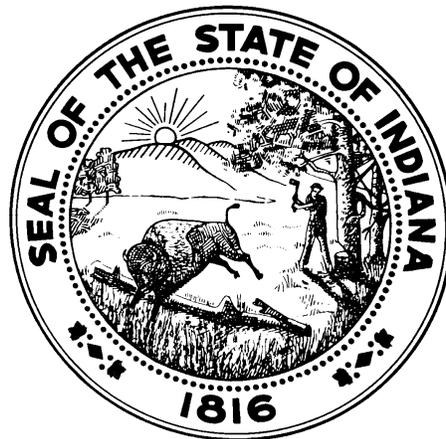


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

ANNUAL FINANCIAL REPORT

2008

WATER AND WASTEWATER UTILITIES  
CITY OF WESTFIELD  
HAMILTON COUNTY, INDIANA



**FILED**  
11/18/2009



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OFFICIALS

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



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AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities of the Water and Wastewater Utilities (Utilities), a department of the City of Westfield, as of and for the year ended December 31, 2008. 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 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 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 Westfield as of December 31, 2008, 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, 2008, 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 City has not presented 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole.

STATE BOARD OF ACCOUNTS

September 17, 2009

WATER AND WASTEWATER UTILITIES  
CITY OF WESTFIELD  
STATEMENT OF NET ASSETS  
December 31, 2008

<u>Assets</u>	Water Utility	Wastewater Utility
Current assets:		
Cash and cash equivalents	\$ 645,489	\$ 2,423,008
Interest receivable	-	785
Accounts receivable (net of allowance)	<u>229,704</u>	<u>363,821</u>
Total current assets	<u>875,193</u>	<u>2,787,614</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Depreciation cash and investments	89,022	74,055
Debt service reserve cash and investments	204,418	720,182
Bond and interest cash and investments	546,310	1,050,936
Expansion cash and investments	-	157,215
Customer deposits	<u>9,556</u>	<u>-</u>
Total restricted assets:	<u>849,306</u>	<u>2,002,388</u>
Deferred charges	<u>141,157</u>	<u>868,716</u>
Capital assets:		
Land, improvements to land and construction in progress	7,136,629	17,884,126
Other capital assets (net of accumulated depreciation)	<u>23,938,695</u>	<u>57,670,716</u>
Total capital assets	<u>31,075,324</u>	<u>75,554,842</u>
Total noncurrent assets	<u>32,065,787</u>	<u>78,425,946</u>
Total assets	<u>32,940,980</u>	<u>81,213,560</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	132,700	349,137
Accrued wages payable	148,258	132,851
Taxes payable	13,245	-
Deferred revenue	471,582	81,842
Current liabilities payable from restricted assets:		
Customer deposits	9,557	-
Revenue bonds payable	475,000	1,325,000
Loan payable	78,721	227,164
Accrued interest payable	<u>225,355</u>	<u>651,695</u>
Total current liabilities	<u>1,554,418</u>	<u>2,767,689</u>
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	8,617,200	37,484,555
Loan payable	<u>667,267</u>	<u>1,925,508</u>
Total noncurrent liabilities	<u>9,284,467</u>	<u>39,410,063</u>
Total liabilities	<u>10,838,885</u>	<u>42,177,752</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	21,152,928	34,809,634
Restricted for debt service	849,306	2,002,388
Unrestricted	<u>99,861</u>	<u>2,223,786</u>
Total net assets	<u>\$ 22,102,095</u>	<u>\$ 39,035,808</u>

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

WATER AND WASTEWATER UTILITIES  
CITY OF WESTFIELD  
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS  
As Of And For The Year Ended December 31, 2008

