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

ANNUAL FINANCIAL REPORT

2009

WATER AND WASTEWATER UTILITIES
CITY OF CARMEL
HAMILTON COUNTY, INDIANA



FILED
10/13/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Diana Cordray	01-01-08 to 12-31-11
Mayor	James Brainard	01-01-08 to 12-31-11
President of the Board of Public Works	James Brainard	01-01-08 to 12-31-11
President of the Common Council	Eric Seidensticker Richard Sharp	01-01-09 to 12-31-09 01-01-10 to 12-31-10
Chief Financial Officer	Carol McManama	01-01-09 to 12-31-10
Water Superintendent	Paul Pace	01-01-09 to 12-31-10
Wastewater Superintendent	Edward Wolf	01-01-09 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE WATER AND WASTEWATER
UTILITIES, CITY OF CARMEL, HAMILTON 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 Carmel, as of and for the year ended December 31, 2009, which collectively comprise the Utility's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Utility's management. Our responsibility is to express opinions 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control over reporting. 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 Utility, City of Carmel, 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 Utility. They do not purport to, and do not, present fairly the financial position of the City of Carmel as of December 31, 2009, 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 Utility, as of December 31, 2009, 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 accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Utility has not presented Management's Discussion and Analysis, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

June 10, 2010

WATER AND WASTEWATER UTILITIES
CITY OF CARMEL
STATEMENT OF NET ASSETS
December 31, 2009

	2009	
	Water Utility	Wastewater Utility
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 73,254	\$ 15,891
Interest receivable	28,791	-
Accounts receivable (net of allowance)	160,496	158,239
Other receivables	1,390,053	1,681,217
Interfund receivable:		
Due from associated City	1,704,556	-
Due from associated Utility	-	117,354
Inventories	91,906	252,906
Prepaid items	16,832	10,595
	<u>3,465,888</u>	<u>2,236,202</u>
Total current assets		
Noncurrent assets:		
Restricted cash and cash equivalents	2,500,942	6,205,992
Restricted investments	28,500,000	-
Customer deposits	28,690	-
	<u>31,029,632</u>	<u>6,205,992</u>
Total restricted assets		
Deferred charges:		
Bond issuance costs	1,677,672	318,245
Investment in Indianapolis use of water	1,242,383	-
	<u>2,920,055</u>	<u>318,245</u>
Total deferred charges		
Capital assets:		
Land, improvements to land and construction in progress	30,494,573	10,301,993
Other capital assets (net of accumulated depreciation)	102,963,767	60,288,758
	<u>133,458,340</u>	<u>70,590,751</u>
Total capital assets		
Total noncurrent assets	<u>167,408,027</u>	<u>77,114,988</u>
Total assets	<u>170,873,915</u>	<u>79,351,190</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	297,206	165,879
Interfund payables:		
Due to associated Utility	117,354	-
Accrued wages payable	38,838	33,657
Compensated absences	159,026	101,741
Other current payables	59,964	1,632,819
Current liabilities payable from restricted assets:		
Customer deposits	28,690	-
Revenue bonds payable	530,000	574,160
Notes and loans payable	763,559	-
Accrued interest payable	592,905	70,805
	<u>2,587,542</u>	<u>2,579,061</u>
Total current liabilities		
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	95,250,083	15,179,840
Notes and loans payable	18,060,524	-
	<u>113,310,607</u>	<u>15,179,840</u>
Total noncurrent liabilities		
Total liabilities	<u>115,898,149</u>	<u>17,758,901</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	35,888,460	60,730,751
Restricted for debt service	4,075,399	830,300
Unrestricted	15,011,907	31,238
	<u>54,975,766</u>	<u>61,592,289</u>
Total net assets		

