciation for:				
Buildings	580,522	16,546	-	597,068
Improvements other than buildings	10,951,605	1,681,934	-	12,633,539
Machinery and equipment	679,831	16,956	-	696,787
Office/miscellaneous equipment	170,618	428	-	171,046
Transportation equipment	444,144	14,388	-	458,532
Treatment plant	100,784	17,785	-	118,569
	<u>12,927,504</u>	<u>1,748,037</u>	<u>-</u>	<u>14,675,541</u>
Totals				
Total capital assets, being depreciated, net	<u>72,176,642</u>	<u>1,198,537</u>	<u>-</u>	<u>73,375,179</u>
Total capital assets, net	<u>\$ 72,961,817</u>	<u>\$ 2,330,000</u>	<u>\$ -</u>	<u>\$ 75,291,817</u>

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

Aviation Commission	\$ 430,944
Wastewater Utility	<u>1,748,037</u>
Total depreciation expense	<u>\$ 2,178,981</u>

C. Construction Commitments

Construction work in progress is composed of the following:

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Aviation Commission:

Project	Total Project Authorized	Expended to December 31, 2007	Committed	Required Future Funding
Taxiway extension	\$ 178,603	\$ 43,646	\$ -	\$ 134,957

Wastewater Utility:

Project	Total Project Authorized	Expended to December 31, 2007	Committed	Required Future Funding
Cobblestone lift station	\$ 2,066,312	\$ 698,067	\$ -	\$ 2,066,312
Graham road project	23,500	18,450	-	5,050
Western regional sanitary sewer	1,200,000	411,620	-	788,380
Northern Park sanitary sewer phase II	3,963,512	493,922	-	3,469,590
Totals	\$ 7,253,324	\$ 1,622,059	\$ -	\$ 6,329,332

D. Interfund Balances and Activity

Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2007, is as follows:

Due To	Due From General Fund
Wastewater Utility	\$ 658,774

Interfund balances resulted because goods and services provided by the General Fund were reimbursed from the Wastewater Utility, twice in the year 2006. The General Fund will reimburse the Wastewater Utility in the last quarter of 2008 and the first quarter in 2009.

E. Long-Term Liabilities

1. Revenue Bonds

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

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Purpose	Interest Rates	Amount
1999 Airport bonds	5.25% to 5.75%	\$ 655,000
2003 Airport bonds	5%	929,431
1997 Sewage works refunding	4.2% to 5.00%	1,615,000
1997 Series B sewage works refunding	4.60% to 4.875%	4,330,000
1998 Series C sewage works	4.20% to 4.91%	8,715,000
Total		<u>\$ 16,244,431</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Aviation Commission		Wastewater Utility	
	Principal	Interest	Principal	Interest
2008	\$ 85,784	\$ 85,758	\$ 680,000	\$ 799,744
2009	93,063	80,985	715,000	669,166
2010	95,469	75,860	750,000	636,529
2011	98,010	70,569	790,000	601,986
2012	105,693	65,136	830,000	565,301
2013-2017	624,258	228,848	4,800,000	2,198,099
2018-2022	472,757	62,837	6,095,000	925,473
2023	9,397	51	-	-
Totals	<u>\$ 1,584,431</u>	<u>\$ 670,044</u>	<u>\$ 14,660,000</u>	<u>\$ 6,396,298</u>

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:					
Aviation Commission	\$ 1,663,055	\$ -	\$ 78,624	\$ 1,584,431	\$ 80,784
Wastewater Utility	15,310,000	-	650,000	14,660,000	680,000
Less unamortized discount	(51,175)	-	(4,482)	(46,693)	-
Less deferred amount on refunding	(69,387)	-	(14,608)	(84,000)	-
Total revenue bonds payable					
Wastewater Utility	15,189,438	-	630,910	14,558,528	680,000
Total long-term liabilities	<u>\$ 16,852,493</u>	<u>\$ -</u>	<u>\$ 709,534</u>	<u>\$ 16,142,959</u>	<u>\$ 760,784</u>

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

F. Restatements

For the year ended December 31, 2006, certain changes have been made to the financial statements to more appropriately reflect financial activity of the Aviation Commission. Prior period adjustment represents a change to the balance of Account Receivable, Deferred Revenue and Net Assets. The previous amounts did not include certain payments received for hanger rentals.

	Balance as Reported December 31, 2006	Prior Period Adjustments	Balance as Restated January 1, 2001
Accounts Receivable	\$ 31,485	\$ (7,497)	\$ 23,988
Deferred Revenue	(16,870)	(4,285)	(21,155)
Net Assets	(6,221,865)	11,782	(6,210,083)

III. Other Information

A. Risk Management

The Commission and Utility 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; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits

The Commission and Utility have chosen to establish a risk financing fund for risks associated with medical benefits. The risk financing fund is where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$1,000,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. The cost of administration, including stop loss coverage and actual claims paid, are allocated to four different coverage groups. These allocated costs are reimbursed by the City Funds - General and Fire and by the Wastewater Utility Funds based on the costs associated with each coverage.