	Water Utility	Wastewater Utility
Operating revenues:		
Metered water revenue:		
Residential	\$ 2,455,330	\$ 4,182,341
Commercial	613,692	435,496
Industrial	549,480	383,587
Fire protection revenue	261,877	-
Penalties	15,170	75,125
Other	36,807	28,798
 Total operating revenues	 3,932,356	 5,105,347
 Operating expenses:		
Source of supply and expense - operations and maintenance	302,068	-
Water treatment expense - operations and maintenance	327,426	-
Transmission and distribution	618,889	-
Water - operations and maintenance	262,627	-
Collection system - operations and maintenance	-	832,640
Treatment and disposal - operations and maintenance	-	1,101,343
Administration and general	1,842,812	1,795,018
Depreciation and amortization	894,563	1,781,701
 Total operating expenses	 4,248,385	 5,510,702
 Operating income (loss)	 (316,029)	 (405,355)
 Nonoperating revenues (expenses):		
Interest and investment revenue	66,472	108,708
Availability revenue	626,528	938,063
Tap revenue	369,776	879,679
Miscellaneous revenue	75,701	30,725
Amortization of deferred charges	(13,540)	(116,053)
Interest expense	(507,850)	(1,310,626)
Payment in lieu of taxes	(69,504)	(162,300)
 Total nonoperating revenues (expenses)	 547,583	 368,196
 Income (loss) before contributions and transfers	 231,554	 (37,159)
 Capital contributions	 899,939	 2,453,964
 Change in net assets	 1,131,493	 2,416,805
 Total net assets - beginning	 20,970,602	 36,619,003
 Total net assets - ending	 \$ 22,102,095	 \$ 39,035,808

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

WATER AND WASTEWATER UTILITIES  
CITY OF WESTFIELD  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
As Of And For The Year Ended December 31, 2008

	<u>Water Utility</u>	<u>Wastewater Utility</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 3,912,290	\$ 5,090,187
Payments to suppliers and contractors	(2,327,435)	(2,889,500)
Payments to employees	(1,124,550)	(1,378,702)
Other receipts	<u>1,002,502</u>	<u>1,686,167</u>
Net cash provided by operating activities	<u>1,462,807</u>	<u>2,508,152</u>
Cash flows from capital and related financing activities:		
Proceeds from capital debt	899,939	2,453,964
Capital contributions	(5,207,427)	(12,828,945)
Acquisition and construction of capital assets	(530,126)	(1,476,788)
Principal paid on capital debt	<u>(518,014)</u>	<u>(1,398,417)</u>
Interest paid on capital debt		
Net cash used by capital and related financing activities	<u>(5,355,628)</u>	<u>(13,250,186)</u>
Cash flows from investing activities:		
Interest received	<u>67,679</u>	<u>312,408</u>
Net increase in cash and cash equivalents	(3,825,142)	(10,429,626)
Cash and cash equivalents, January 1	<u>5,319,937</u>	<u>14,855,022</u>
Cash and cash equivalents, December 31	<u>\$ 1,494,795</u>	<u>\$ 4,425,396</u>
Reconciliation of operating income to net cash used by operating activities:		
Operating income	<u>\$ (316,029)</u>	<u>\$ (405,355)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	894,563	1,784,701
Nonoperating miscellaneous revenue	1,002,502	1,686,167
(Increase) decrease in assets:		
Accounts receivable	(20,066)	(15,161)
Increase (decrease) in liabilities:		
Accounts payable	(150,887)	(636,824)
Taxes payable	13,245	-
Wages payable	87,978	76,747
Customer deposits	<u>(48,499)</u>	<u>17,877</u>
Total adjustments	<u>1,778,836</u>	<u>2,913,507</u>
Net cash provided by operating activities	<u>\$ 1,462,807</u>	<u>\$ 2,508,152</u>
Noncash investing, capital and financing activities:		
Contributions of capital assets from government	<u>\$ 899,939</u>	<u>\$ 2,453,964</u>

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

WATER AND WASTEWATER UTILITIES  
CITY 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 City of Westfield (City), and the results of its operations and cash flows of its enterprise funds. The Utilities, whose operations are controlled by the City, represents a substantial portion of the City's enterprise funds.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating 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.

