

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

ANNUAL FINANCIAL REPORT

2009

WASTEWATER UTILITY

CITY OF GREENWOOD

JOHNSON COUNTY, INDIANA



**FILED**  
05/11/2011



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jeannine Myers	01-01-09 to 12-31-11
Mayor	Charles E. Henderson	01-01-09 to 12-31-11
President of the Board of Public Works and Safety	Charles E. Henderson	01-01-09 to 12-31-11
President of the Common Council	Ron Deer Brent Corey	01-01-09 to 12-31-09 01-01-10 to 12-31-11
Office Manager	Arnold Kaptain	01-01-09 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities of the Wastewater Utility, a department of the City of Greenwood, 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 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 Utility. They do not purport to, and do not, present fairly the financial position of the City of Greenwood 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 Wastewater 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

December 27, 2010

WASTEWATER UTILITY  
CITY OF GREENWOOD  
STATEMENT OF NET ASSETS  
December 31, 2009

<u>Assets</u>	<u>Wastewater</u>
Current assets:	
Cash and cash equivalents	\$ 588,797
Interest receivable	17,898
Accounts receivable (net of allowance)	<u>1,051,823</u>
Total current assets	<u>1,658,518</u>
Noncurrent assets:	
Restricted cash, cash equivalents and investments:	
Bond sinking cash and investments	1,082,560
Sewer availability cash and investments	2,559,425
Waste management cash and investments	<u>242,548</u>
Total restricted assets	<u>3,884,533</u>
Deferred charges	<u>200,464</u>
Capital assets:	
Land, improvements to land and construction in progress	6,036,830
Other capital assets (net of accumulated depreciation)	<u>74,255,950</u>
Total capital assets	<u>80,292,780</u>
Total noncurrent assets	<u>84,377,777</u>
Total assets	<u>86,036,295</u>
 <u>Liabilities</u>	
Current liabilities:	
Accounts payable	930,822
Contracts payable	1,589,729
Accrued wages payable	31,596
Payroll withholding payable	18,299
Compensated absences	14,791
15 year law agreement payable	242,622
Interest payable	165,530
Deferred revenue	80,393
Current liabilities payable from restricted assets:	
Revenue bonds payable	750,000
Total current liabilities	<u>3,823,782</u>
Noncurrent liabilities:	
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	12,450,207
Total noncurrent liabilities	<u>12,450,207</u>
Total liabilities	<u>16,273,989</u>
 <u>Net Assets</u>	
Invested in capital assets, net of related debt	67,092,573
Restricted for debt	1,082,560
Restricted for capital improvements	2,559,425
Unrestricted	<u>(972,252)</u>
Total net assets	<u>\$ 69,762,306</u>

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

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, 2009

	<u>Wastewater</u>
Operating revenues:	
Residential	\$ 3,986,257
Commercial	1,433,326
Industrial	101,451
Penalties	156,463
Other revenue	5,989
Flat rate revenues	782,030
Waste management	<u>2,210,597</u>
Total operating revenues	<u>8,676,113</u>
Operating expenses:	
General:	
Salaries and wages	286,503
Benefits and taxes	100,127
Office supplies	11,369
Professional services	328,635
Communication and transportation	108,256
Contractual services	235,947
Other services	743
Operations and maintenance:	
Salaries and wages	689,881
Benefits and taxes	279,792
Office supplies	2,869
Operating supplies	364,373
Repairs and maintenance	314,303
Professional services	360,075
Communication and transportation	22,682
Contractual services	1,304,795
Utilities	170,177
Purchased wastewater treatment	4,359,201
Other services	36,997
Machinery and equipment	9,511
Rentals	12,361
Waste management:	
Purchased waste removal	1,476,632
Amortization expense	25,819
Depreciation expense	<u>1,864,278</u>
Total operating expenses	<u>12,365,326</u>
Operating loss	<u>(3,689,213)</u>
Nonoperating revenues (expenses):	
Interest and investment revenue	34,065
Interest expense	(716,641)
Miscellaneous expense	<u>(43,988)</u>
Total nonoperating revenues (expenses)	<u>(726,564)</u>
Income Loss before contributions	(4,415,777)
Capital contributions	764,205
Change in net assets	(3,651,572)
Total net assets - beginning	<u>73,413,878</u>
Total net assets - ending	<u>\$ 69,762,306</u>

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

WASTEWATER UTILITY  
CITY OF GREENWOOD  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
As Of And For The Year Ended December 31, 2009