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

WATER AND WASTEWATER UTILITIES
CITY OF CARMEL
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2009

	<u>2009</u>	
	<u>Water Utility</u>	<u>Wastewater Utility</u>
Operating revenues:		
Metered water revenue:		
Residential	\$ 6,764,469	\$ 2,713,809
Commercial	1,914,013	2,653,544
Fire protection revenue	73,352	-
Other	<u>168,825</u>	<u>2,231</u>
 Total operating revenues	 <u>8,920,659</u>	 <u>5,369,584</u>
 Operating expenses:		
Source of supply and expense - operations and maintenance	1,508,624	-
Water treatment expense - operations and maintenance	2,524,009	-
Transmission and distribution	2,328,109	-
Collection system - operations and maintenance	-	826,656
Pumping - operations and maintenance	-	185,184
Treatment and disposal - operations and maintenance	-	2,466,792
Customer accounts	610,266	374,685
Administration and general	789,559	917,920
Payroll tax expense	193,600	177,887
Utilities receipts tax expense	126,113	-
Payment in lieu of taxes	214,500	137,400
Depreciation and amortization	<u>2,802,480</u>	<u>1,820,854</u>
 Total operating expenses	 <u>11,097,260</u>	 <u>6,907,378</u>
 Operating income (loss)	 <u>(2,176,601)</u>	 <u>(1,537,794)</u>
 Nonoperating revenues (expenses):		
Interest and investment revenue	657,229	72,931
Miscellaneous revenue	176,799	46,368
Amortization of bond issue costs	(86,546)	(17,191)
Interest expense	(2,703,193)	(379,277)
Loss from disposition of property	<u>(15,226)</u>	<u>(81,170)</u>
 Total nonoperating revenues (expenses)	 <u>(1,970,937)</u>	 <u>(358,339)</u>
 Income (loss) before contributions and transfers	 <u>(4,147,538)</u>	 <u>(1,896,133)</u>
 Capital contributions	 <u>2,938,258</u>	 <u>1,623,711</u>
 Change in net assets	 <u>(1,209,280)</u>	 <u>(272,422)</u>
 Total net assets - beginning	 <u>56,185,046</u>	 <u>61,864,711</u>
 Total net assets - ending	 <u>\$ 54,975,766</u>	 <u>\$ 61,592,289</u>

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

WATER AND WASTEWATER UTILITIES
CITY OF CARMEL
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Year Ended December 31, 2009

	2009	
	Water Utility	Wastewater Utility
Cash flows from operating activities:		
Receipts from customers and users	\$ 8,992,107	\$ 5,449,709
Payments to suppliers and contractors	(5,951,066)	(1,812,578)
Payments to employees	(3,624,173)	(3,081,068)
Other receipts	316,008	48,598
	<u>(267,124)</u>	<u>604,661</u>
Net cash provided by operating activities		
Cash flows from capital and related financing activities:		
Proceeds from capital debt	-	5,867,225
Capital contributions	2,672,183	1,623,711
Acquisition and construction of capital assets	(12,551,721)	(2,113,061)
Principal paid on capital debt	(2,158,711)	(395,000)
Interest paid on capital debt	(1,807,880)	(393,195)
Proceeds from sale of equipment	2,538	29,613
	<u>(13,843,591)</u>	<u>4,619,293</u>
Net cash provided (used) by capital and related financing activities		
Cash flows from investing activities:		
Purchase of investments	11,792,255	-
Interest received	823,424	72,931
	<u>12,615,679</u>	<u>72,931</u>
Net cash provided (used) by capital and related financing activities		
Net increase in cash and cash equivalents	(1,495,036)	5,296,885
Cash and cash equivalents, January 1	<u>4,097,922</u>	<u>924,998</u>
Cash and cash equivalents, December 31	<u>\$ 2,602,886</u>	<u>\$ 6,221,883</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	<u>\$ (2,176,601)</u>	<u>\$ (1,537,794)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	2,802,480	1,802,854
Bad debt expense	14,245	3,281
Nonoperating income (expense)	169,485	46,369
(Increase) decrease in assets:		
Accounts receivable - customer	(4,644)	(32,476)
Accounts receivable - other	(186,422)	118,544
Interfund receivable	409,038	(3,713)
Interest receivable	(28,791)	-
Inventories	577	(20,151)
Prepaid items	(396)	8,239
Investment in Indianapolis use of water	985,544	-
Increase (decrease) in liabilities:		
Accounts payable	(2,150,183)	(145,030)
Wages payable	(93,776)	(83,823)
Compensated absences payable	73,625	42,361
Interfund payables	3,713	406,000
Other current liabilities	(90,318)	-
Customer deposits	5,300	-
	<u>1,909,477</u>	<u>2,142,455</u>
Total adjustments		
Net cash provided by operating activities	<u>\$ (267,124)</u>	<u>\$ 604,661</u>
Noncash investing, capital and financing activities:		
Contributions of capital assets from government	<u>\$ 1,294,591</u>	<u>\$ 357,753</u>

