

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

EXAMINATION REPORT

2007

WATER, WASTEWATER, AND STORM WATER UTILITIES

TOWN OF ELLETTSVILLE

MONROE COUNTY, INDIANA



**FILED**  
12/31/2008



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sandra C. Hash	01-01-07 to 12-31-08
President of the Town Council	Dennis L. Williamson Dan Swafford	01-01-07 to 07-09-07 07-10-07 to 12-31-08
Superintendent of Water Utilities	Michael Farmer	01-01-07 to 12-31-08
Superintendent of Wastewater Utilities	Jeffery Farmer	01-01-07 to 12-31-08
Superintendent of Storm Water Utilities	James W. Ragle	01-01-07 to 12-31-08
Utilities Office Manager	Rebecca S. Wines	01-01-07 to 12-31-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE WATER, WASTEWATER, AND STORM WATER UTILITIES,  
TOWN OF ELLETTSVILLE, MONROE COUNTY, INDIANA

We have examined the accompanying financial statements of the business-type activities of the Water, Wastewater, and Storm Water Utilities (Utilities), departments of the Town of Ellettsville, 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 examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note I, the financial statements of the Utilities 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 Town that is attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the Town of Ellettsville 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 of the 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.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not examine the information and express no opinion on it.

The Utilities have not presented Management 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 a part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

November 17, 2008

WATER, WASTEWATER, AND STORM WATER UTILITIES  
TOWN OF ELLETTSVILLE  
STATEMENT OF NET ASSETS  
December 31, 2007

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Storm Water Utility</u>
<b>Current assets:</b>			
Cash and cash equivalents	\$ 78,499	\$ 96,674	\$ 9,459
Investments	176,795	200,000	-
Interest receivable	1,084	2,786	-
Accounts receivable (net of allowance)	109,898	194,789	11,081
Inventories	<u>82,292</u>	<u>16,759</u>	<u>-</u>
<b>Total current assets</b>	<b><u>448,568</u></b>	<b><u>511,008</u></b>	<b><u>20,540</u></b>
<b>Noncurrent assets:</b>			
<b>Restricted cash, cash equivalents and investments:</b>			
Bond and interest cash and investments	15,828	98,504	-
Debt service reserve cash and investments	138,650	790,080	-
Improvement cash and investments	33,482	-	-
Capacity user fee cash and investments	-	384,727	-
Equipment replacement cash and investments	-	870,960	-
Customer deposits	<u>22,980</u>	<u>14,700</u>	<u>-</u>
<b>Total restricted assets</b>	<b><u>210,940</u></b>	<b><u>2,158,971</u></b>	<b><u>-</u></b>
Deferred charges	<u>22,095</u>	<u>14,917</u>	<u>-</u>
<b>Capital assets:</b>			
Land	32,500	112,210	-
Other capital assets (net of accumulated depreciation)	<u>4,439,632</u>	<u>9,200,000</u>	<u>-</u>
<b>Total capital assets</b>	<b><u>4,472,132</u></b>	<b><u>9,312,210</u></b>	<b><u>-</u></b>
<b>Total noncurrent assets</b>	<b><u>4,705,167</u></b>	<b><u>11,486,098</u></b>	<b><u>-</u></b>
<b>Total assets</b>	<b><u>5,153,735</u></b>	<b><u>11,997,106</u></b>	<b><u>20,540</u></b>
<b><u>Liabilities</u></b>			
<b>Current liabilities:</b>			
Accounts payable	55,956	49,223	588
Accrued payroll withholdings payable	654	694	31
Taxes payable	4,795	-	-
Wages payable	9,187	9,073	406
Compensated absences	509	509	-
<b>Current liabilities payable from restricted assets:</b>			
Customer deposits	22,980	14,700	-
Revenue bonds payable	75,000	-	-
Loans payable	<u>-</u>	<u>525,000</u>	<u>-</u>
<b>Total current liabilities</b>	<b><u>169,081</u></b>	<b><u>599,199</u></b>	<b><u>1,025</u></b>
<b>Noncurrent liabilities:</b>			
Revenue bonds payable (net of unamortized discounts)	858,675	-	-
Loans payable	<u>-</u>	<u>4,915,000</u>	<u>-</u>
<b>Total noncurrent liabilities</b>	<b><u>858,675</u></b>	<b><u>4,915,000</u></b>	<b><u>-</u></b>
<b>Total liabilities</b>	<b><u>1,027,756</u></b>	<b><u>5,514,199</u></b>	<b><u>1,025</u></b>
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	3,538,457	3,872,209	-
Restricted for debt service	154,478	888,584	-
Restricted for improvements and equipment replacement	33,482	1,626,648	-
Unrestricted	<u>399,562</u>	<u>95,466</u>	<u>19,515</u>
<b>Total net assets</b>	<b><u>\$ 4,125,979</u></b>	<b><u>\$ 6,482,907</u></b>	<b><u>\$ 19,515</u></b>

