

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

ANNUAL FINANCIAL REPORT

2007

WATER AND WASTEWATER UTILITIES
CITY OF GOSHEN
ELKHART COUNTY, INDIANA



FILED
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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tina M. Bontrager	01-01-04 to 12-31-11
Mayor	Allan J. Kauffman	01-01-04 to 12-31-11
President of the Board of Public Works and Safety and Storm Water Management	Allan J. Kauffman	01-01-04 to 12-31-11
President of the Common Council	Everett J. Thomas Thomas W. Stump	01-01-07 to 12-31-07 01-01-08 to 12-31-08
Superintendent of Utilities	Douglas Perry	01-01-07 to 12-31-08
Utilities Office Manager	Tana Brooks	01-01-07 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2007. 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, 2007, 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, 2007, 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

August 26, 2008

WATER AND WASTEWATER UTILITIES
CITY OF GOSHEN
STATEMENT OF NET ASSETS
December 31, 2007

<u>Assets</u>	<u>Water</u>	<u>Wastewater</u>
Current assets:		
Cash and cash equivalents	\$ 774,174	\$ 1,132,030
Accounts receivable (net of allowance)	101,416	183,768
Inventories	<u>72,820</u>	<u>19,884</u>
Total current assets	<u>948,410</u>	<u>1,335,682</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Depreciation cash and investments	1,240,533	641,207
Bond and interest cash and investments	429,229	1,353,207
Construction cash and investments	98,589	2,531,196
Repair services cash and investments	-	87,227
Customer deposits	<u>183,024</u>	<u>197,694</u>
Total restricted assets:	<u>1,951,375</u>	<u>4,810,531</u>
Deferred charges	<u>107,168</u>	<u>135,075</u>
Capital assets:		
Land, improvements to land and construction in progress	125,244	1,804,155
Other capital assets (net of accumulated depreciation)	<u>14,053,461</u>	<u>26,247,109</u>
Total capital assets	<u>14,178,705</u>	<u>28,051,264</u>
Total noncurrent assets	<u>16,237,248</u>	<u>32,996,870</u>
Total assets	<u>17,185,658</u>	<u>34,332,552</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	70,546	78,687
Other accrued liabilities	60,264	83,441
Taxes payable	13,854	-
Current liabilities payable from restricted assets:		
Accounts payable	11,958	93,783
Customer deposits	183,024	197,694
Loan payable	-	540,000
Revenue bonds payable	300,000	495,000
Retainage payable	-	7,700
Capital leases payable	<u>28,884</u>	<u>38,419</u>
Total current liabilities	<u>668,530</u>	<u>1,534,724</u>
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	4,333,967	8,238,253
Loan payable	-	3,040,000
Capital leases payable	40,730	50,610
Contract payable	-	9,495
Compensated absences	15,845	33,946
Deferred revenue	<u>42,507</u>	<u>88,695</u>
Total noncurrent liabilities	<u>4,433,049</u>	<u>11,460,999</u>
Total liabilities	<u>5,101,579</u>	<u>12,995,723</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	9,096,432	14,475,801
Restricted for debt service	429,229	1,353,207
Restricted for customer deposits	183,024	197,694
Restricted for customer repair services	-	87,227
Restricted for capital outlay	1,339,122	3,172,403
Unrestricted	<u>1,036,272</u>	<u>2,050,497</u>
Total net assets	<u>\$ 12,084,079</u>	<u>\$ 21,336,829</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 OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2007