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

WATER AND WASTEWATER UTILITY
CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Fund Financial Statements

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

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

The accounts of the business-type activity are maintained 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 Utility has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The 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 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.

WATER AND WASTEWATER UTILITY
CITY OF CARMEL
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.

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 separately and their use is limited by ordinance or 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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land improvements	\$ 1	Not applicable	Not applicable
Buildings and improvements	5,000	Straight-line	50 years
Equipment	5,000	Straight-line	3 to 20 years
Water collection systems	750	Straight-line	3 to 100 years
Wastewater distribution and collection systems	750	Straight-line	3 to 100 years

WATER AND WASTEWATER UTILITY
CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 by the Utility during the current year was \$2,703,193. Of the amount, \$424,809 was included as part of the cost of capital assets under construction in connection with the Water Utility.

5. Compensated Absences

Paid time-off – Utility employees earn leave at rates from 6.75 hours to 10.25 hours per pay period based upon the number of years of service. Unused paid time off may be accumulated up to a maximum of 416.5 hours. However, at year-end, a maximum of 150 hours may be carried forward to the next year. Accumulated paid time off is paid to employees through cash payments upon termination or retirement.

Paid time-off is accrued when incurred and reported as a liability in the statement of net assets and the proprietary funds statements.

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

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Utility does not have a deposit policy for custodial credit risk. At December 31, 2009, the Water and Wastewater Utilities had deposit balances in the amount of \$31,102,885.88 and \$6,221,883, respectively.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

WATER AND WASTEWATER UTILITY
CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Investments

As of December 31, 2009, the Utility did not have any:

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the Utility to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the Utility to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Utility and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the Utility may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the Utility's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Utility does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Utility does not have a formal investment policy for interest rate risk for investments.

WATER AND WASTEWATER UTILITY
CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below. The Utility does not have a formal investment policy for credit risk for investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Utility does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The Utility does not have a formal policy in regards to foreign currency risk.

B. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

<u>2009</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,107,582	\$ 435,506	\$ -	\$ 2,543,088
Construction in progress	<u>39,279,805</u>	<u>13,044,223</u>	<u>14,070,550</u>	<u>38,253,478</u>
Total capital assets, not being depreciated	<u>41,387,387</u>	<u>13,479,729</u>	<u>14,070,550</u>	<u>40,796,566</u>
Capital assets, being depreciated:				
Buildings	48,571,102	6,703,879	80,000	55,194,981
Improvements other than buildings	125,960,785	7,899,530	233,515	133,626,800
Machinery and equipment	<u>14,837,999</u>	<u>859,908</u>	<u>258,444</u>	<u>15,439,463</u>
Totals	<u>189,369,886</u>	<u>15,463,317</u>	<u>571,959</u>	<u>204,261,244</u>
Less accumulated depreciation for:				
Buildings	(13,504,382)	(595,911)	(7,200)	(14,093,093)
Improvements other than buildings	(17,771,646)	(3,020,603)	(59,226)	(20,733,023)
Machinery and equipment	<u>(5,413,074)</u>	<u>(1,006,820)</u>	<u>(237,291)</u>	<u>(6,182,603)</u>
Totals	<u>(36,689,102)</u>	<u>(4,623,334)</u>	<u>(303,717)</u>	<u>(41,008,719)</u>
Total capital assets, being depreciated, net	<u>152,680,784</u>	<u>10,839,983</u>	<u>268,242</u>	<u>163,252,525</u>
Total capital assets, net	<u>\$ 194,068,171</u>	<u>\$ 24,319,712</u>	<u>\$ 14,338,792</u>	<u>\$ 204,049,091</u>