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

WATER, WASTEWATER, AND STORM WATER UTILITIES  
TOWN OF ELLETTSVILLE  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
As Of And For The Year Ended December 31, 2007

	Water Utility	Wastewater Utility	Storm Water Utility
Operating revenues:			
Unmetered water revenue	\$ 3,261	\$ -	\$ -
Metered water revenue:			
Residential	1,040,069	-	-
Residential sales	-	933,725	66,141
Commercial and industrial sales	-	693,949	-
Fire protection revenue	95,082	-	-
Penalties	9,487	23,105	1,073
Other water revenue	55,138	-	-
Flat rate revenues	-	59,066	-
Other	<u>32,273</u>	<u>44,074</u>	<u>24</u>
Total operating revenues	<u>1,235,310</u>	<u>1,753,919</u>	<u>67,238</u>
Operating expenses:			
Source of supply and expense - operations:			
Purchased water	490,012	-	-
Transmission and distribution - operation:			
Salaries and wages	157,216	-	-
Employee benefits	53,063	-	-
Materials and supplies	116,498	-	-
Purchased power/utilities	11,655	-	-
Repairs and maintenance	5,080	-	-
Contractual services	102,403	-	-
Transportation expenses	12,638	-	-
Customer accounts:			
Salaries and wages	76,334	77,129	-
Employee benefits	27,778	28,355	-
Materials and supplies	15,441	17,265	419
Contractual services	2,377	1,059	44
Refunds	2,115	761	3
Administrative and general:			
Salaries and wages	52,602	50,526	-
Employee benefits	8,582	8,613	-
Monthly utility bills	3,434	3,434	-
Materials and supplies	7,388	5,444	23,913
Contractual services	15,548	36,515	8,415
Taxes	18,259	-	-
Insurance	16,016	22,174	-
Advertising	149	46	-
Payment in lieu of taxes	13,600	-	-

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

WATER, WASTEWATER, AND STORM WATER UTILITIES  
TOWN OF ELLETTSVILLE  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
As Of And For The Year Ended December 31, 2007  
(Continued)

	Water Utility	Wastewater Utility	Storm Water Utility
Operating expenses (continued):			
Collection system:			
Salaries and wages	-	153,369	406
Employee benefits	-	51,042	31
Purchased power	-	8,744	-
Materials and supplies	-	87,826	-
Repairs and maintenance	-	1,946	-
Contractual services	-	45,130	14,573
Transportation expenses	-	12,372	-
Treatment/disposal:			
Purchased power	-	84,256	-
Chemicals	-	6,040	-
Materials and supplies	-	10,571	-
Sludge disposal	-	18,847	-
Contractual services	-	250,321	-
Equipment replacement/repair	-	78,355	-
Depreciation	<u>96,876</u>	<u>292,220</u>	<u>-</u>
 Total operating expenses	 <u>1,305,064</u>	 <u>1,352,360</u>	 <u>47,804</u>
 Operating income (loss)	 <u>(69,754)</u>	 <u>401,559</u>	 <u>19,434</u>
 Nonoperating revenues (expenses):			
Interest and investment revenue	19,950	124,665	81
Interest expense	(50,455)	(207,878)	-
Amortization expense	<u>(1,132)</u>	<u>(1,657)</u>	<u>-</u>
 Total nonoperating expenses	 <u>(31,637)</u>	 <u>(84,870)</u>	 <u>81</u>
 Income (loss) before contributions and transfers	 (101,391)	 316,689	 19,515
 Total net assets - beginning	 <u>4,227,370</u>	 <u>6,166,218</u>	 <u>-</u>
 Total net assets - ending	 <u>\$ 4,125,979</u>	 <u>\$ 6,482,907</u>	 <u>\$ 19,515</u>

