

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

ANNUAL FINANCIAL REPORT

2006

WATER AND WASTEWATER UTILITIES
CITY OF GOSHEN
ELKHART COUNTY, INDIANA



FILED
07/31/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Auditor's Report.....	3
Statement of Net Assets.....	4
Statement of Revenues, Expenses and Changes in Fund Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7-16
Supplementary Information: Schedule of Funding Progress	17
Exit Conference	18

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tina M. Bontrager	01-01-04 to 12-31-07
Mayor	Allan J. Kauffman	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Allan J. Kauffman	01-01-04 to 12-31-07
President of the Common Council	Everett J. Thomas	01-01-06 to 12-31-07
Superintendent of Utilities	Douglas Perry	01-01-06 to 12-31-07
Utility Office Manager	Tana Brooks	01-01-06 to 12-31-07



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE WATER AND WASTEWATER
UTILITIES, CITY OF GOSHEN, ELKHART COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Water and Wastewater Utilities (Utilities), City of Goshen, as of and for the year ended December 31, 2006. 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 and Wastewater Utilities, City of Goshen, 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 Goshen as of December 31, 2006, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities for the Water and Wastewater Utilities, as of December 31, 2006, 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.

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 a Management Discussion and Analysis, that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic, financial statements.

STATE BOARD OF ACCOUNTS

June 25, 2007

WATER AND WASTEWATER UTILITIES
CITY OF GOSHEN
STATEMENT OF NET ASSETS
December 31, 2006

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 641,608	\$ 943,546	\$ 1,585,154
Accounts receivable (net of allowance)	101,892	258,803	360,695
Inventories	<u>76,536</u>	<u>19,854</u>	<u>96,390</u>
Total current assets	<u>820,036</u>	<u>1,222,203</u>	<u>2,042,239</u>
Noncurrent assets:			
Restricted cash, cash equivalents and investments:			
Customer deposits	176,379	191,579	367,958
Revenue bond covenant accounts	403,991	1,210,814	1,614,805
Capital outlay accounts	<u>875,610</u>	<u>3,005,272</u>	<u>3,880,882</u>
Total restricted assets	<u>1,455,980</u>	<u>4,407,665</u>	<u>5,863,645</u>
Deferred charges	<u>118,870</u>	<u>150,063</u>	<u>268,933</u>
Capital assets:			
Land, improvements to land and construction in progress	239,009	1,072,249	1,311,258
Other capital assets (net of accumulated depreciation)	<u>14,136,440</u>	<u>27,118,861</u>	<u>41,255,301</u>
Total capital assets	<u>14,375,449</u>	<u>28,191,110</u>	<u>42,566,559</u>
Total noncurrent assets	<u>15,950,299</u>	<u>32,748,838</u>	<u>48,699,137</u>
Total assets	<u>16,770,335</u>	<u>33,971,041</u>	<u>50,741,376</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	62,495	92,507	155,002
Other accrued liabilities	57,100	79,859	136,959
Taxes payable	17,087	-	17,087
Current liabilities payable from restricted assets:			
Accounts payable	13,649	47,011	60,660
Customer deposits	175,379	187,579	362,958
Capital lease payable	27,796	36,996	64,792
Loan payable	-	520,000	520,000
Revenue bonds payable	290,000	480,000	770,000
Retainage payable	<u>-</u>	<u>14,219</u>	<u>14,219</u>
Total current liabilities	<u>643,506</u>	<u>1,458,171</u>	<u>2,101,677</u>
Noncurrent liabilities:			
Revenue bonds payable (net of unamortized discounts or premiums)	4,600,782	8,724,579	13,325,361
Loan payable	-	3,580,000	3,580,000
Contract payable - NIPSCO	-	9,495	9,495
Compensated absences payable	20,007	36,765	56,772
Capital leases payable	69,613	89,029	158,642
Deferred revenue	<u>55,847</u>	<u>99,246</u>	<u>155,093</u>
Total noncurrent liabilities	<u>4,746,249</u>	<u>12,539,114</u>	<u>17,285,363</u>
Total liabilities	<u>5,389,755</u>	<u>13,997,285</u>	<u>19,387,040</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	8,861,616	14,217,895	23,079,511
Restricted for debt service	403,991	1,210,814	1,614,805
Restricted for customer deposits	176,379	191,579	367,958
Restricted for capital outlay	875,610	3,005,272	3,880,882
Unrestricted	<u>1,062,984</u>	<u>1,348,196</u>	<u>2,411,180</u>
Total net assets	<u>\$ 11,380,580</u>	<u>\$ 19,973,756</u>	<u>\$ 31,354,336</u>

