

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

ANNUAL FINANCIAL REPORT

2011

WATER AND WASTEWATER UTILITIES

CITY OF WESTFIELD

HAMILTON COUNTY, INDIANA



FILED
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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cindy Gossard	01-01-08 to 12-31-15
Mayor	Andrew Cook	01-01-08 to 12-31-15
President of the Board of Public Works	Andrew Cook	01-01-08 to 12-31-15
President of the City Council	Tom Smith Robert Horkay	01-01-10 to 12-31-10 01-01-11 to 12-31-12
Director Of Public Works	Kurt Wanninger	01-01-11 to 12-31-12



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 WESTFIELD, HAMILTON COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Water and Wastewater Utilities, a department of the City of Westfield, as of and for the year ended December 31, 2011, which collectively comprise the Utilities' basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Utility's management. Our responsibility is to express opinions 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control over financial reporting. Accordingly, we express no such opinion. 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 Utility, 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, 2011, 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 Utility, as of December 31, 2011, 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Accounting principles generally accepted in the United States of America require that the Schedules of Funding Progress, Schedules of Contributions from the Employer and Other Contributing Entities, and Budgetary Comparison Schedules, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management Discussion and Analysis that Government Accounting Standards Board require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

STATE BOARD OF ACCOUNTS

August 7, 2012

WATER AND WASTEWATER UTILITIES
CITY OF WESTFIELD
STATEMENT OF NET ASSETS
December 31, 2011

	2011	
	Water Utility	Wastewater Utility
Assets		
Current assets:		
Cash and cash equivalents	\$ 881,563	\$ 1,011,410
Interest receivable	-	788
Accounts receivable (net of allowance)	316,207	644,911
Other Receivables	20,569	1,435
Total current assets	<u>1,218,339</u>	<u>1,658,544</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Meter deposit cash and investments	13,551	-
Depreciation cash and investments	150,791	-
Bond and interest cash and investments	494,305	1,059,809
Tap fee cash and investments	229,691	464,699
Availability cash and investments	1,098,784	434,745
Escrowed developer fees cash and investments	7,421	177,867
Construction cash and investments	-	734,780
Debt service reserve cash and investments	203,970	721,500
Total restricted assets:	<u>2,198,513</u>	<u>3,593,400</u>
Deferred charges	<u>107,736</u>	<u>655,646</u>
Capital assets:		
Land, improvements to land and construction in progress	2,632,427	16,807,944
Other capital assets (net of accumulated depreciation)	29,281,964	58,114,639
Total capital assets	<u>31,914,391</u>	<u>74,922,583</u>
Total noncurrent assets	<u>34,220,640</u>	<u>79,171,629</u>
Total assets	<u>35,438,979</u>	<u>80,830,173</u>
Liabilities		
Current liabilities:		
Accounts payable	95,560	280,046
Accrued wages payable	88,016	70,325
Deferred revenue	481,688	107,746
Current liabilities payable from restricted assets:		
Customer deposits	13,551	-
Escrowed developer fees payable	7,421	177,867
Revenue bonds payable	1,560,000	1,520,000
Loan payable	90,574	261,365
Accrued interest payable	211,227	581,484
Total current liabilities	<u>2,548,037</u>	<u>2,998,833</u>
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	7,064,400	33,274,644
Loan payable	407,767	1,176,680
Total noncurrent liabilities	<u>7,472,167</u>	<u>34,451,324</u>
Total liabilities	<u>10,020,204</u>	<u>37,450,157</u>
Net Assets		
Invested in capital assets, net of related debt	22,776,050	38,974,318
Restricted	2,198,513	3,593,400
Unrestricted	444,212	812,298
Total net assets	<u>\$ 25,418,775</u>	<u>\$ 43,380,016</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, 2011

