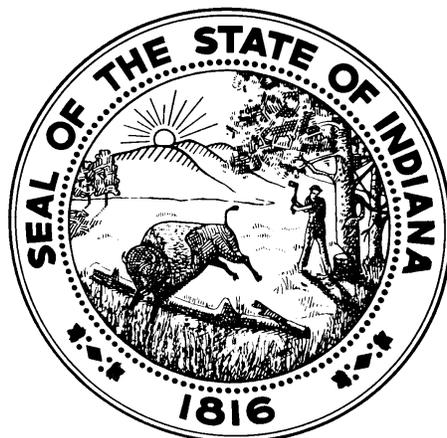


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2006

WATER AND WASTEWATER UTILITIES
TOWN OF WESTFIELD
HAMILTON COUNTY, INDIANA



FILED
12/31/2007

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 Other Changes in Fund Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7-17
Supplementary Information: Schedule of Funding Progress	18
Audit Result and Comment: Subsidiary Ledgers	19
Exit Conference	20

OFFICIALS

Office

Official

Term

Clerk-Treasurer

Cindy J. Gossard

01-01-04 to 12-31-11

President of the
Town Council

Robert J. Smith
Andrew Cook

01-01-06 to 12-31-06
01-01-07 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE WATER AND WASTEWATER UTILITIES,
TOWN OF WESTFIELD, HAMILTON COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Water and Wastewater Utilities (Utilities), departments of the Town of Westfield, as of and for the year ended December 31, 2006. These financial statements are the responsibility of the Utility's 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, Town of Westfield, 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 Town that is attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the Town of Westfield 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 management of the Water and Wastewater Utilities, Town of Westfield, has not presented the Management's 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

November 29, 2007

WATER AND WASTEWATER UTILITIES
TOWN OF WESTFIELD
STATEMENT OF NET ASSETS
December 31, 2006

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Current assets:		
Cash and cash equivalents	\$ 7,131,979	\$ 7,271,660
Accounts receivable (net of allowance)	130,649	289,397
Accounts receivable - other	<u>38,128</u>	<u>-</u>
Total current assets	<u>7,300,756</u>	<u>7,561,057</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Depreciation cash and investments	343,711	74,055
Bond and interest cash and investments	419,532	719,268
Debt service reserve cash and investments	249,471	722,211
Expansion cash and investments	-	148,022
Plant equipment cash and investments	-	2,764
Customer deposits	7,360	-
Interest receivable	2,534	3,455
Customer notes receivable	<u>-</u>	<u>3,261</u>
Total restricted assets	<u>1,022,608</u>	<u>1,673,036</u>
Deferred charges	<u>163,438</u>	<u>675,151</u>
Capital assets:		
Land, improvements to land and construction in progress	2,372,000	5,092,592
Other capital assets (net of accumulated depreciation)	<u>20,072,274</u>	<u>49,570,585</u>
Total capital assets	<u>22,444,274</u>	<u>54,663,177</u>
Total noncurrent assets	<u>23,630,320</u>	<u>57,011,364</u>
Total assets	<u>30,931,076</u>	<u>64,572,421</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	211,536	188,805
Accrued wages payable	51,028	42,682
Taxes payable	10,316	-
Deferred revenue	723,242	1,030,952
Current liabilities payable from restricted assets:		
Customer deposits	7,360	-
Revenue bonds payable	490,000	905,000
Loan payable	46,168	133,225
Accrued interest payable	<u>271,819</u>	<u>541,641</u>
Total current liabilities	<u>1,811,469</u>	<u>2,842,305</u>
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	9,542,400	26,165,221
Loan payable	<u>821,114</u>	<u>2,369,460</u>
Total noncurrent liabilities	<u>10,363,514</u>	<u>28,534,681</u>
Total liabilities	<u>12,174,983</u>	<u>31,376,986</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	12,411,874	38,772,469
Restricted for debt service	1,012,714	1,666,320
Unrestricted	<u>5,331,505</u>	<u>(7,243,354)</u>
Total net assets	<u>\$ 18,756,093</u>	<u>\$ 33,195,435</u>

