

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

ANNUAL FINANCIAL REPORT

2007

WATER AND WASTEWATER UTILITIES

TOWN OF WESTFIELD

HAMILTON COUNTY, INDIANA



FILED
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TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant'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	7-18
Required Supplementary Information:	
Schedule of Funding Progress	19
Examination Results and Comments:	
Customer Deposit Register	20
Public Works Project	20
Exit Conference.....	21
Official Response	22

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cindy J. Gossard	01-01-04 to 12-31-11
Mayor	Andrew Cook	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Andrew Cook	01-01-08 to 12-31-11
President of the City Council	Andrew Cook Ken Kingshill	01-01-07 to 12-31-07 01-01-08 to 12-31-09
Public Works Director	Bruce Hauk Kurt Wanninger	01-01-07 to 12-31-07 01-01-08 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined 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, 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 examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination 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, 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 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.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not examine the information and express no opinion on it.

The Utilities have not presented Management's Discussion and Analysis that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

January 22, 2009

WATER AND WASTEWATER UTILITIES
TOWN OF WESTFIELD
STATEMENT OF NET ASSETS
December 31, 2007

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Current assets:		
Cash and cash equivalents	\$ 4,159,738	\$ 13,148,283
Interest receivable	2,004	201,487
Accounts receivable (net of allowance)	166,190	345,715
Other accounts receivable	<u>42,651</u>	<u>2,946</u>
Total current assets	<u>4,370,583</u>	<u>13,698,431</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Depreciation cash and investments	463,711	74,055
Bond and interest cash and investments	433,172	756,208
Debt service reserve cash and investments	251,955	720,148
Expansion cash and investments	-	153,426
Construction cash and investments	-	2,902
Customer deposits	<u>11,361</u>	<u>-</u>
Total restricted assets:	<u>1,160,199</u>	<u>1,706,739</u>
Deferred charges	<u>152,297</u>	<u>939,739</u>
Capital assets:		
Land, improvements to land and construction in progress	2,999,752	8,126,431
Other capital assets (net of accumulated depreciation)	<u>23,762,709</u>	<u>56,384,167</u>
Total capital assets	<u>26,762,461</u>	<u>64,510,598</u>
Total noncurrent assets	<u>28,074,957</u>	<u>67,157,076</u>
Total assets	<u>32,445,540</u>	<u>80,855,507</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	283,587	985,961
Accrued wages payable	60,280	56,104
Deferred revenue	518,277	63,965
Current liabilities payable from restricted assets:		
Customer deposits	11,361	-
Revenue bonds payable	455,000	1,260,000
Loan payable	75,126	216,788
Accrued interest payable	<u>235,519</u>	<u>736,487</u>
Total current liabilities	<u>1,639,150</u>	<u>3,319,305</u>
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	9,089,800	38,764,526
Loan payable	<u>745,988</u>	<u>2,152,673</u>
Total noncurrent liabilities	<u>9,835,788</u>	<u>40,917,199</u>
Total liabilities	<u>11,474,938</u>	<u>44,236,504</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	16,313,325	30,720,173
Restricted for debt service	1,160,199	1,706,739
Unrestricted	<u>3,497,078</u>	<u>4,192,091</u>
Total net assets	<u>\$ 20,970,602</u>	<u>\$ 36,619,003</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, 2007

	Water Utility	Wastewater Utility
Operating revenues:		
Metered water revenue:		
Residential	\$ 2,588,518	\$ 4,121,749
Commercial	631,701	457,874
Industrial	554,504	28,508
Fire protection revenue	208,145	-
Penalties	14,998	45,808
Other	53,682	53,123
Total operating revenues	4,051,548	4,707,062
Operating expenses:		
Source of supply and expense - operations and maintenance	295,646	-
Water treatment expense - operations and maintenance	298,535	-
Transmission and distribution	548,747	-
Collection system - operations and maintenance	-	714,770
Treatment and disposal - operations and maintenance	-	891,767
Customer accounts	229,590	-
Administration and general	1,457,095	1,612,748
Depreciation and amortization	759,705	1,545,503
Total operating expenses	3,589,318	4,764,788
Operating income (loss)	462,230	(57,726)
Nonoperating revenues (expenses):		
Interest and investment revenue	301,592	578,077
Availability revenue	475,646	741,501
Tap revenue	384,873	651,884
Miscellaneous revenue	51,039	21,140
Amortization of deferred charges	(13,540)	(104,204)
Interest expense	(529,745)	(1,640,155)
Payment in lieu of taxes	(69,504)	(162,300)
Total nonoperating revenues (expenses)	600,361	85,943
Income before contributions and transfers	1,062,591	28,217
Capital contributions	1,699,618	3,395,349
Residual equity transfer	(547,700)	-
Change in net assets	2,214,509	3,423,566
Total net assets - beginning	18,756,093	33,195,437
Total net assets - ending	\$ 20,970,602	\$ 36,619,003