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

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

	Water Utility	Wastewater Utility	Storm Water Utility
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,205,246	\$ 1,644,320	\$ 56,133
Payments to suppliers and contractors	(804,633)	(668,650)	(46,779)
Payments to employees	(374,267)	(367,667)	-
Other receipts	<u>32,072</u>	<u>46,553</u>	<u>24</u>
Net cash provided by operating activities	<u>58,418</u>	<u>654,556</u>	<u>9,378</u>
Cash flows from capital and related financing activities:			
Principal paid on capital debt	(70,000)	(505,000)	-
Interest paid on capital debt	<u>(50,455)</u>	<u>(207,878)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(120,455)</u>	<u>(712,878)</u>	<u>-</u>
Cash flows from investing activities:			
Interest received	<u>19,950</u>	<u>124,665</u>	<u>81</u>
Net cash provided by investing activities	<u>19,950</u>	<u>124,665</u>	<u>81</u>
Net increase (decrease) in cash and cash equivalents	(42,087)	66,343	9,459
Cash and cash equivalents, January 1	<u>204,421</u>	<u>760,213</u>	<u>-</u>
Cash and cash equivalents, December 31	<u>\$ 162,334</u>	<u>\$ 826,556</u>	<u>\$ 9,459</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	<u>\$ (69,754)</u>	<u>\$ 401,559</u>	<u>\$ 19,434</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	96,876	292,220	-
Increase in assets:			
Accounts receivable	2,563	(66,715)	(11,081)
Interest receivable	(52)	3,240	-
Inventories	27,171	14,498	-
Increase (decrease) in liabilities:			
Accounts payable	660	7,197	588
Accrued wages payable	2,943	2,983	406
Payroll withholdings payable	210	229	31
Taxes payable	(244)	-	-
Compensated absence payable	(1,845)	(1,845)	-
Customer deposits	<u>(110)</u>	<u>1,190</u>	<u>-</u>
Total adjustments	<u>128,172</u>	<u>252,997</u>	<u>(10,056)</u>
Net cash provided by operating activities	<u>\$ 58,418</u>	<u>\$ 654,556</u>	<u>\$ 9,378</u>

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

WATER, WASTEWATER, AND STORM WATER UTILITIES  
TOWN OF ELLETTSVILLE  
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 Town of Ellettsville (Town). The Utilities, whose operations are controlled by the Town, are the Town's only 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 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.

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.

WATER, WASTEWATER, AND STORM WATER UTILITIES  
TOWN OF ELLETTSVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

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 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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and improvements	\$ 10,000	Straight-line	50 to 75 years
Equipment	10,000	Straight-line	5 to 15 years
Water collection systems	10,000	Straight-line	50 to 75 years
Wastewater distribution and collection systems	10,000	Straight-line	50 to 75 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.

5. Compensated Absences

- a. Sick Leave - Utilities employees earn sick leave at the rate of 1 day per month. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is not paid to employees upon termination.

WATER, WASTEWATER, AND STORM WATER UTILITIES  
TOWN OF ELLETTSVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

- b. Paid Time-Off - Utilities employees earn paid time off at rates from 108 hours to 224 hours per year based upon the number of years of service. Paid time-off does not accumulate from year to year. Paid time-off which is unused at year end may be carried over to the next year, provided the supervisor approves the carryover. No more than 50% of the employee's total paid time-off hours credited and earned for a year may be carried over as paid time-off for the following year. Any remaining balance may be converted to the employee's sick bank, provided the supervisor approves the conversion. Paid time-off is accrued when incurred.

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, 2007, was as follows:

<u>Primary Government</u>	<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	\$ 32,500	\$ -	\$ -	\$ 32,500
Capital assets, being depreciated:				
Improvements other than buildings	4,772,368	-	-	4,772,368
Buildings	1,260,179	-	-	1,260,179
Machinery and equipment	354,124	-	-	354,124
Totals	<u>6,386,671</u>	<u>-</u>	<u>-</u>	<u>6,386,671</u>

WATER, WASTEWATER, AND STORM WATER UTILITIES  
TOWN OF ELLETTSVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities (continued):				
Water Utility (continued):				
Less accumulated depreciation for:				
Improvements other than buildings	1,280,709	63,660	-	1,344,369
Buildings	357,652	20,267	-	377,919
Machinery and equipment	211,802	12,949	-	224,751
Totals	1,850,163	96,876	-	1,947,039
Total capital assets, being depreciated, net	4,536,508	(96,876)	-	4,439,632
Total Water Utility capital assets, net	4,569,008	(96,876)	-	4,472,132
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	112,210	-	-	112,210
Capital assets, being depreciated:				
Improvements other than buildings	3,509,972	-	-	3,509,972
Buildings	8,164,631	-	-	8,164,631
Machinery and equipment	777,443	-	-	777,443
Totals	12,452,046	-	-	12,452,046
Less accumulated depreciation for:				
Improvements other than buildings	735,957	70,200	-	806,157
Buildings	1,752,857	163,293	-	1,916,150
Machinery and equipment	471,012	58,727	-	529,739
Totals	2,959,826	292,220	-	3,252,046
Total capital assets, being depreciated, net	9,492,220	(292,220)	-	9,200,000
Total capital assets, net	9,604,430	(292,220)	-	9,312,210
Total business -type activities capital assets, net	\$ 14,173,438	\$ (389,096)	\$ -	\$ 13,784,342