	2011	
	Water Utility	Wastewater Utility
Operating Revenues:		
Metered sales	\$ 3,681,997	\$ 5,896,789
Contract sales	450,270	-
Fire protection revenue	459,369	-
Stormwater revenue	-	419,254
Trash revenue	-	1,231,480
Penalties	17,018	103,994
Plan review/inspection fees	17,291	25,429
Other	3,249	99,304
	<u>4,629,194</u>	<u>7,776,250</u>
Total operating revenues		
Operating expenses:		
Source of supply and expense - operations and maintenance	403,042	-
Water treatment expense - operations and maintenance	326,074	-
Transmission and distribution	533,473	-
Collection system - operations and maintenance	-	699,241
Treatment and disposal - operations and maintenance	-	1,103,299
Stormwater - operations and maintenance	-	157,485
Customer accounts	281,420	-
Administration and general	1,372,010	2,348,614
Depreciation and amortization	1,236,012	1,867,585
	<u>4,152,031</u>	<u>6,176,224</u>
Total operating expenses		
Operating income	<u>477,163</u>	<u>1,600,026</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	9,596	7,337
Availability revenue	401,477	436,211
Tap revenue	150,669	470,994
Miscellaneous revenue	37,867	70,324
Other non operating	181,730	2,700
Interest expense	(479,514)	(1,771,086)
Amortization of deferred charges	(13,540)	(116,052)
	<u>288,285</u>	<u>(899,572)</u>
Total nonoperating expenses		
Income before contributions	765,448	700,454
Capital contributions	115,851	914,274
	<u>881,299</u>	<u>1,614,728</u>
Change in net assets		
Total net assets - beginning	<u>24,537,476</u>	<u>41,765,288</u>
Total net assets - ending	<u>\$ 25,418,775</u>	<u>\$ 43,380,016</u>

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

WATER AND WASTEWATER UTILITIES
CITY OF WESTFIELD
STATEMENT OF CASH FLOWS
As Of And For The Year Ended December 31, 2011

	2011	
	Water Utility	Wastewater Utility
Cash flows from operating activities:		
Receipts from customers and users	\$ 4,559,689	\$ 7,792,917
Payments to suppliers, employees and others	<u>(2,812,160)</u>	<u>(4,062,657)</u>
Net cash provided by operating activities	<u>1,747,529</u>	<u>3,730,260</u>
Cash flows from noncapital financing activities:		
Customer notes payable	<u>-</u>	<u>409</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>409</u>
Cash flows from capital and related financing activities:		
Capital contributions	115,851	914,274
Acquisition and construction of capital assets	(695,624)	(364,819)
Principal paid on capital debt	(701,437)	(1,694,428)
Interest paid on capital debt	(494,026)	(1,795,837)
Escrow developer fees	-	34,620
Tap, availability and other fees	<u>733,164</u>	<u>980,229</u>
Net cash used by capital and related financing activities	<u>(1,042,072)</u>	<u>(1,925,961)</u>
Cash flows from investing activities:		
Interest received	<u>9,596</u>	<u>7,137</u>
Net cash provided by investing activities	<u>9,596</u>	<u>7,137</u>
Net increase in cash and cash equivalents	715,053	1,811,845
Cash and cash equivalents, January 1	<u>2,365,023</u>	<u>2,792,965</u>
Cash and cash equivalents, December 31	<u>\$ 3,080,076</u>	<u>\$ 4,604,810</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	<u>\$ 477,163</u>	<u>\$ 1,600,026</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	1,236,012	1,867,585
(Increase) decrease in assets:		
Accounts receivable	(69,831)	16,667
Other current assets	326	-
Increase (decrease) in liabilities:		
Accounts payable	87,042	228,945
Accrued wages payable	14,441	17,037
Customer deposits	<u>2,376</u>	<u>-</u>
Total adjustments	<u>1,270,366</u>	<u>2,130,234</u>
Net cash provided by operating activities	<u>\$ 1,747,529</u>	<u>\$ 3,730,260</u>
Noncash investing, capital and financing activities:		
Contributions of capital assets from government	\$ 115,851	\$ 914,274

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 Other Changes in Fund Net Assets; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Utilities have elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

When both restricted and unrestricted resources are available for use, the Utilities' policies are to use restricted resources first, then unrestricted resources as they are needed.

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.

