

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

ANNUAL FINANCIAL REPORT

2005

WATER AND WASTEWATER UTILITIES
TOWN OF WESTFIELD
HAMILTON COUNTY, INDIANA



FILED
09/20/2006

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Auditor's Report.....	3
Statement of Net Assets.....	4
Statement of Revenues, Expenses and Other Changes in Fund Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7-17
Supplementary Information: Schedule of Funding Progress	18
Audit Result and Comment: Penalties, Interest and Other Charges	19
Exit Conference	20

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cindy J. Gossard	01-01-04 to 12-31-07
President of the Common Council	Teresa A. Otis Skelton Robert J. Smith	01-01-05 to 12-31-05 01-01-06 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities of the Water and Wastewater Utilities (Utilities), departments of the Town of Westfield, as of and for the year ended December 31, 2005. 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, 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, 2005, 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, 2005, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Water and Wastewater Utilities, Town of Westfield, has not presented the Management Discussion and Analysis, that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

August 10, 2006

TOWN OF WESTFIELD
STATEMENT OF NET ASSETS
December 31, 2005

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Current assets:		
Cash and cash equivalents	\$ 7,755,301	\$ 11,195,807
Accounts receivable (net of allowance)	138,204	299,929
Accounts receivable - other	<u>42,742</u>	<u>-</u>
Total current assets	<u>7,936,247</u>	<u>11,495,736</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Depreciation cash and investments	223,711	74,055
Bond and interest cash and investments	415,818	1,337,267
Debt service reserve cash and investments	247,184	819,133
Expansion cash and investments	-	143,090
Plant equipment cash and investments	-	2,637
Interest receivable	<u>-</u>	<u>29,383</u>
Total restricted assets	<u>886,713</u>	<u>2,405,565</u>
Deferred charges	<u>174,578</u>	<u>721,166</u>
Capital assets:		
Land, improvements to land and construction in progress	1,387,712	977,769
Other capital assets (net of accumulated depreciation)	<u>15,336,554</u>	<u>38,211,543</u>
Total capital assets	<u>16,724,266</u>	<u>39,189,312</u>
Total noncurrent assets	<u>17,785,557</u>	<u>42,316,043</u>
Total assets	<u>25,721,804</u>	<u>53,811,779</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	158,894	267,374
Accrued wages payable	33,138	32,653
Contracts payable	-	233,912
Deferred revenue	554,005	973,528
Current liabilities payable from restricted assets:		
Revenue bonds payable	475,000	1,065,000
Accrued interest payable	<u>237,473</u>	<u>459,886</u>
Total current liabilities	<u>1,458,510</u>	<u>3,032,353</u>
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts)	10,030,000	27,095,430
Loan payable	<u>867,282</u>	<u>2,502,685</u>
Total noncurrent liabilities	<u>10,897,282</u>	<u>29,598,115</u>
Total liabilities	<u>12,355,792</u>	<u>32,630,468</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	6,189,266	12,337,803
Restricted for debt service	886,713	2,376,182
Unrestricted	<u>6,290,033</u>	<u>6,467,326</u>
Total net assets	<u>\$ 13,366,012</u>	<u>\$ 21,181,311</u>

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

TOWN OF WESTFIELD
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2005

	<u>Water Utility</u>	<u>Wastewater Utility</u>
Operating revenues:		
Measured revenue:		
Residential	\$ 1,895,319	\$ 3,617,768
Commercial	467,365	451,381
Wholesale	541,595	-
Fire protection revenue	94,997	-
Penalties	10,649	59,356
Other	<u>150,633</u>	<u>17,070</u>
Total operating revenues	<u>3,160,558</u>	<u>4,145,575</u>
Operating expenses:		
Source of supply and expense - operations and maintenance	249,791	-
Water treatment expense - operations and maintenance	161,165	-
Transmission and distribution	429,756	-
Collection system - operations and maintenance	-	461,895
Treatment and disposal - operations and maintenance	-	835,162
Customer accounts	156,442	-
Administration and general	939,070	1,032,353
Depreciation	<u>522,930</u>	<u>835,426</u>
Total operating expenses	<u>2,459,154</u>	<u>3,164,836</u>
Operating income	<u>701,404</u>	<u>980,739</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	172,802	302,745
Availability revenue	1,791,517	2,432,215
Tap revenue	529,003	884,364
Miscellaneous revenue	-	6,228
Amortization of deferred charges	(11,140)	(59,545)
Interest expense	(531,366)	(803,550)
Miscellaneous expense	<u>(3,918)</u>	<u>-</u>
Total nonoperating revenues	<u>1,946,898</u>	<u>2,762,457</u>
Income before contributions	2,648,302	3,743,196
Capital contributions	<u>-</u>	<u>31,045</u>
Change in net assets	2,648,302	3,774,241
Total net assets - beginning	<u>10,717,710</u>	<u>17,407,070</u>
Total net assets - ending	<u>\$ 13,366,012</u>	<u>\$ 21,181,311</u>

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

TOWN OF WESTFIELD
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Year Ended December 31, 2005