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

WATER AND WASTEWATER UTILITIES
CITY OF GOSHEN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For The Year Ended December 31, 2006

	Water Utility	Wastewater Utility	Total
Operating revenues:			
Metered water revenue	\$ 2,946,750	\$ -	\$ 2,946,750
Industrial hydrants and sprinklers	249,357	-	249,357
Penalties	79,290	154,515	233,805
Reconnection fees	19,560	-	19,560
Taps	123,743	54,152	177,895
Inspections fees	14,025	13,250	27,275
Connection fees	16,433	18,494	34,927
Catch basin rental	-	38,546	38,546
Industrial permits	-	22,430	22,430
Measured revenue	-	5,181,950	5,181,950
Other	54,364	210,656	265,020
	<u>3,503,522</u>	<u>5,693,993</u>	<u>9,197,515</u>
Total operating revenues			
Operating expenses:			
Source of supply and expense - operations and maintenance	876,356	-	876,356
Transmission and distribution	463,442	-	463,442
Collection system - operations and maintenance	-	595,439	595,439
Treatment and disposal expense - operations and maintenance	-	1,426,634	1,426,634
Customer accounts	133,578	126,945	260,523
Administration and general	963,403	1,196,593	2,159,996
Sludge removal	-	96,996	96,996
Insurance expense	31,981	23,058	55,039
Regulatory commission expenses	-	9,500	9,500
Payment in lieu of taxes	97,417	209,750	307,167
Bad debt expense	15,013	3,156	18,169
Depreciation	467,426	1,107,066	1,574,492
	<u>3,048,616</u>	<u>4,795,137</u>	<u>7,843,753</u>
Total operating expenses			
Operating income	<u>454,906</u>	<u>898,856</u>	<u>1,353,762</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	37,228	176,998	214,226
Miscellaneous revenue	6,865	75,886	82,751
Interest expense	(248,779)	(558,573)	(807,352)
Amortization expense	(13,333)	(23,663)	(36,996)
Net loss on disposal	(22,361)	-	(22,361)
	<u>(240,380)</u>	<u>(329,352)</u>	<u>(569,732)</u>
Total nonoperating revenue (expenses)			
Income before contributions and transfers	<u>214,526</u>	<u>569,504</u>	<u>784,030</u>
Capital contributions	401,887	492,514	894,401
Transfers in	31,925	56,310	88,235
	<u>648,338</u>	<u>1,118,328</u>	<u>1,766,666</u>
Change in net assets			
Total net assets - beginning	<u>10,732,242</u>	<u>18,855,428</u>	<u>29,587,670</u>
Total net assets - ending	<u>\$ 11,380,580</u>	<u>\$ 19,973,756</u>	<u>\$ 31,354,336</u>

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

WATER AND WASTEWATER UTILITIES
CITY OF GOSHEN
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2006

	Enterprise Funds		
	Water Utility	Wastewater Utility	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 3,494,296	\$ 5,695,413	\$ 9,189,709
Payments to suppliers	(1,087,954)	(1,651,758)	(2,739,712)
Payments to employees	(1,432,223)	(2,096,061)	(3,528,284)
Other receipts (payments)	<u>9,354</u>	<u>75,886</u>	<u>85,240</u>
Net cash provided by operating activities	<u>983,473</u>	<u>2,023,480</u>	<u>3,006,953</u>
Cash flows from noncapital financing activities:			
Advances from other funds	<u>31,925</u>	<u>56,310</u>	<u>88,235</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(264,389)	(434,207)	(698,596)
Principal paid on capital debt	(307,200)	(1,000,630)	(1,307,830)
Interest paid on capital debt	(217,225)	(558,573)	(775,798)
Bond issue costs	<u>(12,545)</u>	<u>-</u>	<u>(12,545)</u>
Net cash used by capital and related financing activities	<u>(801,359)</u>	<u>(1,993,410)</u>	<u>(2,794,769)</u>
Cash flows from investing activities:			
Interest received	<u>37,228</u>	<u>176,998</u>	<u>214,226</u>
Net increase in cash and cash equivalents	251,267	263,378	514,645
Cash and cash equivalents, January 1: (Including \$1,405,632, \$301,269, and \$3,570,250 for the bond covenant account, customer deposit, and capital outlay, respectively, reported in restricted accounts)	<u>1,846,321</u>	<u>5,087,833</u>	<u>6,934,154</u>
Cash and cash equivalents, December 31: (Including \$1,614,805, \$367,958, and \$3,880,882 for the bond covenant account, customer deposit, and capital outlay, respectively, reported in restricted accounts)	<u>\$ 2,097,588</u>	<u>\$ 5,351,211</u>	<u>\$ 7,448,799</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	<u>\$ 454,906</u>	<u>\$ 898,856</u>	<u>\$ 1,353,762</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	467,426	1,107,066	1,574,492
Nonoperating revenues	9,354	75,886	85,240
(Increase) decrease in assets:			
Accounts receivable	6,098	15,875	21,973
Inventories	758	(2,979)	(2,221)
Due from other funds	28,461	-	28,461
Increase (decrease) in liabilities:			
Customer deposits	30,343	36,346	66,689
Accounts payable	(3,444)	(61,025)	(64,469)
Other payables	2,334	(40,394)	(38,060)
Taxes payable	1,373	-	1,373
Due to other funds	-	(28,461)	(28,461)
Compensated absence payable	1,188	36,765	37,953
Deferred revenue	<u>(15,324)</u>	<u>(14,455)</u>	<u>(29,779)</u>
Total adjustments	<u>528,567</u>	<u>1,124,624</u>	<u>1,653,191</u>
Net cash provided by operating activities	<u>\$ 983,473</u>	<u>\$ 2,023,480</u>	<u>\$ 3,006,953</u>
Noncash investing, capital and financing activities:			
Assets purchased under capital lease	\$ 50,515	\$ 50,514	
Contributions of capital assets from government	401,887	492,514	
Purchase of equipment on account	13,649	47,011	
Asset purchased with retainage account	-	14,219	