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, 2007

	<u>Water Utility</u>	<u>Wastewater Utility</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 4,011,484	\$ 4,651,059
Payments to suppliers and contractors	(1,460,811)	(2,089,402)
Payments to employees	(1,496,394)	(1,286,292)
Other receipts	<u>842,054</u>	<u>1,252,225</u>
Net cash provided by operating activities	<u>1,896,333</u>	<u>2,527,590</u>
Cash flows from noncapital financing activities:		
Transfer to other funds	<u>(547,700)</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>(547,700)</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Proceeds from capital debt	-	14,000,000
Capital contributions	1,699,618	3,395,349
Acquisition and construction of capital assets	(5,080,276)	(11,392,924)
Principal paid on capital debt	(536,168)	(1,038,225)
Interest paid on capital debt	(566,045)	(1,626,813)
Bond issue costs paid	<u>-</u>	<u>(327,983)</u>
Net cash provided (used) by capital and related financing activities	<u>(4,482,871)</u>	<u>3,009,404</u>
Cash flows from investing activities:		
Interest received	<u>302,122</u>	<u>380,048</u>
Net cash provided (used) by investing activities	<u>302,122</u>	<u>380,048</u>
Net increase in cash and cash equivalents	(2,832,116)	5,917,042
Cash and cash equivalents, January 1	<u>8,152,053</u>	<u>8,937,980</u>
Cash and cash equivalents, December 31	<u>\$ 5,319,937</u>	<u>\$ 14,855,022</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	<u>\$ 462,230</u>	<u>\$ (57,726)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	759,705	1,545,503
Non-operating miscellaneous revenue	842,054	1,252,225
(Increase) decrease in assets:		
Accounts receivable	(40,064)	(56,003)
Increase (decrease) in liabilities:		
Accounts payable	72,051	797,156
Deferred revenue	-	(966,987)
Taxes payable	(10,316)	-
Wages payable	9,252	13,422
Customer deposits	<u>(198,579)</u>	<u>-</u>
Total adjustments	<u>1,434,103</u>	<u>2,585,316</u>
Net cash provided by operating activities	<u>\$ 1,896,333</u>	<u>\$ 2,527,590</u>
Noncash investing, capital and financing activities:		
Contributions of capital assets from government	<u>\$ 1,699,618</u>	<u>\$ 3,395,349</u>

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 Utility, whose operations are controlled by the Town, represents 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 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.

2. 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.

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

3. 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 and improvements	\$ 1,000	Straight-line	50 years
Improvements other than buildings	1,000	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

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 \$529,745 and \$1,640,155. Of the amount, none was included as part of the cost of capital assets under construction.

4. Compensated Absences

- a. Sick Leave – Utility employees earn sick leave at the rate of 1 day per month plus at the beginning of the each year employees earns 12 days. 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 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 3 days per year. Accumulated personal leave does not accumulate from year to year.

No liability is reported for vacation and sick leave.

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

5. Long-Term Obligations

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

II. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Utilities' do not have a deposit policy for custodial credit risk. At December 31, 2007, the Water and Wastewater Utilities had deposit balances in the amount of \$5,319,937 and \$14,855,022, respectively.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

As of December 31, 2007, the Utilities had the following investments:

Investment Type	Market Value
Water Utility:	
U.S. treasuries and securities	<u>\$ 541,210</u>
Wastewater Utility:	
U.S. treasuries and securities	<u>\$ 9,050,282</u>

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the Utilities to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the Utilities to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

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

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Utilities and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the Utilities may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the Utilities' purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Utilities do not have a formal investment policy for custodial credit risk for investments. No investments held by the Utilities were exposed to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Utilities must follow state statute and limit the stated final maturities of the investments to no more than two years. The Utilities do not have a formal investment policy for interest rate risk for investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Utilities do not have a formal investment policy for credit risk for investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Utilities' do not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

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

Foreign Currency Risk

The Utilities' do not have a formal policy in regards to foreign currency risk.

