



**FINANCIAL MANAGEMENT REPORT**  
FOR CALENDAR YEAR ENDED DECEMBER 31, 2020

**Town of Greenville, Indiana**  
(SEWER UTILITY)

October 18, 2021

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October 18, 2021

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Town of Greenville  
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## CONSULTANTS' FINANCIAL MANAGEMENT REPORT

This report is directed toward providing information for your review and consideration relative to the financial management of the Greenville (Indiana) Municipal Wastewater Utility (the "Utility"). The report is designed to provide information that may be helpful to Town officials in their role as managers of the Utility.

In the preparation of these schedules, assumptions were made as noted regarding certain future events. As is the case with such assumptions regarding future events and transactions, some or all may not occur as expected, and the resulting differences could be material. We have no responsibility to prepare subsequent reports or update the schedules.

*Baker Tilly Municipal Advisors, LLC*

## **GREENVILLE (INDIANA) MUNICIPAL SEWAGE WORKS**

### **EXECUTIVE SUMMARY**

After compiling and analyzing the financial data for the years 2018, 2019 and 2020 we suggest that the Town implement the following changes to the Sewage Works:

- Allocate as appropriate: salaries, benefits, and insurance from the water utility to the Sewage Works
- Properly accounting for the service contract with Astbury clearly delineating the normal recurring monthly service fee from the non-recurring sewer repairs and maintenance. In addition, recording the transaction activity in proper accounts that follow the State Board of Accounts (SBOA) prescribed accounting structure.
- Establish an improvement or depreciation fund to allow for the replacement or investment of assets
- Establish a periodic maintenance fund to build up funds for on-going maintenance of the Sewage Works

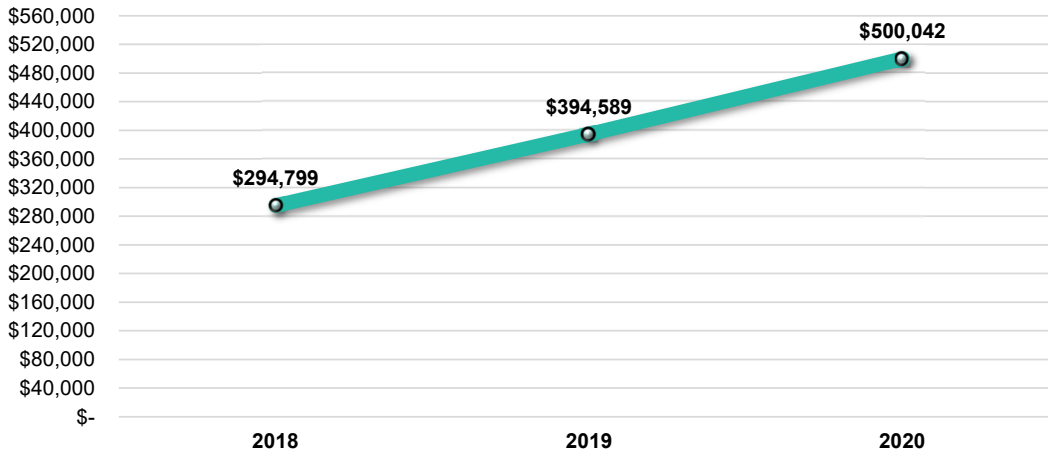
**GREENVILLE (INDIANA) MUNICIPAL SEWER UTILITY**

**FINANCIAL MANAGEMENT REPORT**

**Historical Financial Health**

In analyzing the financial health of the Greenville (Indiana) Municipal Sewer Utility (the "Utility"), we start by understanding where the Utility has been in order to identify strengths, weaknesses, and trends. We have reviewed the last three years (2018-2020) of historical financial activity of the Utility. Fund balances (cash and investment balances) increased steadily from 2018 through 2020 as shown in Table 1. We will detail the drivers of this change in fund balance throughout this report.