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

WATER AND WASTEWATER UTILITIES
CITY OF GOSHEN
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the Water and Wastewater Utilities (Utilities) and are not intended to present fairly the position of the City of Goshen (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 and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the enterprise funds are charges to customers for sales and services. Operating expense for enterprise funds includes 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.

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

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

2. Inventories

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

WATER AND WASTEWATER UTILITIES
CITY OF GOSHEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets balance sheet because their use is limited by applicable bond covenants, service deposits, and capital and improvement purchases.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 5,000	Straight-line	20 to 40 years
Improvements other than buildings	10,000	Straight-line	40 to 50 years
Machinery and equipment	5,000	Straight-line	6 to 50 years
Transportation	5,000	Straight line	6 to 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.

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.

5. Compensated Absences

- a. Sick Leave – Employees earn sick leave at the rate of 1 day per month. Unused sick leave may be accumulated to a maximum of 90 days. Accumulated sick leave in excess of 60 days is paid to employees with a minimum of 10 years of longevity upon termination of employment.
- b. Vacation Leave – 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.
- c. Personal Leave – Employees are entitled to convert 2 days of accumulated sick leave to 2 personal leave days per year. Personal leave does not accumulate from year to year.

Sick leave is accrued when incurred and reported as a fund liability.

No liability is reported for vacation and personal leave.

WATER AND WASTEWATER UTILITIES
CITY OF GOSHEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

II. Detailed Notes on All Funds

A. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

B. Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

Water Utility	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 18,954	\$ 28,631	\$ -	\$ 47,585
Construction in progress	<u>41,539</u>	<u>149,885</u>	<u>-</u>	<u>191,424</u>
Total capital assets, not being depreciated	<u>60,493</u>	<u>178,516</u>	<u>-</u>	<u>239,009</u>
Capital assets, being depreciated:				
Buildings	1,748,423	3,003	-	1,751,426
Improvements other than buildings	17,090,033	491,290	54,731	17,526,592
Machinery and equipment	361,135	41,844	-	402,979
Transportation	<u>396,854</u>	<u>15,787</u>	<u>-</u>	<u>412,641</u>
Totals	<u>19,596,445</u>	<u>551,924</u>	<u>54,731</u>	<u>20,093,638</u>
Less accumulated depreciation for:				
Buildings	287,288	35,029	-	322,317
Improvements other than buildings	4,757,419	369,059	29,881	5,096,597
Machinery and equipment	240,269	28,191	-	268,460
Transportation	<u>234,677</u>	<u>35,147</u>	<u>-</u>	<u>269,824</u>
Totals	<u>5,519,653</u>	<u>467,426</u>	<u>29,881</u>	<u>5,957,198</u>
Total capital assets, being depreciated, net	<u>14,076,792</u>	<u>84,498</u>	<u>24,850</u>	<u>14,136,440</u>
Total water capital assets, net	<u>\$ 14,137,285</u>	<u>\$ 263,014</u>	<u>\$ 24,850</u>	<u>\$ 14,375,449</u>