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 1,311,097	\$ 123,500	\$ -	\$ 1,434,597
Construction in progress	1,060,903	2,519,081	2,014,829	1,565,155
	<u>2,372,000</u>	<u>2,642,581</u>	<u>2,014,829</u>	<u>2,999,752</u>
Total capital assets, not being depreciated				
	<u>2,372,000</u>	<u>2,642,581</u>	<u>2,014,829</u>	<u>2,999,752</u>
Capital assets, being depreciated:				
Buildings	4,848,601	1,381,151	-	6,229,752
Improvements other than buildings	17,357,639	2,383,760	-	19,741,399
Machinery and equipment	811,690	404,071	-	1,215,761
Transportation equipment	436,329	281,158	12,089	705,398
	<u>23,454,259</u>	<u>4,450,140</u>	<u>12,089</u>	<u>27,892,310</u>
Totals				
	<u>23,454,259</u>	<u>4,450,140</u>	<u>12,089</u>	<u>27,892,310</u>
Less accumulated depreciation for:				
Buildings	727,422	119,273	-	846,695
Improvements other than buildings	2,152,128	437,149	-	2,589,277
Machinery and equipment	299,894	123,568	-	423,462
Transportation equipment	202,541	79,715	12,089	270,167
	<u>3,381,985</u>	<u>759,705</u>	<u>12,089</u>	<u>4,129,601</u>
Totals				
	<u>3,381,985</u>	<u>759,705</u>	<u>12,089</u>	<u>4,129,601</u>
Total capital assets, being depreciated, net	<u>20,072,274</u>	<u>3,690,435</u>	<u>-</u>	<u>23,762,709</u>
Total capital assets, net	<u>\$ 22,444,274</u>	<u>\$ 6,333,016</u>	<u>\$ 2,014,829</u>	<u>\$ 26,762,461</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 806,872	\$ 135,058	\$ -	\$ 941,930
Construction in progress	4,285,720	7,105,628	4,206,847	7,184,501
	<u>5,092,592</u>	<u>7,240,686</u>	<u>4,206,847</u>	<u>8,126,431</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	11,185,203	44,441	-	11,229,644
Improvements other than buildings	35,506,508	5,972,835	-	41,479,343
Machinery and equipment	8,769,324	565,677	-	9,335,001
Transportation equipment	465,687	279,474	58,427	686,734
Stormwater Improvements	-	1,496,658	-	1,496,658
	<u>55,926,722</u>	<u>8,359,085</u>	<u>58,427</u>	<u>64,227,380</u>
Totals				
Less accumulated depreciation for:				
Buildings	881,354	247,275	-	1,128,629
Improvements other than buildings	3,961,617	767,168	-	4,728,785
Machinery and equipment	1,261,693	457,571	-	1,719,264
Transportation equipment	251,473	73,489	58,427	266,535
	<u>6,356,137</u>	<u>1,545,503</u>	<u>58,427</u>	<u>7,843,213</u>
Totals				
Total capital assets, being depreciated, net				
	<u>49,570,585</u>	<u>6,813,582</u>	<u>-</u>	<u>56,384,167</u>
Total capital assets, net				
	<u>\$ 54,663,177</u>	<u>\$ 14,054,268</u>	<u>\$ 4,206,847</u>	<u>\$ 64,510,598</u>

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

Water	\$ 759,705
Wastewater	<u>1,545,503</u>
Total depreciation expense	<u>\$ 2,305,208</u>

C. Construction Commitments

Construction work in progress is composed of the following:

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

Project	Total Project Authorized	Expended to December 31, 2007	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	1,182,433	2,817,567	-
Utility office expansion	1,550,000	351,994	2,748,006	-
Water lines	20,000	16,528	3,472	-
Totals	<u>\$ 7,070,000</u>	<u>\$ 1,565,155</u>	<u>\$ 7,054,845</u>	<u>\$ -</u>
Wastewater Utility:				
Westside interceptor	\$ 7,000,000	\$ 6,526,036	\$ 473,964	\$ -
Modifications to ponds	70,000	10,892	59,108	-
Utility office expansion	1,550,000	633,996	916,004	-
Wastewater lines	15,000	13,577	1,423	-
Totals	<u>\$ 8,635,000</u>	<u>\$ 7,184,501</u>	<u>\$ 1,450,499</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	Amount
Water Utility:		
Revenue bonds of 1998 - improvements	5%	\$ 1,660,000
Revenue bonds of 2002 - improvements	4% to 6%	<u>7,910,000</u>
Total		<u>\$ 9,570,000</u>
Wastewater Utility:		
Revenue bonds of 2002 - improvements	4% to 6%	\$ 8,765,000
Revenue bonds of 2004 - improvements	3% to 5%	10,810,000
Revenue bonds of 2006 - refunding	4%	7,080,000
Revenue bonds of 2007 - improvements	4.25% to 4.75%	<u>14,000,000</u>
Total		<u>\$ 40,655,000</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
2008	\$ 455,000	\$ 478,552	\$ 1,260,000	\$ 1,996,775
2009	475,000	459,607	1,325,000	1,852,088
2010	495,000	439,155	1,380,000	1,799,278
2011	520,000	417,014	1,445,000	1,743,476
2012	545,000	393,248	1,520,000	1,684,107
2013-2017	3,170,000	1,548,341	8,800,000	7,386,477
2018-2022	3,205,000	718,389	8,420,000	5,295,697
2023-2027	705,000	39,339	7,475,000	3,322,161
2028-2032	-	-	9,030,000	1,394,123
Totals	<u>\$ 9,570,000</u>	<u>\$ 4,493,645</u>	<u>\$ 40,655,000</u>	<u>\$ 26,474,182</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 \$196,669 and \$567,509, respectively, are as follows:

	Water Utility	Wastewater Utility
2008	\$ 113,087	\$ 326,330
2009	113,087	326,330
2010	113,087	326,330
2011	113,087	326,330
2012	113,087	326,330
2013-2017	<u>452,348</u>	<u>1,305,320</u>
Totals	<u>\$ 1,017,783</u>	<u>\$ 2,936,970</u>

3. Changes in Long-Term Liabilities

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water Utility:					
Revenue bonds payable	\$ 10,060,000	\$ -	\$ 490,000	\$ 9,570,000	\$ 455,000
Less discount	<u>27,600</u>	<u>-</u>	<u>2,400</u>	<u>25,200</u>	<u>-</u>
Net revenue bonds payable	10,032,400	-	487,600	9,544,800	455,000
Loan payable	<u>867,282</u>	<u>-</u>	<u>46,168</u>	<u>821,114</u>	<u>75,126</u>
Total long-term liabilities	<u>\$ 10,899,682</u>	<u>\$ -</u>	<u>\$ 533,768</u>	<u>\$ 10,365,914</u>	<u>\$ 530,126</u>
Wastewater Utility:					
Revenue bonds payable	\$ 27,560,000	\$ 14,000,000	\$ 905,000	\$ 40,655,000	\$ 1,260,000
Less discount	76,830	181,504	8,251	250,083	-
Less deferral of loss on refunding	<u>412,949</u>	<u>-</u>	<u>32,558</u>	<u>380,391</u>	<u>-</u>
Net revenue bonds payable	27,070,221	13,818,496	864,191	40,024,526	1,260,000
Loan payable	<u>2,502,685</u>	<u>-</u>	<u>133,224</u>	<u>2,369,461</u>	<u>216,788</u>
Total long-term liabilities	<u>\$ 29,572,906</u>	<u>\$ 13,818,496</u>	<u>\$ 997,415</u>	<u>\$ 42,393,987</u>	<u>\$ 1,476,788</u>

E. Restricted Assets

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

	Water Utility	Wastewater Utility
Revenue bond depreciation accounts	\$ 463,711	\$ 74,055
Revenue bond bond and interest account	433,172	756,208
Revenue bond bond debt service reserve account	251,955	720,148
Revenue bond expansion account	-	153,426
Revenue bond construction account	-	2,902
Customer deposits account	<u>11,361</u>	<u>-</u>
Total restricted assets	<u>\$ 1,160,199</u>	<u>\$ 1,706,739</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; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); 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 Utilities joined together with other governmental entities to form the Indiana Public Employers' Plan, a public entity risk pool currently operating as a common risk management and insurance program for 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 Utilities pay 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. Subsequent Events

The Town of Westfield will become a third class city as of January 1, 2008.

