

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

ANNUAL FINANCIAL REPORT
2005

WATER, WASTEWATER, AND
STORM WATER UTILITIES

CITY OF NEW HAVEN
ALLEN COUNTY, INDIANA



FILED
12/18/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Brenda D. Adams	01-01-04 to 12-31-07
Mayor	Terry E. McDonald	01-01-04 to 12-31-07
President of the Board of Public Works	Terry E. McDonald	01-01-04 to 12-31-07
President of the Common Council	Harold E. West	01-01-05 to 12-31-06
Superintendent of Utilities	David L. Jones	01-01-05 to 12-31-06
Utility Office Manager	Jill N. Cain	01-01-05 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE WATER, WASTEWATER, AND STORM
WATER UTILITIES, CITY OF NEW HAVEN, ALLEN COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Water, Wastewater and Storm Water Utilities, departments of the City of New Haven, as of and for the year ended December 31, 2005. These financial statements are the responsibility of the Utilities' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I, the financial statements of the Water, Wastewater and Storm Water Utilities, City of New Haven, 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 Utilities. They do not purport to, and do not, present fairly the financial position of the City of New Haven as of December 31, 2005, 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 positions of the business-type activities for the Water, Wastewater and Storm Water Utilities as of December 31, 2005, and the respective changes in financial positions and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Utilities have not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

STATE BOARD OF ACCOUNTS

November 21, 2006

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
STATEMENT OF NET ASSETS
December 31, 2005

<u>Assets</u>	<u>Water</u>	<u>Wastewater</u>	<u>Storm Water</u>
Current assets:			
Cash and cash equivalents	\$ 455,866	\$ 749,125	\$ 860,212
Accounts receivable	161,934	173,668	72,256
Accrued revenue receivable	98,341	152,941	72,655
Other receivables	112,925	286,709	-
Interfund loan receivable	-	63,427	-
Inventories	88,244	8,553	-
Prepaid items	48,244	48,244	-
	<hr/>	<hr/>	<hr/>
Total current assets	965,554	1,482,667	1,005,123
Noncurrent assets:			
Restricted cash, cash equivalents and investments:			
Depreciation cash and investments	14,250	444,819	-
Bond and interest cash and investments	30,021	225,196	-
Construction cash and investments	1,527,082	-	-
Improvement cash and investments	282,146	-	-
Debt service reserve cash and investments	329,805	437,297	-
Customer deposits	84,373	-	-
	<hr/>	<hr/>	<hr/>
Total restricted assets:	2,267,677	1,107,312	-
Deferred charges	98,408	46,352	-
	<hr/>	<hr/>	<hr/>
Capital assets:			
Land, improvements to land and construction in progress	475,946	4,016,255	-
Other capital assets (net of accumulated depreciation)	7,106,534	8,448,130	201,737
	<hr/>	<hr/>	<hr/>
Total capital assets	7,582,480	12,464,385	201,737
	<hr/>	<hr/>	<hr/>
Total noncurrent assets	9,948,565	13,618,049	201,737
	<hr/>	<hr/>	<hr/>
Total assets	10,914,119	15,100,716	1,206,860
	<hr/>	<hr/>	<hr/>
Liabilities			
Current liabilities:			
Accounts payable	52,248	59,871	3,875
Accrued wages payable	7,472	8,164	1,880
Interfund loan payable	-	-	63,427
Taxes payable	9,311	-	-
Compensated absences	28,481	28,653	1,631
Current liabilities payable from restricted assets:			
Customer deposits	84,373	-	-
Contracts payable	162,008	-	-
Revenue bonds payable	140,000	60,000	-
Capital leases payable	20,018	20,018	20,018
Accrued interest payable	829	76,992	829
	<hr/>	<hr/>	<hr/>
Total current liabilities	504,740	253,698	91,660
Noncurrent liabilities:			
Revenue bonds payable (net of unamortized discounts)	3,432,383	1,536,543	-
Capital leases payable	42,482	42,482	42,482
Loans payable	-	3,724,639	-
	<hr/>	<hr/>	<hr/>
Total noncurrent liabilities	3,474,865	5,303,664	42,482
	<hr/>	<hr/>	<hr/>
Total liabilities	3,979,605	5,557,362	134,142
	<hr/>	<hr/>	<hr/>
Net Assets			
Invested in capital assets, net of related debt	3,785,589	7,080,703	139,237
Restricted for debt service	359,826	662,493	-
Restricted for capital projects	1,823,478	444,819	-
Restricted for customer deposits	84,373	-	-
Unrestricted	881,248	1,355,339	933,481
	<hr/>	<hr/>	<hr/>
Total net assets	\$ 6,934,514	\$ 9,543,354	\$ 1,072,718
	<hr/>	<hr/>	<hr/>