	Water	Wastewater
Operating revenues:		
Metered water revenue:	\$ 2,745,667	\$ -
Fire protection	414,945	-
Industrial hydrants and sprinklers	219,193	-
Measured revenue	-	5,741,033
Penalties	62,971	99,104
Food service charge	-	66,364
Industrial charge	-	20,054
Taps	104,317	135,478
Inspection permit and fees	9,775	8,585
Reconnection fees	38,490	-
Industrial and fog permits	-	11,891
City catch basin	-	39,070
Merchandise and labor sales	35,473	5,896
Other	4,342	4,320
	<u>3,635,173</u>	<u>6,131,795</u>
Total operating revenues		
Operating expenses:		
Source of supply and expense - operations and maintenance	732,579	-
Transmission and distribution	450,991	-
Collection system - operations and maintenance	-	503,937
Treatment and disposal - operations and maintenance	-	1,222,113
Customer accounts	145,422	138,282
Administration and general	452,422	465,471
Employee pensions and benefits	204,010	299,722
Health insurance	277,040	386,141
Sludge removal	-	107,312
Chemicals	-	172,148
Insurance expense	25,268	25,269
Utility receipts tax	48,839	-
Regulatory commission expenses	-	10,380
Bad debt expense	21,282	33,377
Payment in lieu of taxes	100,000	210,000
Depreciation	451,100	1,070,936
	<u>2,908,953</u>	<u>4,645,088</u>
Total operating expenses		
Operating income	<u>726,220</u>	<u>1,486,707</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	73,296	219,723
Sewer repair fees (net)	-	52,157
Miscellaneous revenue	-	8,043
Interest expense	(241,414)	(537,829)
Amortization expense	(13,333)	(14,988)
Gain on disposals	6,002	5,163
	<u>(175,449)</u>	<u>(267,731)</u>
Total nonoperating revenues (expenses)		
Income before contributions and transfers	550,771	1,218,976
Capital contributions	92,100	65,750
Transfers in	60,628	78,347
	<u>703,499</u>	<u>1,363,073</u>
Change in net assets		
Total net assets - beginning	<u>11,380,580</u>	<u>19,973,756</u>
Total net assets - ending	<u>\$ 12,084,079</u>	<u>\$ 21,336,829</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
As Of And For The Year Ended December 31, 2007

	<u>Water</u>	<u>Wastewater</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 3,622,309	\$ 6,196,279
Payments to suppliers and contractors	(982,352)	(1,576,103)
Payments to employees	(1,460,320)	(2,001,021)
Other receipts	<u>-</u>	<u>60,200</u>
Net cash provided by operating activities	<u>1,179,637</u>	<u>2,679,355</u>
Cash flows from noncapital financing activities:		
Construction in progress-project cancelled	10,868	-
Transfers from other funds	<u>60,628</u>	<u>78,347</u>
Net cash provided by noncapital financing activities	<u>71,496</u>	<u>78,347</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(174,815)	(825,087)
Principal paid on capital debt	(317,795)	(1,036,996)
Interest paid on capital debt	(209,860)	(529,155)
Proceeds from sales of capital assets	<u>6,002</u>	<u>5,163</u>
Net cash used by capital and related financing activities	<u>(696,468)</u>	<u>(2,386,075)</u>
Cash flows from investing activities:		
Interest received	<u>73,296</u>	<u>219,723</u>
Net cash provided by investing activities	<u>73,296</u>	<u>219,723</u>
Net increase in cash and cash equivalents	627,961	591,350
Cash and cash equivalents, January 1	<u>2,097,588</u>	<u>5,351,211</u>
Cash and cash equivalents, December 31	<u>\$ 2,725,549</u>	<u>\$ 5,942,561</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>\$ 726,220</u>	<u>\$ 1,486,707</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	451,100	1,070,936
Nonoperating revenues	-	60,200
(Increase) decrease in assets:		
Accounts receivable	(2,454)	29,923
Other receivables	2,930	45,089
Allowance for uncollectible accounts	-	23
Inventories	3,716	(30)
Increase (decrease) in liabilities:		
Accounts payable	8,051	(13,820)
Accrued payroll/benefits payable	3,164	3,582
Taxes payable	(3,233)	-
Compensated absence payable	(4,162)	(2,819)
Deferred revenue	(13,340)	(10,551)
Customer deposits	<u>7,645</u>	<u>10,115</u>
Total adjustments	<u>453,417</u>	<u>1,192,648</u>
Net cash provided by operating activities	<u>\$ 1,179,637</u>	<u>\$ 2,679,355</u>
Noncash investing, capital and financing activities:		
Contributions of capital assets from government	\$ 92,100	\$ 65,750
Purchase of equipment on account	11,958	93,783
Capital asset trade-ins	47,673	16,727

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, represent all 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 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.

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.

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

2. Inventories

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

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.

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

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

No liability is reported for vacation and 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.

B. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

Water Utility	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 47,585	\$ -	\$ -	\$ 47,585
Construction in progress	191,424	84,373	198,138	77,659
 Total capital assets, not being depreciated	 239,009	 84,373	 198,138	 125,244
Capital assets, being depreciated:				
Buildings	1,751,426	109,921	-	1,861,347
Improvements other than buildings	17,526,592	147,750	-	17,674,342
Machinery and equipment	402,979	79,318	-	482,297
Transportation	412,641	31,132	47,673	396,100
 Totals	 20,093,638	 368,121	 47,673	 20,414,086

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

Water Utility	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated (continued):				
Less accumulated depreciation for:				
Buildings	322,317	42,188	-	364,505
Improvements other than buildings	5,096,597	361,762	-	5,458,359
Machinery and equipment	268,460	18,224	-	286,684
Transportation	269,824	28,926	47,673	251,077
 Totals	 5,957,198	 451,100	 47,673	 6,360,625
 Total capital assets, being depreciated, net	 14,136,440	 (82,979)	 -	 14,053,461
 Total capital assets, net	 <u>\$ 14,375,449</u>	 <u>\$ 1,394</u>	 <u>\$ 198,138</u>	 <u>\$ 14,178,705</u>
Wastewater Utility	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 625,059	\$ 92,662	\$ -	\$ 717,721
Construction in progress	447,190	834,209	194,965	1,086,434
 Total capital assets, not being depreciated	 1,072,249	 926,871	 194,965	 1,804,155
 Capital assets, being depreciated:				
Buildings	14,872,883	-	-	14,872,883
Improvements other than buildings	23,690,197	88,734	-	23,778,931
Machinery and equipment	848,321	79,318	-	927,639
Transportation	1,280,336	31,132	16,727	1,294,741
 Totals	 40,691,737	 199,184	 16,727	 40,874,194

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

Wastewater Utility	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated (continued):				
Less accumulated depreciation for:				
Buildings	5,515,594	359,904	-	5,875,498
Improvements other than buildings	6,788,634	595,603	-	7,384,237
Machinery and equipment	298,625	17,010	-	315,635
Transportation	970,023	98,419	16,727	1,051,715
Totals	<u>13,572,876</u>	<u>1,070,936</u>	<u>16,727</u>	<u>14,627,085</u>
Total capital assets, being depreciated, net	<u>27,118,861</u>	<u>(871,752)</u>	-	<u>26,247,109</u>
Total capital assets, net	<u>\$ 28,191,110</u>	<u>\$ 55,119</u>	<u>\$ 194,965</u>	<u>\$ 28,051,264</u>

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

Water	\$ 451,100
Wastewater	<u>1,070,936</u>
Total depreciation expense	<u>\$ 1,522,036</u>

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2007	Committed	Required Future Funding
Water Utility	\$ 98,589	\$ 77,659	\$ 20,930	\$ -
Wastewater Utility	<u>2,531,196</u>	<u>1,086,434</u>	<u>1,444,762</u>	<u>-</u>
Totals	<u>\$ 2,629,785</u>	<u>\$ 1,164,093</u>	<u>\$ 1,465,692</u>	<u>\$ -</u>

D. Interfund Balances and Activity

1. Interfund Transfers

Interfund transfers at December 31, 2007, were as follows:

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

Transfer From	Transfer To		Totals
	Water Utility	Wastewater Utility	
Various Tax Increment Financing (TIF) Funds	\$ 60,628	\$ 78,347	\$ 138,975

The Utilities typically uses transfers to fund ongoing operating subsidies.

E. Leases

Capital Leases

The Utilities have entered into various capital leases for a 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, 2007, are as follows:

	Water Utility	Wastewater Utility
2008	\$ 31,673	\$ 41,913
2009	31,673	41,913
2010	11,193	11,193
Total minimum lease payments	74,539	95,019
Less amount representing interest	4,925	5,990
Present value of net minimum lease payments	\$ 69,614	\$ 89,029

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

	Water Utility	Wastewater Utility
Machinery and equipment	\$ 146,541	\$ 194,513
Accumulated depreciation	29,302	38,902
Totals	\$ 117,239	\$ 155,611