**Table 1**  
**Fund Balance History**



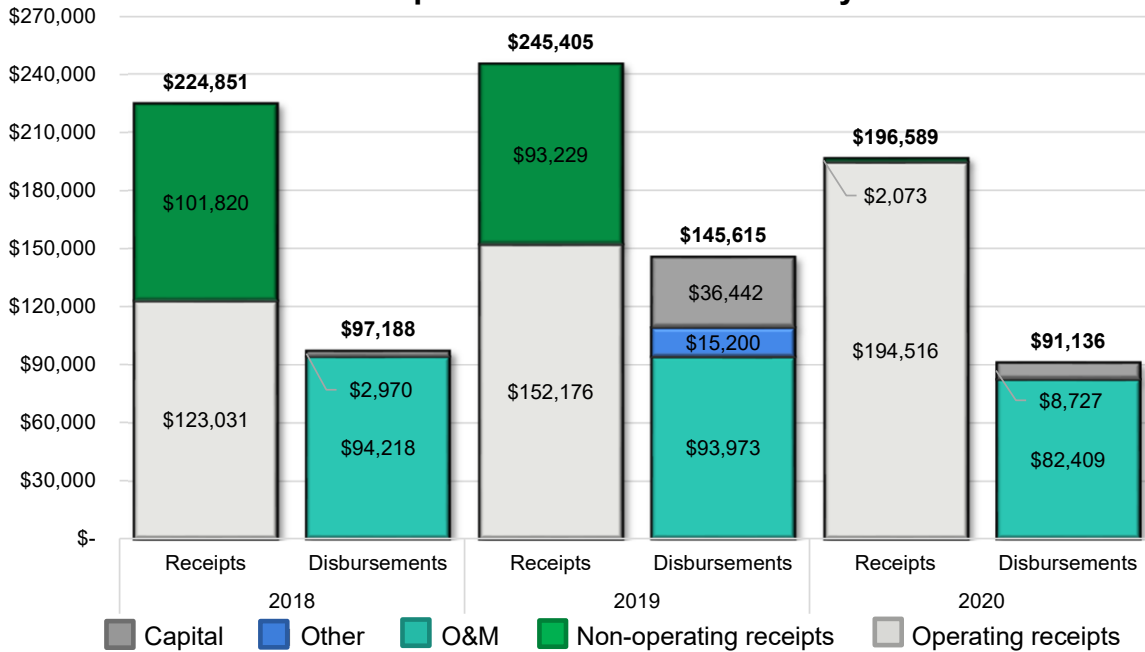
Fund balances are a result of receipt and disbursement activity over time. Spending more money than is received in any accounting period results in fund balances diminishing and vice-versa. For the past three years, Utility receipts have primarily consisted of sewage collections and penalties (operating receipts) as well as tap fees and interest (non-operating receipts). Disbursements consist of day-to-day operating costs (Utilities, office supplies, repairs & maintenance, etc.), and investment in capital improvements (land, buildings, etc.).

(Subject to the attached letter of Baker Tilly Municipal Advisors dated October 18, 2021)