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

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2005

	<u>Water</u>	<u>Wastewater</u>	<u>Storm Water</u>
Operating revenues:			
Metered sales	\$ 1,514,468	\$ 2,010,835	\$ -
Fire protection	204,728	-	-
Unmeasured sales	-	-	876,665
Other	<u>72,688</u>	<u>123,058</u>	<u>482</u>
 Total operating revenues	 <u>1,791,884</u>	 <u>2,133,893</u>	 <u>877,147</u>
Operating expenses:			
Source of supply and expense - operations and maintenance			
Collection system - operations and maintenance			
Salaries and wages	185,896	198,346	-
Purchased water	561,436	-	-
Purchased wastewater treatment	-	694,941	-
Ditch assessments paid by City	-	-	27,061
Purchased power	13,277	28,628	8,781
Materials and supplies	132,474	86,210	6,335
Repair and maintenance	-	-	38,154
Transportation expenses	15,712	14,066	-
Contractual services	11,407	1,997	27,161
Rents	36,795	-	25,492
Other	4,766	3,497	3,459
Administration and general			
Salaries and wages	195,894	209,302	57,099
Employee pensions and benefits	159,133	165,633	19,765
Materials and supplies - office	26,938	21,798	16,481
Contractual services	-	12,539	43,249
Utility receipts tax	23,701	-	-
Insurance expense	44,735	44,735	-
Depreciation	<u>130,319</u>	<u>122,051</u>	<u>11,514</u>
 Total operating expenses	 <u>1,542,483</u>	 <u>1,603,743</u>	 <u>284,551</u>
 Operating income	 <u>249,401</u>	 <u>530,150</u>	 <u>592,596</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	20,522	40,280	16,768
Interest expense	(2,513)	(131,978)	(829)
Rental revenue	-	99,082	-
Amortization of bond issue costs	<u>(5,789)</u>	<u>(2,897)</u>	<u>-</u>
 Total nonoperating revenues	 <u>12,220</u>	 <u>4,487</u>	 <u>15,939</u>
 Income before contributions and transfers	 261,621	 534,637	 608,535
Contributions	<u>-</u>	<u>332,628</u>	<u>-</u>
 Change in net assets	 261,621	 867,265	 608,535
Total net assets - beginning	<u>6,672,893</u>	<u>8,676,089</u>	<u>464,183</u>
Total net assets - ending	<u>\$ 6,934,514</u>	<u>\$ 9,543,354</u>	<u>\$ 1,072,718</u>

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

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
STATEMENT OF CASH FLOWS
As Of And For The Year Ended December 31, 2005