	<u>Wastewater</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 8,621,083
Payments to suppliers and contractors	(7,974,756)
Payments to employees	(372,271)
Other payments	(61,884)
Other receipts	<u>807,671</u>
Net cash provided by operating activities	<u>1,019,843</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,083,957)
Principal paid on capital debt	(715,000)
Interest paid on capital debt	<u>(705,666)</u>
Net cash used by capital and related financing activities	<u>(2,504,624)</u>
Cash flows from investing activities:	
Interest received	<u>34,065</u>
Net cash provided by investing activities	<u>34,065</u>
Net decrease in cash and cash equivalents	(1,450,718)
Cash and cash equivalents, January 1	<u>5,924,047</u>
Cash and cash equivalents, December 31	<u>\$ 4,473,329</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	\$ (3,689,213)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	1,864,278
Amortization expense	25,819
(Increase) decrease in assets:	
Accounts receivable	753,684
Miscellaneous	(43,988)
Increase (decrease) in liabilities:	
Accounts payable	544,237
Employee benefits payable	1,752
Wages payable	12,454
Compensated absence payable	154
Allowance for uncollectible accounts	(18,938)
Contracts payable	1,569,604
Total adjustments	<u>4,709,056</u>
Net cash provided by operating activities	<u>\$ 1,019,843</u>
Noncash investing, capital and financing activities:	
Contributions of capital assets from government	<u>\$ 764,205</u>

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

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 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 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.

Proprietary funds distinguish operating revenues and 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 and 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 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.

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.

WASTEWATER UTILITY  
CITY OF GREENWOOD  
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. Prepaid Items

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 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>
Buildings and improvements	\$ 750	Straight-line	50 years
Improvements other than buildings	750	Straight-line	50 years
Treatment plant	750	Straight-line	10 years
Machinery and equipment - other	750	Straight-line	5 years
Transportation equipment	750	Straight-line	5 years

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total

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

interest expense incurred by the Utility during the current year was \$215,954. None of that amount was included as part of the cost of capital assets under construction connection with additions and improvements to the municipal sewage works.

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 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 and Investments

Deposits, made in accordance with IC 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 institution.

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	\$ 294,579	\$ -	\$ -	\$ 294,579
Construction in progress	<u>4,658,294</u>	<u>1,114,407</u>	<u>30,450</u>	<u>5,742,251</u>
Total capital assets, not being depreciated	<u>4,952,873</u>	<u>1,114,407</u>	<u>30,450</u>	<u>6,036,830</u>
Capital assets, being depreciated:				
Buildings	792,722	-	-	792,722
Improvements other than buildings	89,270,823	764,205	-	90,035,028
Machinery and equipment	850,345	-	-	850,345
Office/miscellaneous equipment	171,046	-	-	171,046
Transportation equipment	579,315	-	-	579,315
Treatment plant	<u>177,854</u>	<u>-</u>	<u>-</u>	<u>177,854</u>
Totals	<u>91,842,105</u>	<u>764,205</u>	<u>-</u>	<u>92,606,310</u>

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

<u>2009</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings	613,615	11,274	-	624,889
Improvements other than buildings	14,364,136	1,789,155	-	16,153,291
Machinery and equipment	714,352	18,017	-	732,369
Office/miscellaneous equipment	171,046	-	-	171,046
Transportation equipment	486,579	28,047	-	514,626
Treatment plant	136,354	17,785	-	154,139
Totals	<u>16,486,082</u>	<u>1,864,278</u>	<u>-</u>	<u>18,350,360</u>
Total capital assets, being depreciated, net	<u>75,356,023</u>	<u>(1,100,073)</u>	<u>-</u>	<u>74,255,950</u>
Total capital assets, net	<u>\$ 80,308,896</u>	<u>\$ 14,334</u>	<u>\$ 30,450</u>	<u>\$ 80,292,780</u>

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

	<u>2009</u>
Wastewater	<u>\$ 1,864,278</u>
Total depreciation expense	<u>\$ 1,864,278</u>

C. Construction Commitments

Construction work in progress is composed of the following:

<u>Project</u>	<u>Total Project Authorized</u>	<u>Expended to December 31, 2009</u>	<u>Committed</u>	<u>Required Future Funding</u>
Western regional sanitary sewer	\$ 1,200,000	\$ 433,068	\$ -	\$ 766,932
Cobblestone force main	462,112	462,112	-	-
Cobblestone gravity line	369,672	369,672	-	-
Cobblestone lift station	2,534,391	2,239,110	-	295,281
Lone Pine Farms lift station	2,089,032	2,089,032	-	-
Gravity interceptor	183,906	149,257	-	34,649
Totals	<u>\$ 6,839,113</u>	<u>\$ 5,742,251</u>	<u>\$ -</u>	<u>\$ 1,096,862</u>