**GREENVILLE (INDIANA) MUNICIPAL SEWER UTILITY**

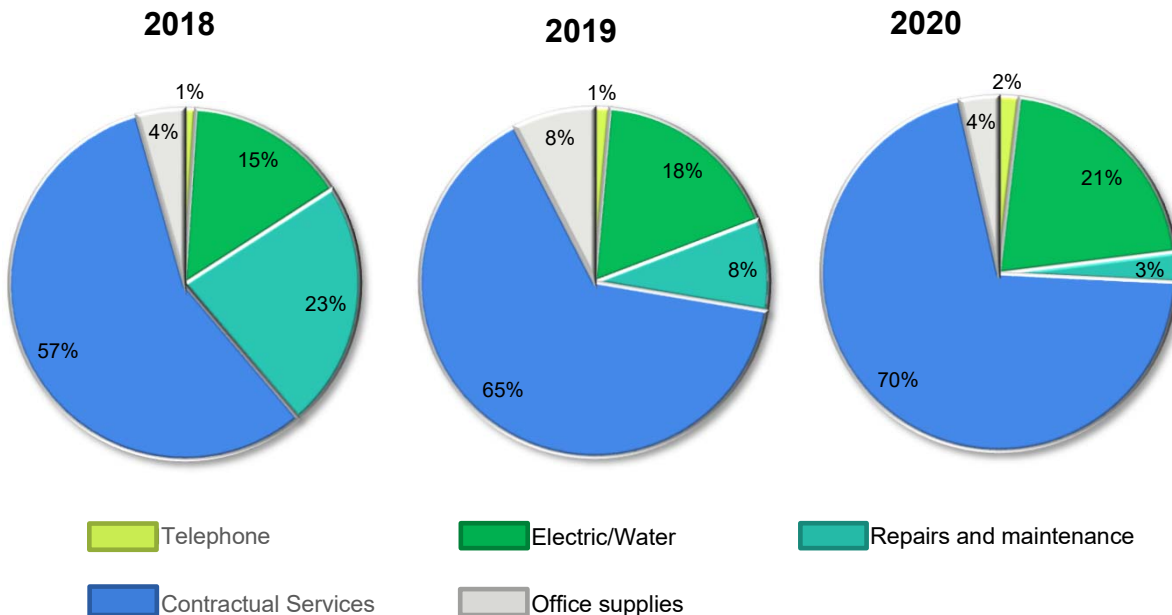
**FINANCIAL MANAGEMENT REPORT**

**Table 2  
Receipt and Disbursement History**



As shown above in table 2, total receipts have outpaced total disbursements in each of the last three years. Over half of the annual disbursements go towards annual operation and maintenance costs, while the remaining goes towards capital improvements. Table 3 is a breakdown of historical operating costs by category. Utilities and contractual services are the largest operating costs of the Utility. Both increasing in 2019 and 2020 due to various projects.

**Table 3  
Operating Disbursement Analysis**



(Subject to the attached letter of Baker Tilly Municipal Advisors dated October 18, 2021)