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

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

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

2. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

3. Restricted Assets

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

4. Capital Assets

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

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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 \$479,514 and \$1,771,086, respectively. No interest expense was a part of the cost of capital assets under construction in 2011.

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

5. 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 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 – 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.

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

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, 2011, the Water and Wastewater Utilities had deposit balances in the amount of \$2,546,324 and \$4,951,427, 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.

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

2. Investments

As of December 31, 2011, the Utilities had the following investments:

Investment Type	Market Value
Water Utility:	
U.S. treasuries and securities	<u>\$ 198,363</u>
Wastewater Utility:	
U.S. treasuries and securities	<u>\$ 720,180</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.

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.

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

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 do not have a formal investment policy for interest rate risk for investments.

Investment Type	Investment Maturities (in Years) More Than 2
Water Utility:	
U.S. treasuries and securities	<u>\$ 198,363</u>
Wastewater Utility:	
U.S. treasuries and securities	<u>\$ 720,180</u>

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
CITY OF WESTFIELD
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

<u>2011</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 2,605,074	\$ -	\$ -	\$ 2,605,074
Construction in progress	<u>86,939</u>	<u>407,303</u>	<u>466,889</u>	<u>27,353</u>
Total capital assets, not being depreciated	<u>2,692,013</u>	<u>407,303</u>	<u>466,889</u>	<u>2,632,427</u>
Capital assets, being depreciated:				
Buildings	9,467,271	-	-	9,467,271
Improvements other than buildings	24,660,194	724,674	-	25,384,868
Machinery and equipment	1,983,777	30,537	-	2,014,314
Transportation equipment	<u>488,832</u>	<u>-</u>	<u>-</u>	<u>488,832</u>
Totals	<u>36,600,074</u>	<u>755,211</u>	<u>-</u>	<u>37,355,285</u>
Less accumulated depreciation for:				
Buildings	(1,347,541)	(231,926)	-	(1,579,467)
Improvements other than buildings	(4,189,139)	(777,882)	-	(4,967,021)
Machinery and equipment	(882,746)	(180,807)	-	(1,063,553)
Transportation equipment	<u>(417,883)</u>	<u>(45,397)</u>	<u>-</u>	<u>(463,280)</u>
Totals	<u>(6,837,309)</u>	<u>(1,236,012)</u>	<u>-</u>	<u>(8,073,321)</u>
Total capital assets, being depreciated, net	<u>29,762,765</u>	<u>(480,801)</u>	<u>-</u>	<u>29,281,964</u>
Total capital assets, net	<u>\$32,454,778</u>	<u>\$ (73,498)</u>	<u>\$ 466,889</u>	<u>\$ 31,914,391</u>
<u>2011</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 1,036,128	\$ -	\$ -	\$ 1,036,128
Construction in progress	<u>16,058,488</u>	<u>651</u>	<u>287,323</u>	<u>15,771,816</u>
Total capital assets, not being depreciated	<u>17,094,616</u>	<u>651</u>	<u>287,323</u>	<u>16,807,944</u>

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

<u>2011</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Wastewater Utility (continued):				
Capital assets, being depreciated:				
Buildings	13,638,307	-	-	13,638,307
Improvements other than buildings	48,685,944	651,492	-	49,337,436
Machinery and equipment	9,801,340	-	-	9,801,340
Transportation equipment	<u>505,579</u>	<u>-</u>	<u>-</u>	<u>505,579</u>
Totals	<u>72,631,170</u>	<u>651,492</u>	<u>-</u>	<u>73,282,662</u>
Less accumulated depreciation for:				
Buildings	(1,925,272)	(295,266)	-	(2,220,538)
Improvements other than buildings	(7,604,075)	(995,239)	-	(8,599,314)
Machinery and equipment	(3,337,141)	(532,750)	-	(3,869,891)
Transportation equipment	<u>(433,950)</u>	<u>(44,330)</u>	<u>-</u>	<u>(478,280)</u>
Totals	<u>(13,300,438)</u>	<u>(1,867,585)</u>	<u>-</u>	<u>(15,168,023)</u>
Total capital assets, being depreciated, net	<u>59,330,732</u>	<u>(1,216,093)</u>	<u>-</u>	<u>58,114,639</u>
Total capital assets, net	<u>\$76,425,348</u>	<u>\$ (1,215,442)</u>	<u>\$ 287,323</u>	<u>\$ 74,922,583</u>