WATER AND WASTEWATER UTILITY
CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

	2009
Water	\$ 2,802,479
Wastewater	1,820,855
Total depreciation expense	\$ 4,623,334

C. Construction Commitments

Construction work in progress is composed of the following:

	2009	
<u>Project</u>	<u>Expended to December 31,</u>	<u>Committed</u>
Water treatment facilities	\$ 28,069,176	\$ 22,314,794
Wastewater treatment facilities	10,184,302	5,021,698
Totals	\$ 38,253,478	\$ 27,336,492

D. Interfund Balances and Activity

Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2009, is as follows:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	2009
Water Utility	General Fund	\$ 1,704,556
Wastewater Utility	Water Utility	117,354
Total		\$ 1,821,910

Interfund balances resulted from the time lag between the dates that (1) interfund loans are repaid, (2) interfund goods and services are provided or reimbursable expenditures occur, (3) transactions are recorded in the accounting system and (4) payments between funds are made.

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:

WATER AND WASTEWATER UTILITY
CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Purpose	Interest Rates	Balance at December 31	Unamortized (Premium) Discount	Amount
2002A Water plant extensions and improvements	4.20% to 5.15%	\$ 3,865,000	\$ (6,957)	\$ 3,858,043
2002B Water plant extensions and improvements	3.50% to 5.10%	4,825,000	10,847	4,835,847
2003A Waterworks expansion	2.00% to 3.85%	1,800,000	1,211	1,801,211
2008 Water plant appreciation bonds	4.00% to 5.79%	63,100,000	-	63,100,000
2008 Water plant expansion bonds	4.00% to 5.79%	22,184,982	-	22,184,982
2005 Wastewater improvements	3.15% to 4.61%	9,860,000	-	9,860,000
2009 Wastewater improvements	0.45%	5,894,000	-	5,894,000
Totals		<u>\$ 111,528,982</u>	<u>\$ 5,101</u>	<u>\$ 111,534,083</u>

Revenue bonds debt service requirements to maturity are as follows:

	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2010	\$ 530,000	\$ 3,545,399	\$ 574,160	\$ 439,721
2011	700,000	3,520,571	700,469	423,686
2012	740,000	3,493,533	706,625	406,685
2013	990,000	3,459,762	727,788	388,775
2014	1,265,000	3,759,348	748,955	369,732
2015-2019	11,495,000	15,642,354	4,132,444	1,512,069
2020-2024	23,085,000	14,107,399	4,822,356	811,703
2025-2029	34,785,000	15,158,122	3,042,901	95,081
2030-2034	22,184,982	42,690,018	298,302	626
Totals	<u>\$ 95,774,982</u>	<u>\$ 105,376,506</u>	<u>\$ 15,754,000</u>	<u>\$ 4,448,078</u>

2. Notes and Loans Payable

The Utility has entered into a note payable with Indianapolis Water Company to purchase existing water lines, for \$22,237,250, to be serviced by the City of Carmel. Annual debt service requirements to maturity for the note are as follows:

	Principal	Interest
2010	\$ 763,559	\$ 1,036,441
2011	805,599	994,401
2012	849,955	950,045
2013	896,753	903,247
2014	946,129	853,871
2015-2019	5,571,826	3,428,174
2020-2024	7,284,197	1,715,803
2025-2029	1,706,065	93,945
Totals	<u>\$ 18,824,083</u>	<u>\$ 9,975,927</u>

WATER AND WASTEWATER UTILITY
CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, was as follows:

<u>2009</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds payable:					
Water Utility	\$ 95,993,725	\$ 1,216,257	\$ 1,435,000	\$ 95,774,982	\$ 530,000
Wastewater Utility	<u>10,255,000</u>	<u>5,894,000</u>	<u>395,000</u>	<u>15,754,000</u>	<u>574,160</u>
Total revenue bonds payable	106,248,725	7,110,257	1,830,000	111,528,982	1,104,160
Notes payable:					
Water Utility	19,547,794	-	723,711	18,824,083	763,559
Compensated absences:					
Water Utility	85,401	73,625	-	159,026	159,026
Wastewater Utility	<u>59,380</u>	<u>42,361</u>	<u>-</u>	<u>101,741</u>	<u>101,741</u>
Total Long-term liabilities	<u>\$ 125,941,300</u>	<u>\$ 7,226,243</u>	<u>\$ 2,553,711</u>	<u>\$ 130,613,832</u>	<u>\$ 2,128,486</u>

F. Restricted Assets

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

	<u>2009</u>
Customer deposits	\$ 28,690
Revenue bond operations and maintenance account	<u>8,706,934</u>
Total restricted assets	<u>\$ 8,735,624</u>

III. Other Information

A. Risk Management

The Utility 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; 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.

WATER AND WASTEWATER UTILITY
CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Medical Benefits to Employees, Retirees and Dependents

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amounts of pay outs, and other economic and social factors.

Changes in the balance of claim liabilities during the past two years are as follows:

	2008	2009
Unpaid claims, beginning of fiscal year	\$ 460,622	\$ 581,204
Incurred claims and changes in estimates	7,847,260	6,454,825
Claim payments	(7,726,678)	(6,452,996)
 Unpaid claims, end of fiscal year	 \$ 581,204	 \$ 583,033
	*	*

* The information noted above reflects the entire City, not just the Utilities.

However, claim liabilities cannot be reasonably estimated.

B. Rate Structure

1. Water Utility

The current rate structure was approved by the Utility on November 1, 2009. The Utility has 27,091 customers.

2. Wastewater Utility

The current rate structure was approved by the Utility on November 1, 2009. The Utility has 15,741 customers.

C. Pension Plan

Agent Multiple-Employer and Single-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

WATER AND WASTEWATER UTILITY
CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 1,167,280
Interest on net pension obligation	(12,422)
Adjustment to annual required contribution	14,156
Annual pension cost	1,169,014
Contributions made	1,193,005
Increase (decrease) in net pension obligation	(23,991)
Net pension obligation, beginning of year	(171,344)
Net pension obligation, end of year	\$ (195,335)

WATER AND WASTEWATER UTILITY
CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF
Contribution rates:	
Utilities	5.25%
Plan members	3%
Actuarial valuation date	07-01-09
Actuarial cost method	Entry age normal cost
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions	PERF
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%

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-07	\$ 849,454	93%	\$ (146,972) *
	06-30-08	995,009	102%	(171,344) *
	06-30-09	1,169,014	102%	(195,335) *

*The information noted above reflects the entire City, not just the Utilities.

WATER AND WASTEWATER UTILITY
CITY OF CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funded Status and Funding Progress for the Above Plan

The funded status of each plan as of July 1, 2009, the most recent actuarial valuation date is as follows:

<u>Retirement Plan</u>	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL or (Funding Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL or (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
PERF	\$ 11,592,934	\$ 14,208,091	\$ 2,615,157	82%	\$ 18,031,917	15%
	*	*	*	*	*	*

* The information noted above reflects the entire City, not just the Utilities.

The Schedule of Funding Progress, presented as RSI for the above plans following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

WATER AND WASTEWATER UTILITIES
CITY OF CARMEL
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

PERF *

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-07	\$ 8,323,758	\$ 10,713,926	\$ (2,390,168)	78%	\$ 13,742,720	17%
07-01-08	9,862,796	12,736,157	(2,873,361)	77%	15,563,727	18%
07-01-09	11,592,934	14,208,091	(2,615,157)	82%	5,578,066	47%

*This information pertains to the entire City of Carmel. It is not only information for the Utilities only.

WATER AND WASTEWATER UTILITIES UTILITY
CITY OF CARMEL
EXIT CONFERENCE

The contents of this report were discussed on July 19, 2010, with Diana Cordray, Clerk-Treasurer. Our audit disclosed no material items that warrant comment at this time.