WATER AND WASTEWATER UTILITIES
CITY OF GOSHEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

Wastewater Utility	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 132,117	\$ 492,942	\$ -	\$ 625,059
Construction in progress	<u>527,216</u>	<u>-</u>	<u>80,026</u>	<u>447,190</u>
Total capital assets, not being depreciated	<u>659,333</u>	<u>492,942</u>	<u>80,026</u>	<u>1,072,249</u>
Capital assets, being depreciated:				
Buildings	14,859,573	13,310	-	14,872,883
Improvements other than buildings	23,107,231	582,966	-	23,690,197
Machinery and equipment	828,066	20,255	-	848,321
Transportation	<u>1,280,336</u>	<u>-</u>	<u>-</u>	<u>1,280,336</u>
Totals	<u>40,075,206</u>	<u>616,531</u>	<u>-</u>	<u>40,691,737</u>
Less accumulated depreciation for:				
Buildings	5,142,947	372,647	-	5,515,594
Improvements other than buildings	6,191,075	597,559	-	6,788,634
Machinery and equipment	275,255	23,370	-	298,625
Transportation	<u>856,533</u>	<u>113,490</u>	<u>-</u>	<u>970,023</u>
Totals	<u>12,465,810</u>	<u>1,107,066</u>	<u>-</u>	<u>13,572,876</u>
Total capital assets, being depreciated, net	<u>27,609,396</u>	<u>(490,535)</u>	<u>-</u>	<u>27,118,861</u>
Total wastewater capital assets, net	<u>\$ 28,268,729</u>	<u>\$ 2,407</u>	<u>\$ 80,026</u>	<u>\$ 28,191,110</u>

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

Water	\$ 467,426
Wastewater	<u>1,107,066</u>
Total depreciation expense	<u>\$ 1,574,492</u>

C. Construction Commitments

Construction work in progress is composed of the following:

WATER AND WASTEWATER UTILITIES
CITY OF GOSHEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

Project	Total Project Authorized	Expended to December 31, 2006	Committed	Required Future Funding
Water Utility	\$ 227,779	\$ 191,424	\$ 36,355	\$ -
Wastewater Utility	2,753,010	447,190	2,305,820	-
Totals	<u>\$ 2,980,789</u>	<u>\$ 638,614</u>	<u>\$ 2,342,175</u>	<u>\$ -</u>

D. Interfund Balances and Activity

Interfund Transfers

Interfund transfers at December 31, 2006, were as follows:

Transfer From	Transfer To		
	Water Utility	Wastewater Utility	Total
General Fund	<u>\$ 31,925</u>	<u>\$ 56,310</u>	<u>\$ 88,235</u>

The Utilities typically uses transfers to fund ongoing operating subsidies.

E. Leases

Capital Leases

The Utilities have entered into various capital leases for software conversion and vehicles. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of December 31, 2006, are as follows:

	Water Utility	Wastewater Utility
2007	\$ 31,673	\$ 41,913
2008	31,673	41,913
2009	31,673	41,913
2010	<u>11,193</u>	<u>11,193</u>
Total minimum lease payments	106,212	136,932
Less amount representing interest	<u>8,803</u>	<u>10,907</u>
Present value of net minimum lease payments	<u>\$ 97,409</u>	<u>\$ 126,025</u>

WATER AND WASTEWATER UTILITIES
CITY OF GOSHEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

Assets acquired through capital leases still in effect are as follows:

	Water Utility	Wastewater Utility
Machinery and equipment	\$ 146,514	\$ 194,513
Accumulated depreciation	14,651	20,051
 Totals	 \$ 131,863	 \$ 174,462

F. 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	Amount	Unamortized Discount/ Premium	Loss on Refunding	Revenue Bonds
2003 Waterworks revenue bonds	3.0% to 4.75%	\$ 500,000	\$ (7,361)	\$ -	\$ 492,639
2003 Water refunding revenue bonds	3.0% to 3.65%	580,000	(5,557)	(34,661)	539,782
2005 Water refunding revenue bonds	3.1% to 4.15%	4,145,000	13,361	(300,000)	3,858,361
2002 Sewage works revenue bonds	4.2% to 5.10%	3,025,000	(37,237)	-	2,987,763
2003 Sewage works revenue bonds	3.0% to 4.75%	685,000	(10,183)	-	674,817
2004 Sewage works revenue bonds	2.25% to 3.8%	5,590,000	(48,001)	-	5,541,999
 Totals		 \$ 14,525,000	 \$ (94,978)	 \$ (334,661)	 \$ 14,095,361