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

Water	\$ 96,876
Wastewater	292,220
Total depreciation expense	\$ 389,096

WATER, WASTEWATER, AND STORM WATER UTILITIES  
TOWN OF ELLETTSVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Long-Term Liabilities

1. Revenue Bonds

The Water Utility issues 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
1998 Water Utility Revenue Bonds		
Storage Tank and Supply Main	4.65% to 5.2%	\$ <u>945,000</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Water Utility	
	Principal	Interest
2008	\$ 75,000	\$ 47,200
2009	80,000	43,637
2010	80,000	39,797
2011	85,000	35,917
2012	90,000	31,710
2013-2017	<u>535,000</u>	<u>85,476</u>
Totals	<u>\$ 945,000</u>	<u>\$ 283,737</u>

2. Notes and Loans Payable

The Utilities has entered into a state revolving fund loan. Annual debt service requirements to maturity for the loan, including interest of \$994,200 are as follows:

2008	\$ 715,230
2009	716,854
2010	712,778
2011	713,178
2012	712,878
2013-2017	<u>2,858,282</u>
Total	<u>\$ 6,429,200</u>

WATER, WASTEWATER, AND STORM WATER UTILITIES  
TOWN OF ELLETTSVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

3. 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	\$ 1,015,000	\$ -	\$ 70,000	\$ 945,000	\$ 75,000
Less deferred amount on discount	(12,457)	-	(1,132)	(11,325)	-
Loans Payable:					
Wastewater Utility	<u>5,945,000</u>	-	<u>505,000</u>	<u>5,440,000</u>	<u>525,000</u>
Total long-term liabilities	<u>\$ 6,947,543</u>	<u>\$ -</u>	<u>\$ 573,868</u>	<u>\$ 6,373,675</u>	<u>\$ 600,000</u>

III. Other Information

A. Risk Management

The Utilities is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; 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; 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 3 years. There were no significant reductions in insurance by major category of risk.

B. Rate Structure

1. Water Utilities

The current rate structure was approved by the Indiana Utility Regulatory Commission on January 11, 2006. The Utility has 4,622 customers.

2. Wastewater Utilities

The current rate structure was approved by the Town Council on August 5, 1996. The Utility has 1,860 customers.

3. Storm Water Utilities

The current rate structure was approved by the Town Council on January 22, 2007. The Utility has 2,175 customers.

WATER, WASTEWATER, AND STORM WATER UTILITIES  
TOWN OF ELLETTSVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Pension Plan

Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town, 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 Utilities 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 Utilities' 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 Town and the Utilities is not available. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the Town 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, WASTEWATER, AND STORM WATER UTILITIES  
TOWN OF ELLETTSVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 101,317
Interest on net pension obligation	(844)
Adjustment to annual required contribution	961
Annual pension cost	101,434
Contributions made	104,111
Decrease in net pension obligation	(2,677)
Net pension obligation, beginning of year	(11,636)
Net pension obligation, end of year	\$ (14,313)
Contribution rates:	
Utilities	6.5%
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	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%

WATER, WASTEWATER, AND STORM WATER UTILITIES  
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NOTES TO FINANCIAL STATEMENTS  
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Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-05	\$ 84,534	104%	\$ (39,108)
	06-30-06	115,109	76%	(11,636)
	06-30-07	101,434	103%	(14,313)

WATER, WASTEWATER, AND STORM WATER UTILITIES  
TOWN OF ELLETTSVILLE  
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)
07-01-07	\$ 1,694,134	\$ 1,985,566	\$ (291,432)	85%	\$ 1,473,726	(20%)
07-01-06	1,496,614	1,764,007	(267,393)	85%	1,425,281	(19%)
07-01-05	1,217,582	1,703,567	(485,985)	71%	1,479,992	(33%)

WATER, WASTEWATER, AND STORM WATER UTILITIES  
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EXAMINATION RESULTS AND COMMENTS

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property. In 2007, the Utility Manager started filing current delinquencies.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
  - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
  - (B) a description of the premises, as shown by the records of the county auditor; and
  - (C) the amount of the delinquent fees, together with the penalty; or
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder. . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May . . ."