B. Postemployment Benefits

In additions to the pension benefits described below, the Commission and Utility provide post-employment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire on or after attaining a specific age with at least 25 years of service. Currently, one

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

retiree meets these eligibility requirements. The Commission and Utility provide the cost of these postemployment benefits that exceed 50% of the monthly health insurance premium. Expenditures for those postemployment benefits include insurance premiums and benefit payments under the self-insurance plan and are recognized on a pay-as-you-go basis. Expenditures for post-employment benefits cannot be reasonably estimated.

C. Rate Structure

Wastewater Utility

The current rate structure was approved by the City Council on May 7, 2003.

D. Pension Plan

Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The City, including the Utility, contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Utility authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at three percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy 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).

AVIATION COMMISSION AND WASTEWATER UTILITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 387,007
Interest on net pension obligation	(4,512)
Adjustment to annual required contribution	5,141
Annual pension cost	387,636
Contributions made	333,763
Increase (decrease) in net pension obligation	53,873
Net pension obligation, beginning of year	(62,230)
Net pension obligation, end of year	\$ (8,357)
Contribution rates:	
Commission and Utility	6.5%
Plan members	3%
Actuarial valuation date	07-01-06
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	06-30-05	\$ 266,242	99%	\$ (101,211)
	06-30-06	339,332	89%	(62,230)
	06-30-07	387,636	86%	(8,357)

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Funds

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	\$ 3,457,869	\$ 4,753,988	\$ (1,296,119)	73%	\$ 5,032,112	(26%)
07-01-06	3,828,562	5,065,417	(1,236,855)	76%	5,335,140	(23%)
07-01-07	4,477,577	5,644,589	(1,167,012)	79%	5,446,536	(21%)

The above schedule represents data for City, Utility and Commission employees. Information is not available to distinguish between City, Utility, and Commission employees.

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
AUDIT RESULTS AND COMMENTS

ACCOUNTS RECEIVABLE - WASTEWATER CUSTOMER ACCOUNTS RECEIVABLE

The detail records presented for audit of the Wastewater Customer Accounts Receivable balance at December 31, 2007, did not agree to the balance in the General Ledger. An unknown variance of \$83,510 was noted.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OLD OUTSTANDING CHECKS - WASTEWATER

Our review of the bank reconciliements as of December 31, 2007, revealed checks outstanding in excess of two years.

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

Indiana Code 5-11-10.5-3 states in part: "Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the board of finance of the political subdivision or the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
AUDIT RESULTS AND COMMENTS  
(Continued)

PRESCRIBED FORMS - WASTEWATER

The following forms were not used in the prescribed manner or the prescribed form was not in use. The Wastewater Billing Form was not always date stamped as received and did not include a description of the method of payment (i.e. cash, check, money order). The General Receipt Form 352 was not used when receipts were collection for items other than billing receipts. Instead a scratch sheet of paper was used to write down who paid, when item was paid, what payment was for and for what amount.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ORDINANCES AND RESOLUTIONS - WASTEWATER

The City has an ordinance concerning its Sewage Works Revenue Bonds. The ordinance requires the creation of an Operation and Maintenance Fund that is to accumulate an amount equal to the expenses of operation, repair and maintenance of the sewage works for a two-month period, as calculated by the Clerk-Treasurer, with the advice of the City's financial advisor. The City has not created such a fund and, therefore, has not maintained the required two month operating balance.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS - AVIATION COMMISSION

Financial records presented for audit of the aviation commission hanger rental accounts receivable were incomplete and not reflective of the activity of the Aviation Fund. The records presented consisted of a worksheet for each hanger, the amount billed, the payment received, and the balance due at the end of each month. A summary schedule was prepared to obtain a total accounts receivable for hanger rentals. Upon review of the summary we determined the payments received per the summary did not include all cash payments received for hanger rental. The general ledger had total cash payments of \$282,056, the records presented only showed cash payments of \$264,600, a difference of \$17,456. The unit approved an adjustment to the worksheet to include the additional payments received.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

AVIATION COMMISSION AND WASTEWATER UTILITY  
CITY OF GREENWOOD  
AUDIT RESULTS AND COMMENTS  
(Continued)

BANK ACCOUNT RECONCILIATIONS – AVIATION COMMISSION

The following bank accounts did not reconcile to the books.

The Aviation bank account was off by an identified amount that had not been adjusted to the books - \$252.72. An unidentified variance was noted of \$273.74.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

AVIATION COMMISSION AND WASTEWATER UTILITY  
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EXIT CONFERENCE

The contents of this report were discussed on December 10, 2008, with Charles E. Henderson, Mayor; Jeannine Myers, Clerk-Treasurer; John Mercer, Bookkeeper; and Pat Sherman, City Advisor.