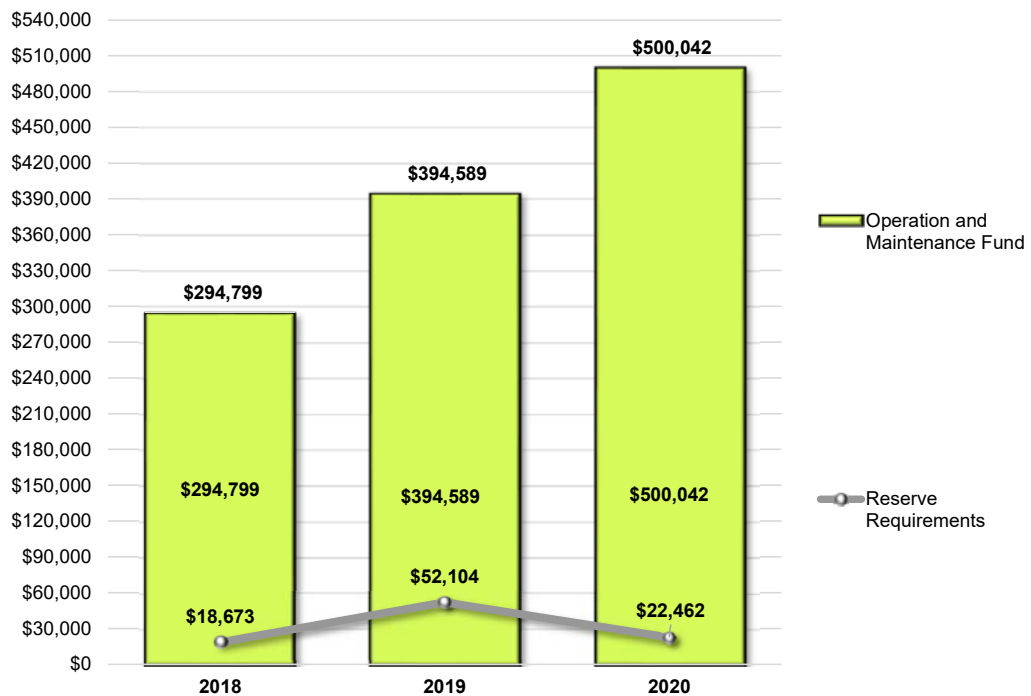
# GREENVILLE (INDIANA) MUNICIPAL SEWER UTILITY

## FINANCIAL MANAGEMENT REPORT

### Current Financial Health

As of December 31, 2020, total fund balances of the Utility were \$500,042. In analyzing the adequacy of this balance, we compared it to recommended reserve balances. Recommended reserves are based on minimum reserve levels per industry best practices (such as reserving one year's capital spending). Recommended reserves should be viewed as minimum acceptable balances, and to the extent fund balances exceed those reserve requirements, the additional dollars are available for future capital needs or other revenue requirements of the Utility.

**Table 4**  
**Fund Balances vs. Recommended Reserves**



In 2018, 2019 and 2020 the sewage works outpaced the recommended reserves for each year. The recommended reserves are based on two months of operating and the total capital improvements in each of the respective years.

(Subject to the attached letter of Baker Tilly Municipal Advisors dated October 18, 2021)

**GREENVILLE (INDIANA) MUNICIPAL SEWER UTILITY**

**FINANCIAL MANAGEMENT REPORT**

Year-end is also a good time to analyze accuracy and performance. Since the Sewage Works does not have a 2020 budget to do this we compared the 2020 financials to 2019 financials.

**Table 5**  
**Receipts**

	2020 Actual	2019 Actual	Comparison	
			Dollar	Percentage
<b>Operating Receipts:</b>				
Sewage Collections	\$193,214	\$149,975	\$43,239	
Penalties	1,102	2,201	(1,099)	
Meter Deposit	200	-	200	
Subtotal	<u>194,516</u>	<u>152,176</u>	<u>42,340</u>	<u>27.8%</u>
<b>Non-Operating Receipts:</b>				
Tap fees	-	52,000	(52,000)	
Interest	2,073	2,931	(858)	
Transfers	-	38,298	(38,298)	
Subtotal	<u>2,073</u>	<u>93,229</u>	<u>(91,156)</u>	<u>-97.8%</u>
<b>Total Receipts</b>	<u>\$196,589</u>	<u>\$245,405</u>	<u>(\$48,816)</u>	<u>-19.9%</u>

Operating receipts outpaced 2019 actual by \$42,240. The transfers for 2019 being the cause, which appear to be a timing issue with the recording of the transfers of receipts being moved from the Water Utility's Operating Fund. Overall, total receipts for 2020 were less than 2019 due to no recorded tap fees in 2020 and no recorded transfers.

(Subject to the attached letter of Baker Tilly Municipal Advisors dated October 18, 2021)



**GREENVILLE (INDIANA) MUNICIPAL SEWER UTILITY**

**FINANCIAL MANAGEMENT REPORT**

**Table 6  
Operating Disbursements**

	2020 Actual	2019 Actual	Comparison	
			Dollar	Percentage
Telephone	\$1,510	\$1,328	\$182	
Electric/Water	17,291	16,718	573	
Repairs and maintenance	2,235	7,958	(5,723)	
Contractual services	57,649	60,862	(3,213)	
Office supplies	3,724	7,107	(3,383)	
<b>Total O&amp;M</b>	<b>\$82,409</b>	<b>\$93,973</b>	<b>(\$11,564)</b>	<b>-12.3%</b>

Operating disbursements decreased by \$11,564 in 2020. This is primarily due to the decrease in repairs and maintenance. Office supplies and contractual services also decreased slightly. As shown above, no employee salaries or benefits are allocated to the Sewage Works.

**Table 7  
Debt Service**

	2020 Actual	2020 Budget	Comparison	
			Dollar	Percentage
Principal	\$ -	\$ -	\$ -	
Interest	-	-	-	
<b>Total Debt Service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0%</b>

The Utility had no outstanding debt.