	<u>Water</u>	<u>Wastewater</u>	<u>Storm Water</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,744,331	\$ 2,027,820	\$ 851,253
Payments to suppliers and contractors	(874,775)	(829,554)	(192,298)
Payments to employees	(541,682)	(572,166)	(74,964)
Interfund services provided	-	99,082	-
Other receipts	10,975	152,014	-
	<u>338,849</u>	<u>877,196</u>	<u>583,991</u>
Net cash provided by operating activities			
Cash flows from noncapital financing activities:			
Contribution from other fund	-	200,000	-
	<u>-</u>	<u>200,000</u>	<u>-</u>
Net cash provided by noncapital financing activities			
Cash flows from capital and related financing activities:			
Proceeds from capital debt	62,500	3,787,139	62,500
Acquisition and construction of capital assets	(289,795)	(3,829,679)	(121,352)
Principal paid on capital debt	(135,000)	(55,000)	-
Interest paid on capital debt	(150,955)	(95,638)	-
	<u>(513,250)</u>	<u>(193,178)</u>	<u>(58,852)</u>
Net cash used by capital and related financing activities			
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	8,215,649	2,411,324	900,000
Purchase of investments	(8,215,649)	(2,411,324)	(900,000)
Interest received	92,133	40,280	16,768
	<u>92,133</u>	<u>40,280</u>	<u>16,768</u>
Net cash used by investing activities			
Net increase in cash and cash equivalents	(82,268)	924,298	541,907
Cash and cash equivalents, January 1	<u>2,805,811</u>	<u>932,139</u>	<u>318,305</u>
Cash and cash equivalents, December 31	<u>\$ 2,723,543</u>	<u>\$ 1,856,437</u>	<u>\$ 860,212</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 249,401	\$ 530,150	\$ 592,596
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	130,319	122,051	11,514
Nonoperating income	-	99,082	-
(Increase) decrease in assets:			
Accounts receivable	(55,102)	(74,745)	(25,439)
Accounts receivable - other	10,975	152,014	-
Accrued revenue receivable	7,549	(31,328)	(455)
Interfund loans	-	84,570	-
Inventories	(14,758)	(650)	-
Prepaid items	2,313	2,313	-
Increase (decrease) in liabilities:			
Accounts payable	6,369	(7,376)	3,875
Accrued wages payable	749	730	1,379
Taxes payable	567	-	-
Compensated absence payable	(1,508)	385	521
Customer deposits	1,975	-	-
	<u>89,448</u>	<u>347,046</u>	<u>(8,605)</u>
Total adjustments			
Net cash provided by operating activities	<u>\$ 338,849</u>	<u>\$ 877,196</u>	<u>\$ 583,991</u>
Noncash investing, capital and financing activities:			
Borrowing under capital lease	\$ 62,500	\$ 62,500	\$ 62,500
Contributions of capital assets from government	-	132,628	-
Purchase of capital asset on account	162,008	-	-

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

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
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 City of New Haven (City), and the results of its operations and cash flows of its enterprise funds. The Utilities, 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 on the cash basis of accounting. Under the cash basis of accounting, revenues are recognized when cash is received and expenses are recognized when cash is disbursed.

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. The activity has been classified Class (A or B), requiring full accrual accounting records, by the National Association of Regulatory Utility Commissioners. However, the Utilities continue to maintain Class C (cash basis) accounts.

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.

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Open-end mutual funds are reported at fair value.

Money market investments that mature within one year or less at the date of their acquisition are reported at amortized cost. Other money market investments are reported at fair value.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of business-type 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 the 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 their use is limited by certain 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>
Buildings	\$ 5,000	Straight-line	75 years
Improvements other than buildings	5,000	Straight-line	25 to 100 years
Machinery and equipment	5,000	Straight-line	5 to 20 years
Transportation equipment	5,000	Straight-line	10 years

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

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 Water, Wastewater and Storm Water Utilities during the current year was \$150,955, \$86,272, and \$0, respectively. Of the amount, \$79,284, \$9,366, and \$0, respectively, was included as part of the cost of capital assets under construction in connection with Water Utility and Wastewater Utility Projects.

5. Compensated Absences

- a. Sick Leave – Utility employees earn sick leave at the rate of 10 days per year. Unused sick leave may be accumulated to a maximum of 60 days. Accumulated sick leave is paid to employees, at the rate of 10%, through cash payments, upon termination with greater than 10 years of service.
- b. Vacation Leave – Utility employees earn vacation leave at rates from 10 days to 20 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year. Unused vacation leave is paid to employees through cash payments upon termination.
- c. Personal Leave – Utility employees earn personal leave at the rate of 5 days per year. Personal leave does not accumulate from year to year. Accumulated personal leave is not paid to employees 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

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. At December 31, 2005, the bank balance held at Wells Fargo Bank in the amount of in the amount of \$5,440,192 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-Utilities' names.

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2005, the Utilities had the following investments:

Investment Type	Primary Government Market Value
Repurchase agreements	\$ 5,440,192

Investment Policies

Indiana Code 5-13-9 authorizes the Utilities 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 unit 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 Utilities 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 Utilities may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit'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.

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 Utilities do not have a formal investment policy for custodial credit risk for investments. At December 31, 2005, the Utilities held investments in repurchase agreements in the amount of \$5,440,192. All investments were held by the counterparty's trust department or agent but not in the Utilities' names.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Utilities must follow state statute and limit the stated final maturities of the investments to no more than two years.

Investment Type	Investment Maturities (in Years)		
	Less Than 1	1-2	More Than 2
Repurchase agreements	\$ 5,440,192	\$ -	\$ -

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

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 Utilities do 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.

B. Receivables

The other receivable accounts have timing and credit characteristics different from typical accounts receivable. Other receivables consist of assessments receivable from landowners for water and sewer lines that were run to their properties. These assessments receivable will be paid over several years.