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

WATER AND WASTEWATER UTILITIES
TOWN OF WESTFIELD
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2006

	Water Utility	Wastewater Utility
Operating revenues:		
Metered water revenue:		
Residential	\$ 1,937,568	\$ 3,752,640
Commercial	471,732	468,390
Wholesale	474,827	-
Fire protection revenue	121,587	-
Penalties	11,169	61,116
Other water revenue	152,045	-
Other	-	75,736
Total operating revenues	3,168,928	4,357,882
Operating expenses:		
Source of supply and expense - operations and maintenance	252,387	-
Water treatment expense - operations and maintenance	274,954	-
Transmission and distribution	447,827	-
Collection system - operations and maintenance	-	551,946
Treatment and disposal - operations and maintenance	-	981,695
Customer accounts	202,069	-
Administration and general	1,259,419	1,455,395
Depreciation	579,171	1,221,065
Total operating expenses	3,015,827	4,210,101
Operating income	153,101	147,781
Nonoperating revenues (expenses):		
Interest and investment revenue	343,703	451,854
Availability revenue	1,136,055	1,175,308
Tap revenue	457,914	756,644
Miscellaneous revenue	359	11,038
Interest expense	(556,376)	(1,346,346)
Amortization of deferred charges	(11,140)	(73,340)
Loss on disposal of assets	(2,082)	(3,400)
Payment in lieu of taxes	(69,504)	(162,300)
Miscellaneous expense	(186)	-
Total nonoperating revenues	1,298,743	809,458
Income before contributions and transfers	1,451,844	957,239
Capital contributions	4,458,237	11,056,885
Residual equity transfer	(520,000)	-
Change in net assets	5,390,081	12,014,124
Total net assets - beginning	13,366,012	21,181,311
Total net assets - ending	\$ 18,756,093	\$ 33,195,435

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

WATER AND WASTEWATER UTILITIES
TOWN OF WESTFIELD
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Year Ended December 31, 2006

	Water Utility	Wastewater Utility
Cash flows from operating activities:		
Receipts from customers and users	\$ 3,181,097	\$ 4,368,414
Payments to suppliers and contractors	(1,206,735)	(2,212,889)
Payments to employees	(1,141,713)	(1,078,599)
Other receipts	173	11,038
	<u>832,822</u>	<u>1,087,964</u>
Net cash provided by operating activities		
Cash flows from noncapital financing activities:		
Customer notes receivable	-	(3,261)
Payment in lieu of taxes	(69,504)	(162,300)
Residual equity transfer to town	(520,000)	-
	<u>(589,504)</u>	<u>(165,561)</u>
Net cash used by noncapital financing activities		
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,843,024)	(5,641,445)
Principal paid on revenue bonds	(475,000)	(750,000)
Interest paid on revenue bonds	(519,630)	(1,260,726)
Capital contributions	1,593,969	1,931,734
Deferred revenue	169,237	57,642
Defeasance of bonds	-	(371,399)
	<u>(1,074,448)</u>	<u>(6,034,194)</u>
Net cash used by capital and related financing activities		
Cash flows from investing activities:		
Interest received	341,169	477,782
	<u>341,169</u>	<u>477,782</u>
Net increase in cash and cash equivalents	(489,961)	(4,634,009)
Cash and cash equivalents, January 1	8,642,014	13,571,989
	<u>8,642,014</u>	<u>13,571,989</u>
Cash and cash equivalents, December 31	\$ 8,152,053	\$ 8,937,980
	<u>\$ 8,152,053</u>	<u>\$ 8,937,980</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 153,101	\$ 147,781
	<u>\$ 153,101</u>	<u>\$ 147,781</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	579,171	1,221,065
Nonoperating miscellaneous revenue (expense)	173	11,038
(Increase) decrease in assets:		
Accounts receivable	7,555	10,532
Accounts receivable - other	4,614	-
Increase (decrease) in liabilities:		
Accounts payable	52,642	(78,569)
Accrued wages payable	17,890	10,029
Customer deposits	7,360	-
Contracts payable	-	(233,912)
Taxes payable	10,316	-
	<u>679,721</u>	<u>940,183</u>
Total adjustments		
Net cash provided by operating activities	\$ 832,822	\$ 1,087,964
	<u>\$ 832,822</u>	<u>\$ 1,087,964</u>
Noncash investing, capital and financing activities:		
Purchase of equipment on account	\$ 117,657	\$ 38,372
Contributions of capital assets to town	4,458,237	11,056,885