A similar comment appeared in a prior report.

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

The Utilities do not have a written policy concerning procedures for writing off bad debts or uncollectible accounts. For the year ended December 31, 2007, the accounts receivable balances in arrears 90 days or more were: Water Utility - \$22,715; Wastewater Utility - \$ 28,267; and Storm Water Utility \$76. Payments have not been made on some of the accounts since 1987.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

WATER, WASTEWATER, AND STORM WATER UTILITIES  
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EXAMINATION RESULTS AND COMMENTS  
(Continued)

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment appeared in a prior report.

PERFORMING WORK ON PRIVATE PROPERTY

The Water Utility employees were installing hot taps on water lines for individuals, developers and other Utilities without any written ordinance or resolution authorizing the Utility employees to perform such work. The Water Utility workers were directed to do the jobs by Jeff and Mike Farmer who have been hired to manage the Utility. The fee charged for each hot tap was \$250 which was receipted into the Water Utility receipts. The actual costs incurred by the Town Utilities for this work has not been determined.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 35-44-2-4 states in part:

"(b) A public servant who knowingly or intentionally assigns to an employee under his supervision any duties not related to the operation of the governmental entity that he serves commits ghost employment, a Class D felony.

(c) A person employed by a governmental entity who, knowing that he has not been assigned any duties to perform for the entity, accepts property from the entity commits ghost employment, a Class D felony.

(d) A person employed by a governmental entity who knowingly or intentionally accepts property from the entity for the performance of duties not related to the operation of the entity commits ghost employment, a Class D felony.

(e) Any person who accepts property from a governmental entity in violation of this section and any public servant who permits the payment of property in violation of this section are jointly and severally liable to the governmental entity for that property. The attorney general may bring a civil action to recover that property in the county where the governmental entity is located or the person or public servant resides."

PAVEMENT OF PRIVATE PARKING LOT

During 2007, Town and Utility employees paved the Kenny's Tavern parking lot. All expenses of paving, including the wages of the employees, were paid equally by the Water and Wastewater Utilities. According to the minutes from a Town Council meeting held on June 11, 2007, Council members questioned the authorization for the paving project. In response, Mike Farmer, contractor for the management of the Utilities, indicated that there was a verbal agreement to pave the parking lot, in order to repair damage inflicted during completion of an Indiana Department of Transportation project. Mr. Farmer explained that underground utilities in the area in question were replaced, a water line was run across

WATER, WASTEWATER, AND STORM WATER UTILITIES  
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EXAMINATION RESULTS AND COMMENTS  
(Continued)

the front of the parking lot, and a conduit was laid for future plans to run power lines underground. He further explained that this verbal agreement allowed the Town to avoid time delays and easement purchases.

Indiana Code 36-1-4-7 empowers a town to enter into contracts. As Town officials have indicated that the contract was verbal, there is no written contract. Additionally, there has been no evidence presented to indicate that the Council discussed or approved an agreement by which the Town would pave the Kenny's Tavern parking lot, as compensation for damages incurred during road construction.

Generally, public funds may not be used to make improvements to property not owned by the governmental unit, unless permitted by statute, federal or state requirements, or safety concerns. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 35-44-2-4 states in part:

"(b) A public servant who knowingly or intentionally assigns to an employee under his supervision any duties not related to the operation of the governmental entity that he serves commits ghost employment, a Class D felony. . . .

(d) A person employed by a governmental entity who knowingly or intentionally accepts property from the entity for the performance of duties not related to the operation of the entity commits ghost employment, a Class D felony.

(e) Any person who accepts property from a governmental entity in violation of this section and any public servant who permits the payment of property in violation of this section are jointly and severally liable to the governmental entity for that property. The attorney general may bring a civil action to recover that property in the county where the governmental entity is located or the person or public servant resides."

WATER, WASTEWATER, AND STORM WATER UTILITIES  
TOWN OF ELLETTSVILLE  
EXIT CONFERENCE

The contents of this report were discussed on December 2, 2008, with Sandra C. Hash, Clerk-Treasurer; Dan Swafford, President of the Town Council; Dianna S. Bastin, Vice President of the Town Council; Michael Farmer, Superintendent of the Water Utilities; Jeffery Farmer, Superintendent of the Wastewater Utilities; and Rebecca S. Wines, Utilities Office Manager. The officials concurred with our examination findings.