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

F. Long-Term Liabilities

1. Revenue Bonds

The Utility issues bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Balance at 12-31-07	Unamortized Discount/ Premium	Deferred Loss on Refunding	Revenue Bonds
2003 Waterworks revenue bonds	3.30% to 4.75%	\$ 460,000	\$ (6,692)	\$ -	\$ 453,308
2003 Water refunding revenue bonds	3.35% to 3.65%	395,000	(3,705)	(23,107)	368,188
2005 Water refunding revenue bonds	3.01% to 4.15%	4,080,000	12,471	(280,000)	3,812,471
2002 Sewage works revenue bonds	4.20% to 5.10%	3,020,000	(33,852)	-	2,986,148
2003 Sewage works revenue bonds	3.30% to 4.75%	635,000	(9,257)	-	625,743
2004 Sewage works revenue bonds	2.50% to 3.80%	5,165,000	(43,638)	-	5,121,362
Totals		<u>\$ 13,755,000</u>	<u>\$ (84,673)</u>	<u>\$ (303,107)</u>	<u>\$ 13,367,220</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
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	345,000	150,163	570,000	287,728
2013-2017	1,920,000	531,522	6,175,000	909,307
2018-2022	1,410,000	122,343	-	-
Totals	<u>\$ 4,935,000</u>	<u>\$ 1,528,473</u>	<u>\$ 8,820,000</u>	<u>\$ 2,507,212</u>

2. Loans Payable

The Wastewater Utility has entered into a State Revolving Fund Loan. Annual debt service requirements to maturity for the loan, including interest of \$517,400, are as follows:

2008	\$ 683,200
2009	681,600
2010	684,200
2011	685,800
2012	681,400
2013-2017	<u>681,200</u>
Total	<u>\$ 4,097,400</u>

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

3. Advance Refunding

In prior years, the Utilities defeased certain revenue 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, 2007, were considered defeased:

	<u>Amount</u>
Water Utility	<u>\$ 4,280,000</u>

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable:					
Water Utility	\$ 5,225,000	\$ -	\$ 290,000	\$ 4,935,000	\$ 300,000
Wastewater Utility	<u>9,300,000</u>	<u>-</u>	<u>480,000</u>	<u>8,820,000</u>	<u>495,000</u>
Total revenue bonds payable	<u>14,525,000</u>	<u>-</u>	<u>770,000</u>	<u>13,755,000</u>	<u>795,000</u>
Loan payable:					
SRF loan	<u>4,100,000</u>	<u>-</u>	<u>520,000</u>	<u>3,580,000</u>	<u>540,000</u>
Capital leases payable:					
Water Utility	97,409	-	27,795	69,614	28,884
Wastewater Utility	<u>126,025</u>	<u>-</u>	<u>36,996</u>	<u>89,029</u>	<u>38,419</u>
Total capital leases payable	<u>223,434</u>	<u>-</u>	<u>64,791</u>	<u>158,643</u>	<u>67,303</u>
Compensated absences	<u>56,772</u>	<u>-</u>	<u>6,981</u>	<u>49,791</u>	<u>-</u>
Total long-term liabilities	<u>\$ 18,905,206</u>	<u>\$ -</u>	<u>\$ 1,361,772</u>	<u>\$ 17,543,434</u>	<u>\$ 1,402,303</u>

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

G. Restricted Assets

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

Customer deposits	\$ 380,718
Revenue bond operations and maintenance account	1,782,436
Revenue bond construction account	2,629,785
Service repair account	87,227
Repair, improvement and replacement account	<u>1,881,740</u>
Total restricted assets	<u><u>\$ 6,761,906</u></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 City Council on May 3, 2005. The Utility has 9,878 customers.

2. Wastewater Utility

The current rate structure was approved by the City Council on December 20, 2005. The Utility has 9,885 customers.

C. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City, including the Utilities, contribute 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

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

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

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the City as a whole.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 368,545
Interest on net pension obligation	(11,249)
Adjustment to annual required contribution	12,819
Annual pension cost	370,115
Contributions made	377,404
Increase (decrease) in net pension obligation	(7,289)
Net pension obligation, beginning of year	(155,155)
Net pension obligation, end of year	\$ (162,444)

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

	PERF
Contribution rates:	
Utilities	7.88%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

Actuarial Assumptions

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	06-30-05	\$ 289,269	106%	\$ (143,236)
	06-30-06	341,659	103%	(155,155)
	06-30-07	370,115	102%	(162,444)

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)
07-01-05	\$ 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%)
07-01-07	5,612,680	6,654,486	(1,041,806)	84%	5,155,488	(20%)

WATER AND WASTEWATER UTILITIES
CITY OF GOSHEN
EXIT CONFERENCE

The contents of this report were discussed on August 26, 2008, with Tina M. Bontrager, Clerk-Treasurer; Allan J. Kauffman, Mayor; Thomas W. Stump, President of the Common Council; and Tana Brooks, Utilities Office Manager.