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

WATER AND WASTEWATER UTILITIES
TOWN OF WESTFIELD
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 Town of Westfield (Town), and the results of its operations and cash flows of its enterprise funds. The Utilities, whose operations are controlled by the Town, represent a substantial portion of the Town's enterprise funds.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and Other 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 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.

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.

WATER AND WASTEWATER UTILITIES
TOWN OF WESTFIELD
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 their use is limited by applicable bond covenants.

4. Capital Assets

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

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 1	N/A	N/A
Buildings and improvements	5,000	Straight-line	50 years
Improvements other than buildings	5,000	Straight-line	50 years
Machinery and equipment	1,000	Straight-line	5 to 10 years
Transportation equipment	1,000	Straight-line	5 to 10 years

N/A – Not applicable

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Water and Wastewater Utilities during the current year was \$556,376 and \$1,346,346, respectively. Of those amounts, none was included as part of the cost of capital assets under construction.

WATER AND WASTEWATER UTILITIES
TOWN OF WESTFIELD
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Compensated Absences

- a. Sick Leave – Utility employees earn sick leave at the rate of 1 day per month. Unused sick leave may be accumulated to a maximum of 40 days. Accumulated sick leave is not paid to employees upon leaving employment.
- b. Vacation Leave – Utility employees earn vacation leave at rates from 10 days to 25 days per year based upon the number of years of service. Up to one week of unused earned vacation leave may be carried forward to the following calendar year. Unused earned vacation leave may be paid to employees upon leaving employment.
- c. Personal Leave – Utility employees earn personal leave at the rate of 2 days per year. Personal leave does not accumulate from year to year.

No liability is reported for vacation, sick or personal leave.

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.

The Utilities' investments are categorized below to give an indication of the level of risk assumed by the Utilities at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Utility or its agent in the Utility's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Utility's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Utility's name.

	Category			Reported	Fair
	1	2	3	Amount	Value
Water Utility:					
U.S. Government securities	\$ -	\$ -	\$ 200,932	\$ 200,932	\$ 200,932
Wastewater Utility:					
U.S. Government securities	\$ -	\$ -	\$ 721,014	\$ 721,014	\$ 721,014

WATER AND WASTEWATER UTILITIES
TOWN OF WESTFIELD
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 1,311,097	\$ -	\$ -	\$ 1,311,097
Construction in progress	76,615	996,275	11,987	1,060,903
	<u>1,387,712</u>	<u>996,275</u>	<u>11,987</u>	<u>2,372,000</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	4,738,292	140,309	30,000	4,848,601
Improvements other than buildings	12,560,975	4,796,664	-	17,357,639
Machinery and equipment	542,721	268,969	-	811,690
Transportation equipment	340,637	111,031	15,339	436,329
	<u>18,182,625</u>	<u>5,316,973</u>	<u>45,339</u>	<u>23,454,259</u>
Totals				
Less accumulated depreciation for:				
Buildings	645,351	112,071	30,000	727,422
Improvements other than buildings	1,817,027	335,101	-	2,152,128
Machinery and equipment	227,485	72,409	-	299,894
Transportation equipment	156,208	59,590	13,257	202,541
	<u>2,846,071</u>	<u>579,171</u>	<u>43,257</u>	<u>3,381,985</u>
Totals				
Total capital assets, being depreciated, net				
	<u>15,336,554</u>	<u>4,737,802</u>	<u>2,082</u>	<u>20,072,274</u>
Total capital assets, net				
	<u>\$ 16,724,266</u>	<u>\$ 5,734,077</u>	<u>\$ 14,069</u>	<u>\$ 22,444,274</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 574,066	\$ 232,806	\$ -	\$ 806,872
Construction in progress	403,703	4,543,273	661,256	4,285,720
	<u>977,769</u>	<u>4,776,079</u>	<u>661,256</u>	<u>5,092,592</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	10,785,643	399,560	-	11,185,203
Improvements other than buildings	24,058,225	11,448,283	-	35,506,508
Machinery and equipment	8,138,470	630,854	-	8,769,324
Transportation equipment	396,811	104,810	35,934	465,687
	<u>43,379,149</u>	<u>12,583,507</u>	<u>35,934</u>	<u>55,926,722</u>
Totals				