**Table 8  
Capital**

	2020 Actual	2019 Actual	Comparison	
			Dollar	Percentage
Capital Improvements	\$8,727	\$36,442	(\$27,715)	-76.1%

Capital decreased by \$27,715.

**GREENVILLE (INDIANA) MUNICIPAL SEWER UTILITY**

**FINANCIAL MANAGEMENT REPORT**

In total for 2020, the Utility experienced a positive cash flow of \$105,453 as shown below.

	<b>2020</b>	<b>2019</b>	<b>Variance</b>
	<b><u>Actual</u></b>	<b><u>Actual</u></b>	
Receipts (Table 5)	\$196,589	\$245,405	(\$48,816)
Operating disbursements (Table 6)	(82,409)	(93,973)	11,564
Non-operating disbursements	-	(15,200)	15,200
Debt service (Table 7)	-	-	-
Capital (Table 8)	<u>(8,727)</u>	<u>(36,442)</u>	<u>27,715</u>
 Change in Cash and Investments	<u><u>\$105,453</u></u>	<u><u>\$99,790</u></u>	<u><u>\$5,663</u></u>

**Estimated Future Health**

**Table 9**  
**Estimated Receipts**

	<b>2020</b>	<b>Estimated</b>				
	<b>Actual</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>Operating Receipts:</b>						
Sewage Collections	\$193,214	\$193,000	\$193,000	\$193,000	\$193,000	\$193,000
Penalties	1,102	2,200	2,200	2,200	2,200	2,200
Meter Deposit	200	-	-	-	-	-
Subtotal	<u>194,516</u>	<u>195,200</u>	<u>195,200</u>	<u>195,200</u>	<u>195,200</u>	<u>195,200</u>
<b>Non-Operating Receipts:</b>						
Interest	2,073	2,000	2,000	2,000	2,000	2,000
Subtotal	<u>2,073</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
 Total Receipts	<u><u>\$196,589</u></u>	<u><u>\$197,200</u></u>	<u><u>\$197,200</u></u>	<u><u>\$197,200</u></u>	<u><u>\$197,200</u></u>	<u><u>\$197,200</u></u>

Estimated receipts are based on historical trends and assume no rate adjustment or change in customer base.

(Subject to the attached letter of Baker Tilly Municipal Advisors dated October 18, 2021)

**GREENVILLE (INDIANA) MUNICIPAL SEWER UTILITY**

**FINANCIAL MANAGEMENT REPORT**

**Table 10**  
**Estimated Operating Disbursements**

	<b>2020</b>	<b>Estimated</b>				
	<b>Actual</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Telephone	\$1,510	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
Electric/Water	17,291	17,000	17,500	18,000	18,500	19,100
Repairs and maintenance	2,235	5,100	5,300	5,500	5,700	5,900
Contractual Services	57,649	59,300	61,100	62,900	64,800	66,700
Office supplies	3,724	5,400	5,600	5,800	6,000	6,200
<b>Total O&amp;M</b>	<b>\$82,409</b>	<b>\$88,300</b>	<b>\$91,000</b>	<b>\$93,700</b>	<b>\$96,500</b>	<b>\$99,400</b>

The O&M budget was calculated based on historical activity, a two year average of 2020 and 2019, and input from Utility management. As shown in Table 11, the Utility has no outstanding debt. This allows the opportunity to support a larger share of O&M costs. Years 2021 through 2025 estimate a 3% inflationary increase in O&M costs.

**Table 11**  
**Estimated Debt Service**

	<b>2019</b>	<b>Estimated</b>				
	<b>Actual</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-	-
<b>Total Debt Service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The Utility does not have bonds outstanding resulting in a \$0 budget.