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

	<u>2011</u>
Water	\$ 1,236,012
Wastewater	<u>1,867,585</u>
Total depreciation expense	<u>\$ 3,103,597</u>

C. Construction Commitments

Construction work in progress is composed of the following:

<u>Project</u>	<u>2011</u>	
	<u>Expended to December 31,</u>	<u>Committed</u>
Water Utility:		
Elevated water storage tank - Maple Knoll	\$ 14,200	\$ 1,485,800
Labor	<u>13,153</u>	<u>28,915</u>
Totals	<u>\$ 27,353</u>	<u>\$ 1,514,715</u>
Wastewater Utility:		
Westside interceptor 181st	\$ 15,758,208	\$ -
Sports Complex	651	-
Water lines labor	<u>12,957</u>	<u>2,043</u>
Totals	<u>\$ 15,771,816</u>	<u>\$ 2,043</u>

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

D. Long-Term Liabilities

1. Revenue Bonds

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

Purpose	Interest Rates	Balance at December 31	Less: Unamortized Discount	Less: Deferral on Refunding	Amount
Water Utility:					
1998 Revenue Bonds	5%	\$ 1,165,000	\$ 15,600	\$ -	\$ 1,149,400
2002 Revenue Bonds	4% - 6%	6,460,000	-	-	6,460,000
2009 Revenue Bonds	4% - 5%	<u>1,015,000</u>	<u>-</u>	<u>-</u>	<u>1,015,000</u>
Totals		<u>\$ 8,640,000</u>	<u>\$ 15,600</u>	<u>\$ -</u>	<u>\$ 8,624,400</u>
Wastewater Utility:					
2002 Revenue Bonds	4% - 6%	\$ 7,150,000	\$ -	\$ -	\$ 7,150,000
2004 Revenue Bonds	4% - 5%	9,070,000	25,630	-	9,044,370
2006 Refunding Revenue Bonds	4%	5,135,000	25,023	250,159	4,859,818
2007 Revenue Bonds	4% - 5%	<u>13,890,000</u>	<u>149,544</u>	<u>-</u>	<u>13,740,456</u>
Totals		<u>\$ 35,245,000</u>	<u>\$ 200,197</u>	<u>\$ 250,159</u>	<u>\$ 34,794,644</u>

Revenue bonds debt service requirements to maturity are as follows:

	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2012	\$ 1,560,000	\$ 439,431	\$ 1,520,000	\$ 1,659,427
2013	575,000	367,935	1,590,000	1,596,112
2014	600,000	340,635	1,665,000	1,529,220
2015	630,000	311,655	1,755,000	1,457,697
2016	665,000	280,676	1,850,000	1,380,705
2017-2021	3,240,000	889,782	8,795,000	5,596,466
2022-2026	1,370,000	115,386	7,475,000	3,574,508
2027-2031	-	-	8,610,000	1,736,838
2032-2036	<u>-</u>	<u>-</u>	<u>1,985,000</u>	<u>94,288</u>
Totals	<u>\$ 8,640,000</u>	<u>\$ 2,745,500</u>	<u>\$ 35,245,000</u>	<u>\$ 18,625,261</u>

2. Notes and Loans Payable

The Utilities have entered into various loans. Annual debt service requirements to maturity for the loans, including interest of \$67,092 and \$193,606, for the Water Utility and Wastewater Utility, respectively, are as follows:

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

	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2012	\$ 90,574	\$ 22,513	\$ 261,365	\$ 64,965
2013	94,908	18,178	273,874	52,456
2014	99,451	13,636	286,982	39,349
2015	104,210	8,876	300,716	25,614
2016	<u>109,198</u>	<u>3,889</u>	<u>315,108</u>	<u>11,222</u>
Totals	<u>\$ 498,341</u>	<u>\$ 67,092</u>	<u>\$ 1,438,045</u>	<u>\$ 193,606</u>