WATER AND WASTEWATER UTILITIES
TOWN OF WESTFIELD
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Wastewater Utility (continued):				
Less accumulated depreciation for:				
Buildings	641,765	239,589	-	881,354
Improvements other than buildings	3,424,739	536,878	-	3,961,617
Machinery and equipment	874,349	387,344	-	1,261,693
Transportation equipment	226,753	57,254	32,534	251,473
	<u>5,167,606</u>	<u>1,221,065</u>	<u>32,534</u>	<u>6,356,137</u>
Totals				
Total capital assets, being depreciated, net	<u>38,211,543</u>	<u>11,362,442</u>	<u>3,400</u>	<u>49,570,585</u>
Total capital assets, net	<u>\$ 39,189,312</u>	<u>\$ 16,138,521</u>	<u>\$ 664,656</u>	<u>\$ 54,663,177</u>

Depreciation expense was charged to the Utilities as follows:

Water	\$ 579,171
Wastewater	<u>1,221,065</u>
Total depreciation expense	<u>\$ 1,800,236</u>

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2006	Committed	Required Future Funding
Water Utility:				
Elevated water storage tank	\$ 1,500,000	\$ 14,200	\$ 1,485,800	\$ -
River road plant expansion	4,000,000	191,451	3,808,549	-
Energy savings project	669,442	669,442	-	-
Water lines	235,319	172,991	62,328	-
Greyhound pass storage tank	79,915	7,494	72,421	-
Utility office expansion	5,325	5,325	-	-
	<u>\$ 6,490,001</u>	<u>\$ 1,060,903</u>	<u>\$ 5,429,098</u>	<u>\$ -</u>
Totals				

WATER AND WASTEWATER UTILITIES
TOWN OF WESTFIELD
NOTES TO FINANCIAL STATEMENTS
(Continued)

Project	Total Project Authorized	Expended to December 31, 2006	Committed	Required Future Funding
Wastewater Utility:				
Washington woods extension	\$ 1,557,869	\$ 1,517,572	\$ 40,297	\$ -
Energy savings project	2,424,445	2,424,445	-	-
Westside interceptor	253,977	253,977	-	-
Treatment plant lift station	51,498	51,498	-	-
Wastewater lines	28,661	28,661	-	-
Utility office expansion	9,587	9,567	20	-
Totals	<u>\$ 4,326,037</u>	<u>\$ 4,285,720</u>	<u>\$ 40,317</u>	<u>\$ -</u>

D. 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 December 31	Unamortized Discount	Unamortized Loss on Refunding	Amount
Water Utility:					
Issue of 1992 - improvements	6%	\$ 50,000	\$ -	\$ -	\$ 50,000
Issue of 1998 - improvements	5%	1,770,000	27,600	-	1,742,400
Issue of 2002 - improvements	4% to 6%	8,240,000	-	-	8,240,000
Total		<u>\$ 10,060,000</u>	<u>\$ 27,600</u>	<u>\$ -</u>	<u>\$ 10,032,400</u>
Wastewater Utility:					
Issue of 2002 - improvements	4% to 6%	\$ 9,130,000	\$ -	\$ -	\$ 9,130,000
Issue of 2004 - improvements	3% to 5%	11,215,000	35,487	-	11,179,513
Issue of 2006 - refunding	4%	7,215,000	41,343	412,949	6,760,708
Totals		<u>\$ 27,560,000</u>	<u>\$ 76,830</u>	<u>\$ 412,949</u>	<u>\$ 27,070,221</u>