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

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  
CITY 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 Utility and Wastewater Utility during the current year was \$507,850 and \$1,310,626, respectively. Of the amount, \$398,703 was included as part of the cost of capital assets under construction in connection with Wastewater treatment plant expansion.

4. Compensated Absences

- a. Sick Leave – Utilities employees earn sick leave at the rate of one day per month plus at the beginning of each year employees earn 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 – Utilities employees earn vacation leave at rates from 10 days to 25 days per year based upon the number of years of service. Up to 1 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 – Utilities employees earn personal leave at the rate of 3 days per year. Personal leave does not accumulate from year to year.

No liability is reported for vacation and sick leave.

WATER AND WASTEWATER UTILITIES  
CITY 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, 2008, the Water and Wastewater Utilities had deposit balances in the amount of \$1,528,983 and \$4,513,642, respectively.

These 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, 2008, the Utilities had the following investments:

Investment Type	Market Value
Water Utility:	
U.S. treasuries and securities	<u>\$ 720,182</u>
Wastewater Utility:	
U.S. treasuries and securities	<u>\$ 201,291</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  
CITY 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.

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 distribution of securities with credit ratings is summarized below. 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  
CITY 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, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 1,434,597	\$ 773	\$ -	\$ 1,435,370
Construction in progress	<u>1,565,155</u>	<u>4,166,749</u>	<u>30,645</u>	<u>5,701,259</u>
 Total capital assets, not being depreciated	 <u>2,999,752</u>	 <u>4,167,522</u>	 <u>30,645</u>	 <u>7,136,629</u>
 Capital assets, being depreciated:				
Buildings	6,229,752	27,869	-	6,257,621
Improvements other than buildings	19,741,399	1,000,730	-	20,742,129
Machinery and equipment	1,215,761	21,127	7,306	1,229,582
Transportation equipment	<u>705,398</u>	<u>12,991</u>	<u>-</u>	<u>718,389</u>
 Totals	 <u>27,892,310</u>	 <u>1,062,717</u>	 <u>7,306</u>	 <u>28,947,721</u>
 Less accumulated depreciation for:				
Buildings	846,695	157,929	-	1,004,624
Improvements other than buildings	2,589,277	491,431	1,695	3,079,013
Machinery and equipment	423,462	163,819	7,306	579,975
Transportation equipment	<u>270,167</u>	<u>81,384</u>	<u>6,137</u>	<u>345,414</u>
 Totals	 <u>4,129,601</u>	 <u>894,563</u>	 <u>15,138</u>	 <u>5,009,026</u>
 Total capital assets, being depreciated, net	 <u>23,762,709</u>	 <u>168,154</u>	 <u>(7,832)</u>	 <u>23,938,695</u>
 Total capital assets, net	 <u>\$ 26,762,461</u>	 <u>\$ 4,335,676</u>	 <u>\$ 22,813</u>	 <u>\$ 31,075,324</u>

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 941,930	\$ 94,198	\$ -	\$ 1,036,128
Construction in progress	<u>7,184,501</u>	<u>10,032,996</u>	<u>369,499</u>	<u>16,847,998</u>
 Total capital assets, not being depreciated	 <u>8,126,431</u>	 <u>10,127,194</u>	 <u>369,499</u>	 <u>17,884,126</u>
 Capital assets, being depreciated:				
Buildings	11,229,644	67,935	-	11,297,579
Improvements other than buildings	41,479,343	2,320,276	2,774,118	41,025,501
Machinery and equipment	9,335,001	75,939	-	9,410,940
Transportation equipment	686,734	13,999	976	699,757
Stormwater improvements	<u>1,496,658</u>	<u>3,359,100</u>	<u>-</u>	<u>4,855,758</u>
 Totals	 <u>64,227,380</u>	 <u>5,837,249</u>	 <u>2,775,094</u>	 <u>67,289,535</u>
 Less accumulated depreciation for:				
Buildings	1,128,629	251,475	-	1,380,104
Improvements other than buildings	4,728,785	915,215	-	5,644,000
Machinery and equipment	1,719,264	538,714	-	2,257,978
Transportation equipment	<u>266,535</u>	<u>76,297</u>	<u>6,095</u>	<u>336,737</u>
 Totals	 <u>7,843,213</u>	 <u>1,781,701</u>	 <u>6,095</u>	 <u>9,618,819</u>
 Total capital assets, being depreciated, net	 <u>56,384,167</u>	 <u>4,055,548</u>	 <u>2,768,999</u>	 <u>57,670,716</u>
 Total capital assets, net	 <u>\$ 64,510,598</u>	 <u>\$ 14,182,742</u>	 <u>\$ 3,138,498</u>	 <u>\$ 75,554,842</u>