(Subject to the attached letter of Baker Tilly Municipal Advisors dated October 18, 2021)

**GREENVILLE (INDIANA) MUNICIPAL SEWER UTILITY**

**FINANCIAL MANAGEMENT REPORT**

**Table 12**  
**Estimated Capital**

	<b>2020</b>	<b>Estimated</b>				
	<b>Actual</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Capital Improvements	\$8,727	\$16,000	\$245,700	\$43,350	\$28,350	\$28,350
<b>Total Capital</b>	<b>\$8,727</b>	<b>\$16,000</b>	<b>\$245,700</b>	<b>\$43,350</b>	<b>\$28,350</b>	<b>\$28,350</b>

Capital improvements for years 2021 through 2025 are estimates per Utility management. Refer to page 14 for additional detail on capital needs.

In summary, assuming no rate adjustments or customer growth, we estimate the Utility will experience positive cash flows in each of the next five years.

	<b>2020</b>	<b>Estimated</b>				
	<b>Actual</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Receipts (Table 9)	\$196,589	\$197,200	\$197,200	\$197,200	\$197,200	\$197,200
Operating disbursements (Table 10)	(82,409)	(88,300)	(91,000)	(93,700)	(96,500)	(99,400)
Debt service (Table 11)	-	-	-	-	-	-
Capital (Table 12)	(8,727)	(16,000)	(245,700)	(43,350)	(28,350)	(28,350)
<b>Change in Cash and Investments</b>	<b>\$105,453</b>	<b>\$92,900</b>	<b>(\$139,500)</b>	<b>\$60,150</b>	<b>\$72,350</b>	<b>\$69,450</b>

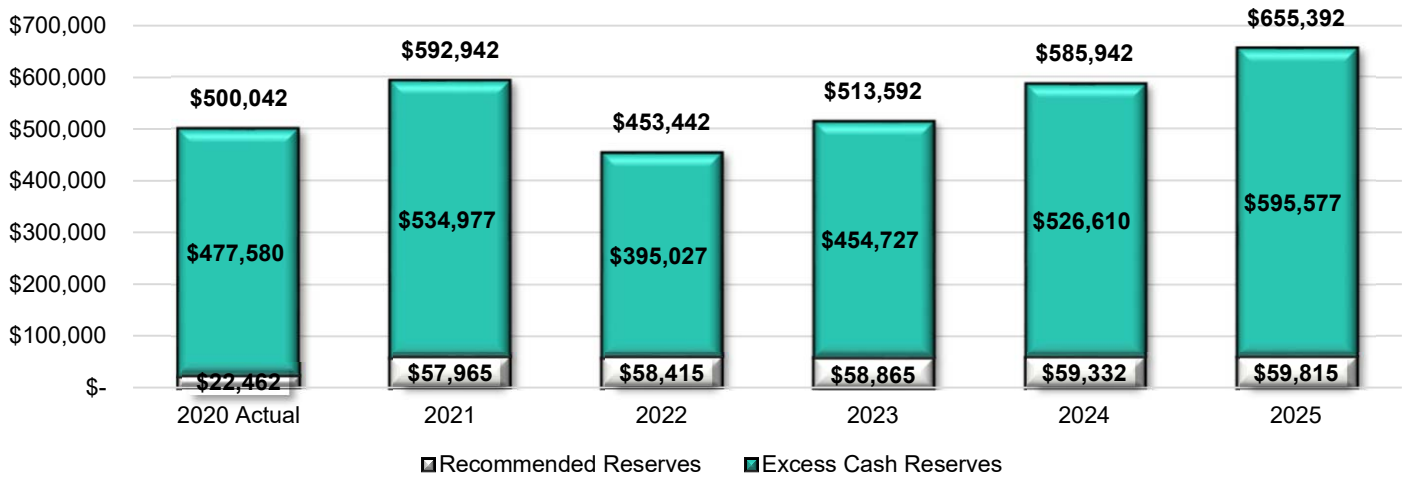
(Subject to the attached letter of Baker Tilly Municipal Advisors dated October 18, 2021)

**GREENVILLE (INDIANA) MUNICIPAL SEWER UTILITY**

**FINANCIAL MANAGEMENT REPORT**

The estimated impact on fund balances can be seen below in Table 12. Fund balances are anticipated to decrease in 2022 driven by the immediate capital improvement needs but then rise as a result of the positive estimated future cash flows in the subsequent years