WATER AND WASTEWATER UTILITIES
TOWN OF WESTFIELD
NOTES TO FINANCIAL STATEMENTS
(Continued)

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2007	\$ 490,000	\$ 499,126	\$ 905,000	\$ 1,252,204
2008	455,000	478,552	1,240,000	1,221,261
2009	475,000	459,607	1,300,000	1,173,545
2010	495,000	439,155	1,350,000	1,121,673
2011	520,000	417,014	1,410,000	1,067,011
2012-2016	3,015,000	1,694,149	8,130,000	4,390,100
2017-2021	3,240,000	889,782	8,465,000	2,424,422
2022-2026	1,370,000	115,386	4,760,000	543,396
Totals	<u>\$ 10,060,000</u>	<u>\$ 4,992,771</u>	<u>\$ 27,560,000</u>	<u>\$ 13,193,612</u>

2. Loans Payable

The Utilities have entered into various loans. Annual debt service requirements to maturity for the loans of the Water and Wastewater Utilities, including interest of \$263,588 and \$760,615, respectively, are as follows:

	Water Utility	Wastewater Utility
2007	\$ 113,087	\$ 326,330
2008	113,087	326,330
2009	113,087	326,330
2010	113,087	326,330
2011	113,087	326,330
2012-2016	<u>565,435</u>	<u>1,631,650</u>
Totals	<u>\$ 1,130,870</u>	<u>\$ 3,263,300</u>

3. Advance Refunding

On May 26, 2006, the Town of Westfield issued \$7,215,000 in 2006 Wastewater Refunding bonds with an average interest rate of 3.98% to advance refund \$7,200,000 of outstanding 1997 Wastewater Improvement bonds with an average interest rate of 5.43%. The net proceeds of \$7,141,334 (after payment of \$113,742 in issuance costs and \$43,236 in bond discount) and local contributions of \$371,399 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1997 bonds. As a result, these bonds are

WATER AND WASTEWATER UTILITIES
TOWN OF WESTFIELD
NOTES TO FINANCIAL STATEMENTS
(Continued)

considered to be defeased and the liability for those bonds has been removed from the Balance Sheet. The refunding resulted in an accounting loss of \$431,941, which has been recognized on the Balance Sheet as Deferral of Loss on Refunding. This amount will be amortized using the straight-line method and charged to interest expense over the next 13 years. The Town of Westfield in effect lowered its aggregate debt service payment by \$299,668 over the next 13 years and realized an economic gain (difference between the present values of the old and new debt service payments) of \$252,693.

4. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water Utility:					
Revenue bonds payable	\$ 10,535,000	\$ -	\$ 475,000	\$ 10,060,000	\$ 490,000
Less discount	30,000	-	2,400	27,600	-
Net revenue bonds payable	<u>10,505,000</u>	<u>-</u>	<u>472,600</u>	<u>10,032,400</u>	<u>490,000</u>
Loans payable	<u>867,282</u>	<u>-</u>	<u>-</u>	<u>867,282</u>	<u>46,168</u>
Total long-term liabilities	<u>\$ 11,372,282</u>	<u>\$ -</u>	<u>\$ 472,600</u>	<u>\$ 10,899,682</u>	<u>\$ 536,168</u>
Wastewater Utility:					
Revenue bonds payable	\$ 28,295,000	\$ 7,215,000	\$ 7,950,000	\$ 27,560,000	\$ 905,000
Less discount	134,570	43,236	100,976	76,830	-
Less deferral of loss on refunding	-	431,941	18,992	412,949	-
Net revenue bonds payable	<u>28,160,430</u>	<u>6,739,823</u>	<u>7,830,032</u>	<u>27,070,221</u>	<u>905,000</u>
Loans payable	<u>2,502,685</u>	<u>-</u>	<u>-</u>	<u>2,502,685</u>	<u>133,225</u>
Total long-term liabilities	<u>\$ 30,663,115</u>	<u>\$ 6,739,823</u>	<u>\$ 7,830,032</u>	<u>\$ 29,572,906</u>	<u>\$ 1,038,225</u>