C. Rate Structure

1. Water Utility

The current rate structure was approved by the Utility on October 1, 2006. The Utility has 9,404 customers.

2. Wastewater Utility

The current rate structure was approved by the Utility on August 1, 2004. The Utility has 8,539 customers.

D. 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

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

and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Utility authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at three percent 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 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.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 281,428
Interest on net pension obligation	(7,200)
Adjustment to annual required contribution	8,205
Annual pension cost	282,433
Contributions made	221,195
Increase in net pension obligation	61,238
Net pension obligation, beginning of year	(99,308)
Net pension obligation, end of year	\$ (38,070)

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

	PERF
Contribution rates:	
Government	6.5%
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

<u>Actuarial Assumptions</u>	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	06-30-05	\$ 188,859	105%	\$ (123,382)
	06-30-06	239,702	90%	(99,308)
	06-30-07	282,433	78%	(38,070)

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)
07-01-05	\$ 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%)
07-01-07	2,782,874	3,451,978	(669,104)	81%	4,991,921	(13%)

WATER AND WASTEWATER UTILITIES
TOWN OF WESTFIELD
EXAMINATION RESULTS AND COMMENTS

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger.

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)

PUBLIC WORKS PROJECT

The Town of Westfield, on December 7, 2006, contracted with Fleetwood Contracting Corporation for the construction of the Cherry Tree Road Water Main. The total amount to be paid to Fleetwood Contracting was \$130,800. On the date the contract was signed, a change order for \$31,988 was also approved. Construction had not begun on the project. There was no indication in the board minutes that an emergency had been declared for this contract. The total amount of the change orders for this project was 77% of the original contract price.

IC 36-1-12-4(a) states in part:

"This section applies whenever the cost of a public work project will be:

- (1) at least seventy-five thousand dollars (\$75,000) in:
 - (A) a consolidated city or second class city;
 - (B) a county containing a consolidated city or second class city; or
 - (C) a regional water or sewage district established under IC 13-26;
- (2) at least fifty thousand dollars (\$50,000) in:
 - (A) a third class city or town with a population of more than five thousand (5,000), or
 - (B) a county containing a third class city or town with a population of more than five thousand (5,000); or
- (3) at least twenty-five thousand dollars (\$25,000) in a political subdivision or an agency not described in subdivision (1) or (2)."

IC 36-1-12-18 states in part:

". . . (c) A change order may not be issued before commencement of the actual construction, reconstruction, or repairs except in the case of an emergency. In that case, the board must make a declaration, and the board's minutes must show the nature of the emergency.

(d) The total of all change orders issued that increase the scope of the project may not exceed twenty percent (20%) of the amount of the original contract. A change order issued as a result of circumstances that could not have been reasonably foreseen does not increase the scope of the project . . ."

WATER AND WASTEWATER UTILITIES
TOWN OF WESTFIELD
EXIT CONFERENCE

The contents of this report were discussed on February 5, 2009, with Cindy J. Gossard, Clerk-Treasurer; Rosy Oshry, Consultant; Andrew Cook, Mayor; and Kenneth Kingshill, President of the City Council. The official response has been made a part of this report and may be found on page 22.

City of Westfield

Indiana 1834

"Old Town Charm, New City Style"

February 16, 2009

Audit Results and Comments

OFFICIAL RESPONSE

Mayor

ANDY COOK

City Council

JOHN DIPPEL

STEVE HOOVER

ROBERT L. HORKAY

KEN KINGSHILL

ROBERT J. SMITH

TOM SMITH

ROB STOKES

Clerk Treasurer

CINDY J. GOSSARD

Below is an itemized list of activities and plans that will ensure that the existing issues found in the recent audit will be rectified and done so in a timely manner. The Clerk Treasurer's office was unaware that such issues occurred or existed and will work to eliminate all issues.

With the tremendous growth that the City has experienced, the Clerk Treasurer's Office has not been able to properly monitor each department submission, as required by statute, but with the additional staff more stringent controls can be established to comply with the duties of the Clerk Treasurer's Office.

If you have additional questions about the below responses, please feel free to contact the Clerk Treasurer's Office at 317-804-3020.

UTILITIES

Customer Deposit Register

Response: Research will be conducted this year to rectify the situation.

Public Works Project

Response: The Clerk Treasurer's Office was unaware of this occurrence and has notified the Department Head of the appropriate process.