**Table 13**  
**Estimated Fund Balances vs. Recommended Reserves**

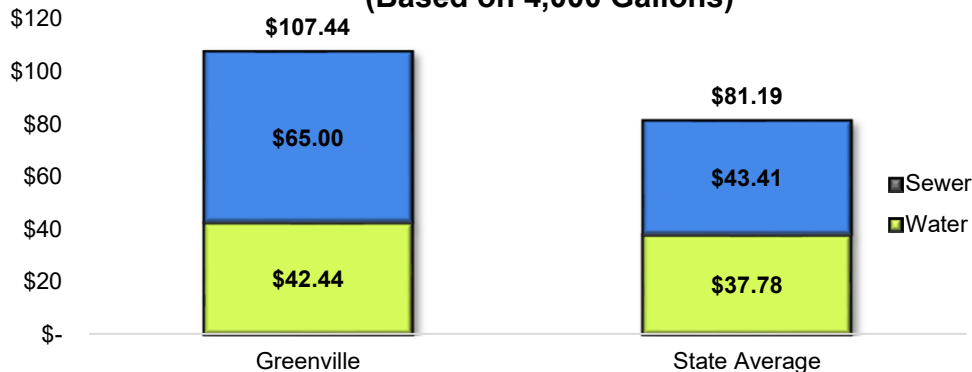


**Conclusion**

Based on the current assumptions as provided herein, it appears that the current schedule of rates and charges is adequate to generate revenues to operate the Utility, invest in capital, and build fund balances.

Decision makers and rate payers often want to know how their Utility rates compare. Comparisons are a great reference point, but there are a number of factors that should be considered to put a rate comparison in perspective. These factors include debt, regulatory requirements, and utility size. Table 13 compares Greenville's water and sewer rates to State averages from 2015-2018 for similar sized towns. The State averages shown includes 107 municipalities for water and 117 municipalities for sewer. The water rates include public hydrant surcharges.

**Table 14**  
**Comparison of Combined Rates**  
**(Based on 4,000 Gallons)**



(Subject to the attached letter of Baker Tilly Municipal Advisors dated October 18, 2021)

**GREENVILLE (INDIANA) MUNICIPAL SEWER UTILITY**

**COMPARATIVE SCHEDULE OF SELECTED FINANCIAL  
INFORMATION ARISING FROM CASH TRANSACTIONS**

	<b>As of</b>		
	<b><u>12/31/2018</u></b>	<b><u>12/31/2019</u></b>	<b><u>12/31/2020</u></b>
<u>Cash and Cash Equivalents:</u>			
Operation and Maintenance Fund	<u>\$294,799</u>	<u>\$394,589</u>	<u>\$500,042</u>
 Total Cash and Cash Equivalents	<u>\$294,799</u>	<u>\$394,589</u>	<u>\$500,042</u>

(Subject to the attached letter of Baker Tilly Municipal Advisors dated October 18, 2021)

**GREENVILLE (INDIANA) MUNICIPAL SEWER UTILITY**

**COMPARATIVE SCHEDULE OF CASH  
RECEIPTS AND DISBURSEMENTS**

	<b>For the Calendar Years Ended</b>		
	<b><u>12/31/2018</u></b>	<b><u>12/31/2019</u></b>	<b><u>12/31/2020</u></b>
Operating Receipts:			
Sewage Collections	\$120,880	\$149,975	\$193,214
Penalties	2,151	2,201	1,102
Meter Deposit	-	-	200
Total operating receipts	<u>123,031</u>	<u>152,176</u>	<u>194,516</u>
Operating Disbursements:			
Telephone	995	1,328	1,510
Electric/Water	14,123	16,718	17,291
Repairs and maintenance	21,818	7,958	2,235
Contractual Services	53,090	60,862	57,649
Office supplies	4,192	7,107	3,724
Total operating disbursements	<u>94,218</u>	<u>93,973</u>	<u>82,409</u>
Net operating receipts	<u>28,813</u>	<u>58,203</u>	<u>112,107</u>
Non-Operating Receipts:			
Tap fees	68,000	52,000	-
Transfers*	24,607	38,298	-
Other	7,600	-	-
Interest	1,613	2,931	2,073
Total non-operating receipts	<u>101,820</u>	<u>93,229</u>	<u>2,073</u>
Non-Operating Disbursements:			
Capital improvements	2,970	36,442	8,727
Other	-	15,200	-
Total non-operating disbursements	<u>2,970</u>	<u>51,642</u>	<u>8,727</u>
Increase (decrease) in cash and cash equivalents	127,663	99,790	105,453
Beginning cash and cash equivalents balance	<u>167,136</u>	<u>294,799</u>	<u>394,589</u>
Ending cash and cash equivalents balance	<u><u>\$294,799</u></u>	<u><u>\$394,589</u></u>	<u><u>\$500,042</u></u>