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

Water	\$ 894,563
Wastewater	<u>1,781,701</u>
	 <u>\$ 2,676,264</u>

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

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2008	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	3,649,937	350,063	-
Utility office expansion	1,500,000	1,359,850	140,150	-
Water Lines	20,000	13,354	6,646	-
Well #11, 12, and 13	875,000	657,074	217,926	-
Well #14	<u>6,844</u>	<u>6,844</u>	-	-
Totals	<u>\$ 7,901,844</u>	<u>\$ 5,701,259</u>	<u>\$ 2,200,585</u>	<u>\$ -</u>
Wastewater Utility:				
Westside Interceptor	\$ 14,500,000	\$ 14,022,233	\$ 477,767	\$ -
Modifications to ponds	70,000	66,228	3,772	-
Utility office expansion	2,600,000	2,508,181	91,819	-
Stormwater - Sycamore-Birch Streets	239,667	238,198	1,469	-
Wastewater lines	<u>15,000</u>	<u>13,158</u>	<u>1,842</u>	-
Totals	<u>\$ 17,424,667</u>	<u>\$ 16,847,998</u>	<u>\$ 576,669</u>	<u>\$ -</u>

D. Long-Term Liabilities

1. Revenue Bonds

The Utilities 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	Amount
Water Utility:		
Revenue bonds of 1998 - improvements	5%	\$ 1,545,000
Revenue bonds of 2002 - improvements	4% to 6%	<u>7,570,000</u>
Total		<u>\$ 9,115,000</u>

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

Purpose	Interest Rates	Amount
Wastewater Utility:		
Revenue bonds of 2002 - improvements	4% to 6%	\$ 8,385,000
Revenue bonds of 2004 - improvements	3% to 5%	10,395,000
Revenue bonds of 2006 - refunding	4%	6,635,000
Revenue bonds of 2007 - improvements	4.25% to 4.75%	<u>13,980,000</u>
Total		<u>\$ 39,395,000</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2009	\$ 475,000	\$ 459,607	\$ 1,325,000	\$ 1,827,809
2010	495,000	439,155	1,380,000	1,774,873
2011	520,000	417,014	1,445,000	1,718,935
2012	545,000	393,248	1,520,000	1,659,427
2013	575,000	367,935	1,590,000	1,596,112
2014-2018	3,330,000	1,392,660	9,250,000	6,875,789
2019-2023	3,175,000	545,475	8,025,000	4,750,195
2024-2028	-	-	7,470,000	2,844,800
2029-2033	-	-	<u>7,390,000.00</u>	<u>898,938.00</u>
Totals	<u>\$ 9,115,000</u>	<u>\$ 4,015,094</u>	<u>\$ 39,395,000</u>	<u>\$ 23,946,878</u>

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

2. Notes and Loans Payable

The Utilities has entered into various loans. Annual debt service requirements to maturity for the loans, including interest of \$158,705 and \$457,970, respectively are as follows:

	<u>Water Utility</u>		<u>Wastewater Utility</u>	
2009	\$ 113,087	\$	326,330	
2010	113,087		326,330	
2011	113,087		326,330	
2012	113,087		326,330	
2013	113,087		326,330	
2014-2018	<u>339,258</u>		<u>978,992</u>	
	<u>\$ 904,693</u>		<u>\$ 2,610,642</u>	