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

<u>2011</u>	<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:					
Water Utility	\$ 9,255,000	\$ -	\$ 615,000	\$ 8,640,000	\$ 1,560,000
Less discount	<u>18,000</u>	<u>-</u>	<u>2,400</u>	<u>15,600</u>	<u>-</u>
Total revenue bonds payable	9,237,000	-	612,600	8,624,400	1,560,000
Notes and loans payable	<u>584,778</u>	<u>-</u>	<u>86,437</u>	<u>498,341</u>	<u>90,574</u>
Total long-term liabilities	<u>\$ 9,821,778</u>	<u>\$ -</u>	<u>\$ 699,037</u>	<u>\$ 9,122,741</u>	<u>\$ 1,650,574</u>
Wastewater Utility:					
Revenue bonds payable:					
Wastewater Utility	\$ 36,690,000	\$ -	\$ 1,445,000	\$ 35,245,000	\$ 1,520,000
Less discount	212,668	-	12,471	200,197	-
Less deferred amount on refunding	<u>282,717</u>	<u>-</u>	<u>32,558</u>	<u>250,159</u>	<u>-</u>
Total revenue bonds payable	36,194,615	-	1,399,971	34,794,644	1,520,000
Notes and loans payable	<u>1,687,472</u>	<u>-</u>	<u>249,427</u>	<u>1,438,045</u>	<u>261,365</u>
Total long-term liabilities	<u>\$ 37,882,087</u>	<u>\$ -</u>	<u>\$ 1,649,398</u>	<u>\$ 36,232,689</u>	<u>\$ 1,781,365</u>

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

E. Restricted Net Assets

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

	Water Utility 2011	Wastewater Utility 2011
Customer deposits	\$ 13,551	\$ -
Revenue bond and interest accounts	494,305	1,059,809
Revenue bond depreciation accounts	150,791	-
Availability and tap fee accounts	1,335,896	1,077,311
Revenue bond debt service accounts	203,970	721,500
Revenue bond construction accounts	-	734,780
 Total restricted assets	 \$ 2,198,513	 \$ 3,593,400

The financial statements report restricted net assets as listed above, all of which are restricted by enabling legislation.

F. Revenues Pledged

Water Utility Revenues Pledged

The Utility has pledged future income derived from the acquired or constructed assets receipts, net of specified operating expenditures, to repay revenue bonds issued in 1998. Proceeds from the bonds provided financing for utility improvements. The bonds are payable solely from income derived from the acquired or constructed assets net receipts and are payable through 2018. Annual principal and interest payments are expected to require less than 100 percent of net receipts.

The Utility has pledged future income derived from the acquired or constructed assets receipts, net of specified operating expenditures, to repay revenue bonds issued in 2002. Proceeds from the bonds provided financing for utility improvements. The bonds are payable solely from income derived from the acquired or constructed assets net receipts and are payable through 2023. Annual principal and interest payments are expected to require less than 100 percent of net receipts.

The Utility has pledged future income derived from the acquired or constructed assets receipts, net of specified operating expenditures, to repay revenue bonds issued in 2009. Proceeds from the bonds provided financing for utility improvements. The bonds are payable solely from income derived from the acquired or constructed assets net receipts and are payable through 2012. Annual principal and interest payments are expected to require less than 100 percent of net receipts.

Wastewater Utility Revenues Pledged

The Utility has pledged future income derived from the acquired or constructed assets receipts, net of specified operating expenditures, to repay revenue bonds issued in 2002. Proceeds from the bonds provided financing for utility improvements. The bonds are payable solely from income derived from the acquired or constructed assets net receipts and are payable through 2023. Annual principal and interest payments are expected to require less than 100 percent of net receipts.

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

The Utility has pledged future income derived from the acquired or constructed assets receipts, net of specified operating expenditures, to repay revenue bonds issued in 2004. Proceeds from the bonds provided financing for utility improvements. The bonds are payable solely from income derived from the acquired or constructed assets net receipts and are payable through 2025. Annual principal and interest payments are expected to require less than 100 percent of net receipts.