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

D. 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:

Purpose	Interest Rates	Amount
1997 Sewage works refunding	4.20% to 5.00%	\$ 835,000
1997 Series B sewage works refunding	4.60% to 4.875%	4,075,000
1998 Series C sewage works refunding	4.20% to 4.91%	<u>8,353,500</u>
 Total		 <u>\$ 13,263,500</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Wastewater Utility	
	Principal	Interest
2010	\$ 750,000	\$ 636,529
2011	790,000	601,986
2012	830,000	565,301
2013	870,000	526,646
2014	915,000	488,211
2015-2019	5,250,000	1,723,936
2020-2022	<u>3,858,500</u>	<u>384,778</u>
 Totals	 <u>\$ 13,263,500</u>	 <u>\$ 4,927,387</u>

2. Changes in Long-Term Liabilities

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

2009	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable:					
Wastewater Utility	\$ 13,978,500	\$ -	\$ 715,000	\$ 13,263,500	\$ 750,000
Less unamortized discount	(42,211)	-	(4,482)	(37,729)	-
Less deferred amount on refunding	(40,171)	-	(14,608)	(25,563)	-
 Total revenue bonds payable	 <u>13,896,118</u>	 <u>-</u>	 <u>695,910</u>	 <u>13,200,208</u>	 <u>750,000</u>
 Total long-term liabilities	 <u>\$ 13,896,118</u>	 <u>\$ -</u>	 <u>\$ 695,910</u>	 <u>\$ 13,200,208</u>	 <u>\$ 750,000</u>

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

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.

B. Wastewater and Indianapolis Department of Public Works Balance Dispute

The Greenwood Wastewater Utility (Utility) contracts with the City of Indianapolis, Department of Public Works (DPW) to treat the sewage generated by the customers of the Utility. The Utility and DPW have a disputed balance at December 31, 2009, in the amount of \$2,118,848.39. Management has indicated the Utility and DPW are in final replacement contract negotiations, the replacement contract will resolve this dispute. If the current year disputed invoices in the amount of \$168,932.54 were charged to 2009 expense the income statement would indicate a loss of \$3,877,236.07. The balance of \$1,949,915.85 would be a charge to Sewage Works Operating Fund balance reducing the fund balance to \$67,812,390.39 at December 31, 2009.

C. Subsequent Events

1. The Greenwood Wastewater Utility (Utility) serves approximately twenty four thousand (24,000) customers in the northern Johnson County urban area. This area includes the City of Greenwood and northern urban area of White River Township. The area consists mostly of a mix of residential and commercial properties whose assessed value is in excess of two billion dollars.

The Utility contracts with the City of Indianapolis (City) to provide sewage treatment services for the Utility. The Utility also has a contract with the City to purchase permanent treatment capacity within the City's Southport Wastewater Treatment Facility. The Utility has been in negotiations with the City on various issues including disputed sewage treatment charges, purchase of additional capacity in the Southport Treatment Facility and disputed excessive Infiltration and Inflow (I&I) issues.

The final payment on the contract between the City and the Utility for the purchase of permanent treatment capacity in the Southport Wastewater Treatment Facility will be made in December 2013. Those principal payments are required to be expensed as a current period cost. The amounts expensed were \$1,220,401 in 2007, \$1,269,705 in 2008 and \$2,118,002 in 2009.

For the past several years the Utility, in a good faith effort to address concerns that the City raised during contract discussions regarding I&I during wet weather conditions, expended considerable funds to alleviate these issues. These projects were one-time expenditures that were funded with available cash. These costs were \$484,200 in 2007, \$2,302,550 in 2008

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

and \$149,260 in 2009. The Utility also expended \$5,097,575, from cash reserves, to construct a major infrastructure improvement and subsequently spent \$260,000 in legal fees in 2009 to safeguard the sewer service area surrounding that improvement. These are considered non-recurring expenditures.

The Greenwood Board of Public Works and Safety (Board), the oversight board for the Utility, has the philosophy that Utility rates should not be increased, during difficult economic conditions, until savings have been depleted to a reasonable level. The Board indicated that future long-lived projects would be funded with long-term debt. The Greenwood Common Council has passed a rate increase to be effective with the December 2010 billing; this will address concerns of cash flow issues within the general fund.