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

	<u>Beginning Balance</u>		<u>Additions</u>		<u>Reductions</u>		<u>Ending Balance</u>		<u>Due Within One Year</u>
Water Utility:									
Revenue bonds payable	\$ 9,570,000	\$	-	\$	455,000	\$	9,115,000	\$	475,000
Less discount	<u>25,200</u>	-	-	-	<u>2,400</u>	-	<u>22,800</u>	-	<u>-</u>
Net revenue bonds payable	9,544,800	-	-	-	452,600	-	9,092,200	-	475,000
Loans payable	<u>821,114</u>	-	-	-	<u>75,126</u>	-	<u>745,988</u>	-	<u>78,721</u>
Total long-term liabilities	<u>\$ 10,365,914</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 527,726</u>	<u>\$ -</u>	<u>\$ 9,838,188</u>	<u>\$ -</u>	<u>\$ 553,721</u>
Wastewater Utility:									
Revenue bonds payable	\$ 40,655,000	\$	-	\$	1,260,000	\$	39,395,000	\$	1,325,000
Less discount	250,083	-	-	-	12,471	-	237,612	-	-
Less deferral of loss on refunding	<u>380,391</u>	-	-	-	<u>32,558</u>	-	<u>347,833</u>	-	<u>-</u>
Net revenue bonds payable	40,024,526	-	-	-	1,214,971	-	38,809,555	-	1,325,000
Loans payable	<u>2,369,461</u>	-	-	-	<u>216,789</u>	-	<u>2,152,672</u>	-	<u>227,164</u>
Total long-term liabilities	<u>\$ 42,393,987</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,431,760</u>	<u>\$ -</u>	<u>\$ 40,962,227</u>	<u>\$ -</u>	<u>\$ 1,552,164</u>

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

E. Restricted Assets

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

	Water Utility	Wastewater Utility
Revenue bond depreciation accounts	\$ 89,022	\$ 74,055
Revenue bond and interest account	546,310	1,050,936
Revenue bond debt service reserve account	204,418	720,182
Revenue bond expansion account	-	157,215
Customer deposits account	9,556	-
	\$ 849,306	\$ 2,002,388

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; 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; job related illnesses or injuries to employees; 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.

During 1993, the Utilities joined together with other governmental entities to form the Indiana Public Employer's Plan, 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 worker's compensation insurance. The Utilities pays an annual premium to the risk pool for its workmen's compensation 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 Utility on October 1, 2006. The Utility has 9,404 customers.

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

2. Wastewater Utility

The current rate structure was approved by the Utility on October 1, 2006. The Utility has 8,539 customers.

C. Pension Plan

Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The City, including the Utilities, contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Utilities authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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

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

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 339,946
Interest on net pension obligation	(2,760)
Adjustment to annual required	
Adjustment to annual required contribution	3,145
Annual pension cost	340,331
Contributions made	364,368
Decrease in net pension obligation	(24,037)
Net pension obligation, beginning of year	(38,070)
Net pension obligation, end of year	\$ (62,107)

	PERF
Contribution rates:	
Utilities	6.5%
Plan members	3%
Actuarial valuation date	07-01-08
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	06-30-06	\$ 239,702	90%	\$ (99,308)
	06-30-07	282,433	78%	(38,070)
	06-30-08	340,331	107%	(62,107)

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

PERF

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)
07-01-06	\$ 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%)
07-01-08	3,395,474	3,958,469	(562,995)	86%	5,578,066	(10%)

WATER AND WASTEWATER UTILITIES  
CITY OF WESTFIELD  
EXIT CONFERENCE

The contents of this report were discussed on October 15, 2009, with Cindy J. Gossard, Clerk-Treasurer; Andrew Cook, Mayor; Steven Hoover, City Council member; and Bruce Hauk, Deputy Mayor. Our audit disclosed no material items that warrant comment at this time.