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

<u>Water Utility</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 11,000	\$ -	\$ -	\$ 11,000
Construction in progress	1,462,222	378,691	1,375,967	464,946
				-
Total capital assets, not being depreciated	<u>1,473,222</u>	<u>378,691</u>	<u>1,375,967</u>	<u>475,946</u>
Capital assets, being depreciated:				
Buildings	64,667	-	-	64,667
Improvements other than buildings	7,368,887	1,375,967	-	8,744,854
Machinery and equipment	122,214	35,004	-	157,218
Transportation equipment	46,739	4,695	-	51,434
				-
Totals	<u>7,602,507</u>	<u>1,415,666</u>	<u>-</u>	<u>9,018,173</u>
Less accumulated depreciation for:				
Buildings	(27,944)	(862)	-	(28,806)
Improvements other than buildings	(1,654,819)	(118,436)	-	(1,773,255)
Machinery and equipment	(71,745)	(8,326)	-	(80,071)
Transportation equipment	(26,812)	(2,695)	-	(29,507)
				-
Totals	<u>(1,781,320)</u>	<u>(130,319)</u>	<u>-</u>	<u>(1,911,639)</u>
Total capital assets, being depreciated, net	<u>5,821,187</u>	<u>1,285,347</u>	<u>-</u>	<u>7,106,534</u>
Total Water Utility capital assets, net	<u>\$ 7,294,409</u>	<u>\$ 1,664,038</u>	<u>\$ 1,375,967</u>	<u>\$ 7,582,480</u>
<u>Wastewater Utility</u>				
Capital assets, not being depreciated:				
Land	\$ 251,699	\$ -	\$ -	\$ 251,699
Construction in progress	1,024,928	3,894,602	1,154,974	3,764,556
				-
Total capital assets, not being depreciated	<u>1,276,627</u>	<u>3,894,602</u>	<u>1,154,974</u>	<u>4,016,255</u>
Capital assets, being depreciated:				
Buildings	1,924,425	-	-	1,924,425
Improvements other than buildings	6,575,960	1,154,974	-	7,730,934
Machinery and equipment	371,356	35,877	-	407,233
Transportation equipment	106,622	4,695	-	111,317
				-
Totals	<u>8,978,363</u>	<u>1,195,546</u>	<u>-</u>	<u>10,173,909</u>

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Wastewater Utility (continued)</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings	(116,332)	(38,478)	-	(154,810)
Improvements other than buildings	(1,261,739)	(71,119)	-	(1,332,858)
Machinery and equipment	(160,266)	(10,668)	-	(170,934)
Transportation equipment	(65,391)	(1,786)	-	(67,177)
Totals	<u>(1,603,728)</u>	<u>(122,051)</u>	<u>-</u>	<u>(1,725,779)</u>
Total capital assets, being depreciated, net	<u>7,374,635</u>	<u>1,073,495</u>	<u>-</u>	<u>8,448,130</u>
Total Wastewater Utility capital assets, net	<u>\$ 8,651,262</u>	<u>\$ 4,968,097</u>	<u>\$ 1,154,974</u>	<u>\$ 12,464,385</u>
<u>Storm Water Utility</u>				
Capital assets, being depreciated:				
Improvements other than buildings	\$ 163,078	\$ -	\$ -	\$ 163,078
Machinery and equipment	13,391	36,782	-	50,173
Totals	<u>176,469</u>	<u>36,782</u>	<u>-</u>	<u>213,251</u>
Less accumulated depreciation for:				
Improvements other than buildings	-	(8,154)	-	(8,154)
Machinery and equipment	-	(3,360)	-	(3,360)
Totals	<u>-</u>	<u>(11,514)</u>	<u>-</u>	<u>(11,514)</u>
Total capital assets, being depreciated, net	<u>176,469</u>	<u>25,268</u>	<u>-</u>	<u>201,737</u>
Total Storm Water Utility capital assets, net	<u>\$ 176,469</u>	<u>\$ 25,268</u>	<u>\$ -</u>	<u>\$ 201,737</u>

D. Construction Commitments

Construction work in progress is composed of the following:

<u>Project</u>	<u>Total Project Authorized</u>	<u>Expended to December 31, 2005</u>	<u>Committed</u>	<u>Required Future Funding</u>
Water Utility:				
Water contract "A"	\$ 1,041,948	\$ 334,511	\$ 907,415	\$ -
Water contract "D-1"	224,114	38,965	194,602	-
Water contract "D-2"	394,651	59,873	351,856	-
Water contract "E"	291,777	31,597	268,380	-
Total Water Utility	<u>\$ 1,952,490</u>	<u>\$ 464,946</u>	<u>\$ 1,722,253</u>	<u>\$ -</u>

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

Project	Total Project Authorized	Expended to December 31, 2005	Committed	Required Future Funding
Wastewater Utility:				
Wastewater contract "A"	\$ 900,210	\$ 842,341	\$ 872,699	\$ -
Wastewater contract "A-1"	1,437,763	1,350,764	1,315,078	-
Wastewater contract "A-2"	2,337,973	1,565,900	2,203,967	-
Wastewater New Haven Heights	76,680	3,510	4,680	-
Wastewater Sunrose Avenue	28,718	2,041	1,718	-
Total Wastewater Utility	<u>\$ 4,781,344</u>	<u>\$ 3,764,556</u>	<u>\$ 4,398,142</u>	<u>\$ -</u>

E. Interfund Balances and Activity

1. Interfund Receivables and Payables

The composition of interfund receivables and payables as of December 31, 2005, is as follows:

Due To	Due From Storm Water Utility
Wastewater Utility	<u>\$ 63,427</u>

The interfund receivables and payables resulted from an interfund loan from the Wastewater Utility to finance the establishment of the Storm Water Utility in 2004.

2. Contributions

The Wastewater Utility will receive an annual subsidy of \$200,000, per Ordinance G-04-06, from CEDIT to help repay the SRF loan payable over the next 20 years.

F. Capital Leases

The Utilities have entered into a capital lease for equipment and they are sharing the expense. Future minimum lease payments and present values of the net minimum lease payments under the capital lease as of December 31, 2005, are as follows:

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Water Utility	Wastewater Utility	Storm Water Utility
2006	\$ 22,308	\$ 22,308	\$ 22,308
2007	22,308	22,308	22,308
2008	<u>22,308</u>	<u>22,308</u>	<u>22,308</u>
Total minimum lease payments	66,924	66,924	66,924
Less amount representing interest	<u>4,424</u>	<u>4,424</u>	<u>4,424</u>
Present value of net minimum lease payments	<u>\$ 62,500</u>	<u>\$ 62,500</u>	<u>\$ 62,500</u>

The equipment to be purchased with the proceeds from the above capital lease was not actually ordered and received until early 2006. Therefore, no assets were acquired and added to capital assets for 2005. The proceeds from the capital lease were added to cash and cash equivalents at December 31, 2005.

G. Long-Term Liabilities

1. Revenue Bonds

The Utilities issue 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	Balance at Decemner 31	Less: Unamortized Discount	Revenue Bonds
2002 Water improvement projects	2.7% to 4.7%	\$ 3,600,000	\$ 27,617	\$ 3,572,383
2001 Wastewater improvement projects	3.6% to 5.2%	\$ 1,615,000	\$ 18,457	\$ 1,596,543

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2006	\$ 140,000	\$ 147,850	\$ 60,000	\$ 74,877
2007	145,000	144,070	65,000	72,563
2008	150,000	139,720	65,000	70,044
2009	160,000	134,845	70,000	67,343
2010	165,000	129,246	75,000	64,350
2011-2015	965,000	544,817	425,000	268,609
2016-2020	1,260,000	318,270	575,000	148,582
2021-2025	<u>615,000</u>	<u>43,410</u>	<u>280,000</u>	<u>14,786</u>
Totals	<u>\$ 3,600,000</u>	<u>\$ 1,602,228</u>	<u>\$ 1,615,000</u>	<u>\$ 781,154</u>

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Loans Payable

The Wastewater Utility has entered into a State Revolving Fund (SRF) loan. At December 31, 2005, the Wastewater Utility had drawn down \$3,724,639 of the \$ 4,100,000 available loan money, with the remainder being drawn down in 2006. Annual debt service requirements to maturity for the entire \$4,100,000 SRF loan, including interest of \$1,710,884, are as follows:

	Wastewater Utility	
	Principal	Interest
2006	\$ -	\$ 141,040
2007	145,000	138,546
2008	150,000	133,472
2009	155,000	128,226
2010	160,000	122,808
2011-2015	895,000	666,000
2016-2020	1,060,000	357,830
2021-2025	1,255,000	159,186
2026	280,000	4,816
Totals	\$ 4,100,000	\$ 1,710,884

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable:					
Water Utility	\$ 3,735,000	\$ -	\$ 135,000	\$ 3,600,000	\$ 140,000
Wastewater Utility	1,670,000	-	55,000	1,615,000	60,000
Total revenue bonds payable	5,405,000	-	190,000	5,215,000	200,000
State Revolving Fund					
Loans payable:					
Wastewater Utility	-	3,724,639	-	3,724,639	-
Leases payable:					
Water Utility	-	62,500	-	62,500	20,018
Wastewater Utility	-	62,500	-	62,500	20,018
Storm Water Utility	-	62,500	-	62,500	20,018
Total leases payable	-	187,500	-	187,500	60,054
Total long-term liabilities	\$ 5,405,000	\$ 3,912,139	\$ 190,000	\$ 9,127,139	\$ 260,054

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

H. Restricted Assets

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

	Water Utility	Wastewater Utility	Storm Water Utility
Depreciation account	\$ 14,250	\$ 444,819	\$ -
Revenue bonds and interest account	30,021	225,196	-
Revenue bond construction account	1,527,082	-	-
Improvement account	282,146	-	-
Revenue bonds debt service reserve account	329,805	437,297	-
Customer deposits account	84,373	-	-
 Total restricted assets	 \$ 2,267,677	 \$ 1,107,312	 \$ -

III. Other Information

A. Risk Management

The City, including 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; 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.

Job Related Illnesses or Injuries to Employees of the City, Including the Utilities

During 1990, the City, including the Utilities, joined together with other governmental entities in the Indiana Public Employer's Plan, Inc. (IPEP), a public entity risk pool currently operating as a common risk management and insurance program for member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of worker's compensation claims. The City pays an annual premium to the risk pool for its job related illnesses or injuries to employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. Subsequent Events

In February 2006, the Wastewater Utility issued another State Revolving Fund loan for \$7,900,000, as authorized by Common Council Ordinance G-06-01. This loan will be drawn down over the time period of 2006 and 2007. The loan will fund numerous Wastewater Utility collection, segregation and distribution projects. The loan will be repaid over a 20 year time period. The Wastewater Utility rate structure was amended in February 2006, on Ordinance G-06-02, to fund the repayment of the loan. The new wastewater rates were first billed in May 2006.

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Rate Structure

1. Water Utility

The current rate structure was approved by the Common Council on August 14, 2004. The Utility has 4,628 customers.

2. Wastewater Utility

The current rate structure was approved by the Common Council on January 11, 2005, and was subsequently amended on February 28, 2006. The Utility has 4,340 customers.

3. Storm Water Utility

The current rate structure was approved by the Common Council on April 27, 2004, and was subsequently amended on April 24, 2005. The Utility has 5,019 customers.

D. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City, 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 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 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 City's annual pension cost and related information, as provided by the actuary, is presented in this note.

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

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	\$ 150,160
Interest on net pension obligation	(6,202)
Adjustment to annual required contribution	7,068
Annual pension cost	151,026
Contributions made	165,664
Decrease in net pension obligation	(14,638)
Net pension obligation, beginning of year	(85,546)
Net pension obligation, end of year	\$ (100,184)
Contribution rates:	
Utilities	7%
Plan members	3%
Actuarial valuation date	07-01-05
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	75% of expected actuarial value plus 25% of market value
<u>Actuarial Assumptions</u>	
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
 CITY OF NEW HAVEN
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Three Year Trend Information

PERF	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
	06-30-03	\$ 149,283	87%	\$ (74,237)
	06-30-04	133,574	108%	(85,546)
	06-30-05	151,026	124%	(100,184)

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

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)
07-01-03	\$ 1,334,853	\$ 1,835,453	\$ (500,600)	73%	\$ 1,980,190	(25%)
07-01-04	1,415,813	2,018,816	(603,003)	70%	2,137,490	(28%)
07-01-05	1,547,565	2,500,013	(952,448)	62%	2,395,112	(40%)

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
EXIT CONFERENCE

The contents of this report were discussed on November 21, 2006, with Terry E. McDonald, Mayor; and Brenda D. Adams, Clerk-Treasurer. Our audit disclosed no material items that warrant comment at this time.