2. On November 4, 2010, the City of Greenwood, Indiana issued \$12,710,000 of Sewage Works Refunding Revenue Bonds of 2010, Series A and \$2,655,000 of Sewage Works Revenue Bonds of 2010, Series B. The Series A Bonds were issued for the current refunding of \$425,000 of current outstanding Sewage Works Revenue and Refunding Revenue Bonds of 1997, Series A, dated December 1, 1997, \$3,930,000 of currently outstanding Sewage Works Revenue and Refunding Bonds of 1997, Series B, dated December 1, 1997, and \$8,160,000 of currently outstanding Sewage Works Revenue and Refunding Bonds of 1998, Series C, dated December 1, 1998. The Refunded Bonds were originally issued to finance the cost of certain improvements and extensions to the City's sewage works. The Series B bonds were issued for the purpose of providing funds to pay the cost of purchasing wastewater treatment capacity from the City of Indianapolis, Indiana. The Bonds will also be used to pay issuance costs.

D. Rate Structure

Wastewater Utility

The current rate structure was approved by the City Council on May 2, 2003. The Utility has approximately 25,800 customers.

E. Other Postemployment Benefits

Single-Employer Defined Benefit Healthcare Plan

Plan Description

The City provides postemployment health benefits, as authorized Indiana Code 5-10-8, to all employees who retire from the City on or after attaining specified age with at least 20 years of service. Currently, nine retirees meet these eligibility requirements. The City provides the cost of these postemployment benefits that exceeds 50% of the monthly health insurance premium. Disbursements for those postemployment benefits include insurance premiums and benefit payments under the City's self-insurance plan and are on a pay-as-you-go basis. Disbursements for postemployment benefits cannot be reasonably estimated.

Funding Policy

The contribution requirements of plan members are established by the City's Common Council. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2009, the City contribution to the plan cannot be determined.

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

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) expense has not been calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The City has not engaged an actuary to perform an actuarial valuation of the plan.

Funded Status and Funding Progress

As of December 31, 2009, the plan was not funded and is on a pay-as-you-go basis. An actuarial valuation has not been performed, consequently, the unfunded actuarial accrued liability for benefits is unknown.

F. Pension Plan

Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

Public Employees' Retirement Fund

Plan Description

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

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 432,150
Interest on net pension obligation	(793)
Adjustment to annual required contribution	904
Annual pension cost	432,261
Contributions made	427,012
Increase in net pension obligation	5,249
Net pension obligation, beginning of year	(10,941)
Net pension obligation, end of year	\$ (5,692)
Contribution rates:	
Utility	7%
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	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	5.00%
Attributed to inflation	4.00%
Attributed to merit/seniority	1.00%
Cost-of-living adjustments	2.00%

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

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	06-30-07	\$ 387,636	86%	\$ (8,357)
	06-30-08	398,058	101%	(10,941)
	06-30-09	432,261	99%	(5,692)

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)
07-01-07	\$ 4,477,577	\$ 5,644,589	\$ (1,167,012)	79%	\$ 5,446,536	21%
07-01-08	5,067,704	6,394,417	(1,326,713)	79%	5,762,005	23%
07-01-09	5,532,582	7,147,358	(1,614,776)	77%	6,365,614	25%

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

WASTEWATER UTILITY  
CITY OF GREENWOOD  
AUDIT RESULTS AND COMMENTS

TEMPORARY TRANSFER OF FUNDS

A temporary transfer of \$1,200,000 was made in 2009 from the Sewer Availability Fee Fund to the Sewage Works Operating Fund without an ordinance or resolution.

IC 36-1-8-4 concerning temporary transfer states in part:

"(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision . . . except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period . . . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

OLD OUTSTANDING CHECKS (WARRANTS)

As stated in the prior Report B35522, our review of the bank reconcilements as of December 31, 2009, revealed checks outstanding in excess of two years.

IC 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."

IC 5-11-10.5-3 states:

"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; (1) board of finance of the political subdivision; or (2) 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."

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

IC 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."

If the outstanding check is an overpayment of sewer fees, a stop payment should be made on the check at the bank, and the check should be receipted back into the fund it was paid from. That customer's account should then be adjusted to reflect the overpayment still owed to the customer. Any wastewater overpayment that remains unclaimed by a payor for more than seven (7) years after the termination of the service for which overpayment was made becomes the property of the municipality. [IC 36-9-23-28.5]

CONDITION OF RECORDS

As stated in the prior Report B35522, the detail records presented for audit of the Wastewater Customer Accounts Relievable at December 31, 2009, did not agree to the balance in the General Ledger. An unknown variance of \$29,631.68 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)

WASTEWATER UTILITY  
CITY OF GREENWOOD  
EXIT CONFERENCE

The contents of this report were discussed on March 3, 2011, with Charles E. Henderson, Mayor; Jeannine Meyers, Clerk-Treasurer; and Arnold Kaptain, Office Manager. The officials concurred with our audit findings.