The Utility has pledged future income derived from the acquired or constructed assets receipts, net of specified operating expenditures, to repay revenue bonds issued in 2006. Proceeds from the bonds provided financing for refunding of 1997 bond issue. The bonds are payable solely from income derived from the acquired or constructed assets net receipts and are payable through 2019. Annual principal and interest payments are expected to require less than 100 percent of net receipts.

The Utility has pledged future income derived from the acquired or constructed assets receipts, net of specified operating expenditures, to repay revenue bonds issued in 2007. Proceeds from the bonds provided financing for utility improvements. The bonds are payable solely from income derived from the acquired or constructed assets net receipts and are payable through 2032. Annual principal and interest payments are expected to require less than 100 percent of net receipts.

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.

B. Rate Structure

1. Water Utility

On February 25, 2002, the City Council adopted Ordinance 2002-16 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on April 13, 2009. New rates and charges were approved by the Council on March 12, 2012.

2. Wastewater Utility

The current rate structure was approved by the City Council on October 13, 2008. New rates and charges were approved by the Council on March 12, 2012.

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

C. Pension Plan

Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

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 Indiana Public Retirement System (INPRS) 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 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.

INPRS 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:

Indiana Public Retirement System
One North Capitol Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

PERF members are required to contribute three percent of their annual covered salary. The Utilities are required to contribute at an actuarially determined rate; the current rate is 7.50 percent of annual covered payroll. The contribution requirements of plan members and the Utilities are established and may be amended by the INPRS Board of Trustees.

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

Annual Pension Cost

For 2011, the City's, including the Utilities', annual pension cost of \$515,239 for PERF was equal to the Utilities' required and actual contributions.

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 514,147
Interest on net pension obligation	(7,218)
Adjustment to annual required contribution	8,310
Annual pension cost	515,239
Contributions made	447,225
Increase (decrease) in net pension obligation	68,014
Net pension obligation, beginning of year	(103,114)
Net pension obligation, end of year	\$ (35,100)
Contribution rates:	
Utilities	7.50%
Plan members	3.00%
Actuarial valuation date	06-30-11
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Amortization period	30 years
Amortization period (from date)	06-30-09
Asset valuation method	4-year smoothing of gains/losses on market value with 20%
Actuarial Assumptions	PERF
Investment rate of return	7.00%
Projected future salary increases:	
Total	3.25% - 4.50%
Cost-of-living adjustments	1.00%

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

Three Year Trend Information				
	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-09	\$ 377,147	131%	\$ (177,721)
	06-30-10	404,004	82%	(103,114)
	06-30-11	515,239	87%	(35,100)

Funded Status and Funding Progress for the Above Plan

The funded status of each plan as of June 30, 2011, the most recent actuarial valuation date is as follows:

	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
Retirement Plan						
PERF						
06-30-09	\$ 3,577,284	\$ 3,999,781	\$ (422,497)	89%	\$ 6,249,209	7%
06-30-10	3,641,370	4,878,507	(1,237,137)	75%	6,524,301	19%
06-30-11	3,396,021	5,488,826	(2,092,805)	62%	6,978,974	30%

The Schedule of Funding Progress, presented as RSI for the above plans following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

Public Employees' Retirement Func

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)
07-01-09	\$ 3,577,284	\$ 3,999,781	\$ (422,497)	89%	\$ 6,249,209	(7%)
07-01-10	3,641,370	4,878,507	(1,237,137)	75%	6,524,301	(19%)
07-01-11	3,396,021	5,488,826	(2,092,805)	62%	6,978,974	(30%)

WATER AND WASTEWATER UTILITIES
CITY OF WESTFIELD
EXIT CONFERENCE

The contents of this report were discussed on August 13, 2012, with Cindy Gossard, Clerk-Treasurer; John Dippel, Vice President of the City Council; Jim Ake, City Council member, Todd Burtron, Chief of Staff; and Rosy Oshry, Consultant, O.W. Krohn & Associates. Our audit disclosed no material items that warrant comment at this time.