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2007	\$ 290,000	\$ 205,983	\$ 480,000	\$ 359,851
2008	300,000	197,217	495,000	348,578
2009	305,000	187,253	510,000	335,678
2010	320,000	176,367	525,000	321,113
2011	335,000	163,608	545,000	304,808
2012-2016	1,850,000	606,572	5,250,000	1,129,050
2017-2021	1,825,000	197,455	1,495,000	67,988
 Totals	 \$ 5,225,000	 \$ 1,734,455	 \$ 9,300,000	 \$ 2,867,066

WATER AND WASTEWATER UTILITIES
CITY OF GOSHEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Loan Payable

The Wastewater Utility has entered into a State Revolving Fund Loan. Annual debt service requirements to maturity for the loan, including interest of \$681,400, are as follows:

2007	\$ 684,000
2008	683,200
2009	681,600
2010	684,200
2011	685,800
2012-2016	<u>1,362,600</u>
 Total	 <u>\$ 4,781,400</u>

3. Advance Refunding

In prior years, the Utilities defeased certain revenue and other bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Utilities' financial statements. The following outstanding bonds, at December 31, 2006, were considered defeased:

	<u>Amount</u>
Water Utility	<u>\$ 4,490,000</u>

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds payable:					
Water Utility	\$ 5,505,000	\$ -	\$ 280,000	\$ 5,225,000	\$ 290,000
Wastewater Utility	<u>9,765,000</u>	<u>-</u>	<u>465,000</u>	<u>9,300,000</u>	<u>480,000</u>
 Total revenue bonds payable	 <u>15,270,000</u>	 <u>-</u>	 <u>745,000</u>	 <u>14,525,000</u>	 <u>770,000</u>
 Loan payable:					
SRF Loan	<u>4,600,000</u>	<u>-</u>	<u>500,000</u>	<u>4,100,000</u>	<u>520,000</u>

WATER AND WASTEWATER UTILITIES
CITY OF GOSHEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases payable:					
Water Utility	74,094	50,515	27,200	97,409	27,795
Wastewater Utility	<u>111,141</u>	<u>50,514</u>	<u>35,630</u>	<u>126,025</u>	<u>36,996</u>
 Total capital leases payable	 <u>185,235</u>	 <u>101,029</u>	 <u>62,830</u>	 <u>223,434</u>	 <u>64,791</u>
Compensated absences	<u>65,742</u>	<u>-</u>	<u>8,970</u>	<u>56,772</u>	<u>-</u>
Total long-term liabilities	<u>\$ 20,120,977</u>	<u>\$ 101,029</u>	<u>\$ 1,316,800</u>	<u>\$ 18,905,206</u>	<u>\$ 1,354,791</u>

III. Other Information

A. Risk Management

The Utilities are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Rate Structure

1. Water Utility

The Water Utility withdrew from the Indiana Utility Regulatory Commission on April 14, 2001. The current rate structure was approved by the Utilities on May 3, 2005. The Utility has 10,296 customers.

2. Wastewater Utility

The current rate structure was approved by the Utilities on December 20, 2005. The Utility has 9,858 customers.

WATER AND WASTEWATER UTILITIES
CITY OF GOSHEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. 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 Utilities authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Utilities' annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the 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 (and is not presented as an asset/liability of the proprietary funds).

WATER AND WASTEWATER UTILITIES
CITY OF GOSHEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 287,996
Interest on net pension obligation	(9,125)
Adjustment to annual required contribution	10,398
Annual pension cost	289,269
Contributions made	306,645
Decrease in net pension obligation	(17,376)
Net pension obligation, beginning of year	(125,860)
Net pension obligation, end of year	\$ (143,236)
Contribution rates:	
Utilities	7.25%
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

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 300,812	81%	\$ (117,640)
	06-30-04	261,861	103%	(125,860)
	06-30-05	289,269	117%	(143,236)

WATER AND WASTEWATER UTILITIES
CITY OF GOSHEN
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)
07-01-04	\$ 3,896,402	\$ 5,011,977	\$ (1,115,575)	78%	\$ 4,173,965	(27%)
07-01-05	4,141,497	5,732,988	(1,591,491)	72%	4,263,978	(37%)
07-01-06	4,880,071	6,083,551	(1,203,480)	80%	4,785,906	(25%)

WATER AND WASTEWATER UTILITIES
CITY OF GOSHEN
EXIT CONFERENCE

The contents of this report were discussed on June 25, 2007, with Tina M. Bontrager, Clerk-Treasurer; Allan J. Kauffman, Mayor; and Everett J. Thomas, President of the Common Council. Our audit disclosed no material items that warrant comment at this time.