E. Restricted Assets

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

	Water Utility	Wastewater Utility
Revenue bond depreciation account	\$ 343,711	\$ 74,055
Revenue bond bond and interest account	419,532	719,268
Revenue bond debt service reserve account	249,471	722,211
Revenue bond expansion account	-	148,022
Revenue bond plant equipment account	-	2,764
Customer deposits account	<u>7,360</u>	<u>-</u>
Total restricted assets	<u>\$ 1,020,074</u>	<u>\$ 1,666,320</u>

WATER AND WASTEWATER UTILITIES
TOWN OF WESTFIELD
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; 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

During 1993, the Town including the Utilities joined together with other governmental entities in the Indiana Public Employers' Plan, Inc., a public entity risk pool currently operating as a common risk management and insurance program for approximately 515 member governmental entities. This risk pool was formed in 1990. The purpose of the risk pool is to provide a medium for the funding and administration of workers compensation insurance. The Utility pays an annual premium to the risk pool for its 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. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

B. Rate Structure

1. Water Utility

The current rate structure was approved by the Town Council effective October 1, 2006. The Utility has 8,785 customers.

2. Wastewater Utility

The current rate structure was approved by the Town Council effective August 1, 2004. The Utility has 8,051 customers.

C. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town, 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.

WATER AND WASTEWATER UTILITIES
TOWN OF WESTFIELD
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 Town and the Utilities is not available. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the Town as a whole and is not presented as an asset/liability of the proprietary funds.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 238,453
Interest on net pension obligation	(8,945)
Adjustment to annual required contribution	10,194
Annual pension cost	239,702
Contributions made	215,628
Increase in net pension obligation	24,074
Net pension obligation, beginning of year	(123,382)
Net pension obligation, end of year	\$ (99,308)
Contribution rates:	
Utilities	5.75%
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

WATER AND WASTEWATER UTILITIES
TOWN OF WESTFIELD
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 54,992	368%	\$ (114,391)
	06-30-05	188,859	105%	(123,382)
	06-30-06	239,702	90%	(99,308)

D. Residual Equity Transfer

A Water Cash Reserve Fund was established with Ordinance 06-60 in December 2006, to set aside surplus earnings of the Water Utility for transfers at the Town Council's discretion to the Town's General Fund to meet budget shortfalls and emergencies. In December 2006, \$520,000 was transferred to the Water Cash Reserve Fund and subsequently remitted to the Town's COIT Special 2002 Fund.

WATER AND WASTEWATER UTILITIES
TOWN OF WESTFIELD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund Pension Plan

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	\$ 1,686,288	\$ 2,158,827	\$ (472,539)	78%	\$ 3,320,498	(14%)
07-01-05	1,877,340	2,611,458	(734,118)	72%	3,808,698	(19%)
07-01-06	2,499,366	2,985,422	(486,056)	84%	4,347,877	(11%)

WATER AND WASTEWATER UTILITIES
TOWN OF WESTFIELD
AUDIT RESULT AND COMMENT

SUBSIDIARY LEDGERS

There were subsidiary ledgers (detailed accounts) maintained for the following Items; however, the subsidiary ledger amounts did not equal the general ledger account balances.

Water Customer Deposits (Deposits on Hydrants rented)
Water and Wastewater Availability Fees Refundable
Wastewater Developer Fees Refundable
Wastewater Escrow Developer Fees Refundable

At all times, the manual and 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)

WATER AND WASTEWATER UTILITIES
TOWN OF WESTFIELD
EXIT CONFERENCE

The contents of this report were discussed on December 3, 2007, with Cindy J. Gossard, Clerk-Treasurer; and Andrew Cook, President of the Town Council. The officials concurred with our audit finding.