\*Transfers to the operating fund are listed as adjustments on the Revenue Detail History.

(Subject to the attached letter of Baker Tilly Municipal Advisors dated October 18, 2021)

**GREENVILLE (INDIANA) MUNICIPAL SEWER UTILITY**

**SCHEDULE OF CAPITAL IMPROVEMENTS**  
(Per Utility Management and the Consulting Engineer)

Project	Priority	Calendar Year										Totals
		2022	2023	2024	2025	2026	2027	2028	2029	2030		
Miscellaneous	Immediate	\$10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$10,000
New UV system	Immediate	30,000	-	-	-	-	-	-	-	-	-	30,000
Hydrosieve screen/building	Immediate	35,000	-	-	-	-	-	-	-	-	-	35,000
Building over screen	Immediate	15,000	-	-	-	-	-	-	-	-	-	15,000
Replace existing VFD units	Immediate	30,000	-	-	-	-	-	-	-	-	-	30,000
Maintenance on blowers	Immediate	11,000	-	-	-	-	-	-	-	-	-	11,000
New PLC	Immediate	25,000	-	-	-	-	-	-	-	-	-	25,000
Pave existing entrance driveway	Immediate	6,000	-	-	-	-	-	-	-	-	-	6,000
Drainage/ erosion control improvements	Immediate	20,000	-	-	-	-	-	-	-	-	-	20,000
Contingencies for 2022 projects	Immediate	36,400	-	-	-	-	-	-	-	-	-	36,400
Engineering and professional fees for 2022 fees	Immediate	27,300	-	-	-	-	-	-	-	-	-	27,300
Add aeration system at influent lift station	2-5 Years	-	15,000	-	-	-	-	-	-	-	-	15,000
In line communitors at influent LS	2-5 Years	-	18,000	18,000	18,000	18,000	18,000	-	-	-	-	90,000
Sludge dewatering pad	2-5 Years	-	3,000	3,000	3,000	3,000	3,000	-	-	-	-	15,000
Contingencies and engineering	2-5 Years	-	7,350	7,350	7,350	7,350	7,350	-	-	-	-	36,750
Expand plant to 200,000 gpd	5+ years	-	-	-	-	-	-	30,000	-	2,430,000	-	2,460,000
Less projects assumed to be bond funded		-	-	-	-	-	-	-	-	(2,430,000)	-	(2,430,000)
<b>Totals</b>		<b>\$245,700</b>	<b>\$43,350</b>	<b>\$28,350</b>	<b>\$28,350</b>	<b>\$28,350</b>	<b>\$28,350</b>	<b>\$30,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$432,450</b>
Divided by: 10 years												10
Average annual capital improvements												<b>\$43,245</b>

(Subject to the attached letter of Baker Tilly Municipal Advisors dated October 18, 2021)



**GREENVILLE (INDIANA) MUNICIPAL SEWER UTILITY**

**SCHEDULE OF CURRENT RATES AND CHARGES**

(Adopted November 19, 2012 per Ordinance No. 2012-WO-060)

**Fixed Monthly Rate**

\$65.00

(Subject to the attached letter of Baker Tilly Municipal Advisors dated October 18, 2021)