	Water Utility	Wastewater Utility
Cash flows from operating activities:		
Receipts from customers and users	\$ 3,336,325	\$ 4,721,650
Payments to suppliers and contractors	(1,005,396)	(1,992,076)
Payments to employees	(852,968)	(829,617)
Other receipts	<u>2,467,235</u>	<u>3,339,877</u>
Net cash provided by operating activities	<u>3,945,196</u>	<u>5,239,834</u>
Cash flows from capital and related financing activities:		
Proceeds from capital debt	867,282	2,502,685
Capital contributions	-	31,045
Acquisition and construction of capital assets	(1,195,362)	(7,914,275)
Principal paid on capital debt	(455,000)	(995,000)
Interest paid on capital debt	<u>(318,797)</u>	<u>(804,688)</u>
Net cash used by capital and related financing activities	<u>(1,101,877)</u>	<u>(7,180,233)</u>
Cash flows from investing activities:		
Purchase of investments	(1,136)	(6,046)
Interest received	<u>172,802</u>	<u>366,298</u>
Net cash provided by investing activities	<u>171,666</u>	<u>360,252</u>
Net increase in cash and cash equivalents	3,014,985	(1,580,147)
Cash and cash equivalents, January 1	<u>5,426,737</u>	<u>14,406,932</u>
Cash and cash equivalents, December 31	<u>\$ 8,441,722</u>	<u>\$ 12,826,785</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>\$ 701,404</u>	<u>\$ 980,739</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	522,930	835,426
Nonoperating revenue	2,320,520	3,322,807
Nonoperating expense	(3,918)	-
(Increase) decrease in assets:		
Accounts receivable	(15,137)	(43,268)
Accounts receivable - other	(11,730)	-
Increase (decrease) in liabilities:		
Accounts payable	71,449	55,564
Accrued wages payable	6,411	6,534
Contracts payable	-	(554,381)
Deferred revenue	<u>353,267</u>	<u>636,413</u>
Total adjustments	<u>3,243,792</u>	<u>4,259,095</u>
Net cash provided by operating activities	<u>\$ 3,945,196</u>	<u>\$ 5,239,834</u>
Noncash investing, capital and financing activities:		
No items to report		

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

WATER AND WASTEWATER UTILITIES
TOWN OF WESTFIELD
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the Utilities and are not intended to present fairly the position of the Town of Westfield (Town), and the results of its operations and cash flows of its enterprise funds. The Utilities, whose operations are controlled by the Town, represent a substantial portion of the Town's enterprise funds.

B. Fund Financial Statements

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

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

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

The accounts of the business-type activity are maintained on the cash basis of accounting. Under the cash basis of accounting, revenues are recognized when cash is received and expenses are recognized when cash is disbursed.

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. The activity has been classified Class (A or B), requiring full accrual accounting records, by the National Association of Regulatory Utility Commissioners.

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.

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

State statute (IC 5-13-9) authorizes the Utilities to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Debt securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency.

Open-end mutual funds are reported at fair value.

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

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

2. Prepaid Items

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

3. Restricted Assets

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

4. Capital Assets

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

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

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

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

N/A=Not applicable

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

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 during the current year was \$531,366. Of the amount, none was included as part of the cost of capital assets under construction. The total interest expense incurred by the Wastewater Utility during the current year was \$1,414,008. Of the amount, \$699,425 was included as part of the cost of capital assets under construction in connection with the Wastewater Treatment Plant Expansion project.

5. Compensated Absences

- a. Sick Leave – Employees earn sick leave at the rate of 1 day per month. Unused sick leave may be accumulated to a maximum of 40 days. Accumulated sick leave is not paid to employees.
- b. Vacation Leave – Employees earn vacation leave at rates from 10 days to 25 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.
- c. Personal Leave – Employees earn personal leave at the rate of 2 days per year. Personal leave does not accumulate from year to year.

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

6. Long-Term Obligations

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

II. Detailed Notes on All Funds

A. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

The Utilities' investments are categorized below to give an indication of the level of risk assumed by the Utilities' at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Utility or its agent in the Utilities' name. Category 2 includes uninsured

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

and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Utilities' name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Utilities' name.

	Category			Reported Amount	Fair Value
	1	2	3		
Water Utility:					
U.S. Government securities	\$ -	\$ -	\$ 200,292	\$ 200,292	\$ 200,292
Wastewater Utility:					
U.S. Government securities	\$ -	\$ -	\$ 745,204	\$ 745,204	\$ 745,204

B. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 1,220,173	\$ 90,924	\$ -	\$ 1,311,097
Construction in progress	44,822	31,793	-	76,615
Total capital assets, not being depreciated	1,264,995	122,717	-	1,387,712
Capital assets, being depreciated:				
Buildings	4,566,322	635,722	463,752	4,738,292
Improvements other than buildings	11,827,430	733,545	-	12,560,975
Machinery and equipment	405,146	137,575	-	542,721
Transportation equipment	311,082	29,555	-	340,637
Totals	17,109,980	1,536,397	463,752	18,182,625
Less accumulated depreciation for:				
Buildings	551,145	94,206	-	645,351
Improvements other than buildings	1,494,119	322,908	-	1,817,027
Machinery and equipment	175,543	51,942	-	227,485
Transportation equipment	102,334	53,874	-	156,208
Totals	2,323,141	522,930	-	2,846,071
Total capital assets, being depreciated, net	14,786,839	1,013,467	463,752	15,336,554
Total capital assets, net	\$ 16,051,834	\$ 1,136,184	\$ 463,752	\$ 16,724,266

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	\$ 489,911	\$ 84,155	\$ -	\$ 574,066
Construction in progress	5,393,403	6,567,250	11,556,950	403,703
 Total capital assets, not being depreciated	 5,883,314	 6,651,405	 11,556,950	 977,769
Capital assets, being depreciated:				
Buildings	5,855,772	4,929,871	-	10,785,643
Improvements other than buildings	21,301,015	2,757,210	-	24,058,225
Machinery and equipment	3,035,286	5,103,184	-	8,138,470
Transportation equipment	367,256	29,555	-	396,811
 Totals	 30,559,329	 12,819,820	 -	 43,379,149
Less accumulated depreciation for:				
Buildings	504,280	137,485	-	641,765
Improvements other than buildings	2,944,721	480,018	-	3,424,739
Machinery and equipment	709,292	165,057	-	874,349
Transportation equipment	173,887	52,866	-	226,753
 Totals	 4,332,180	 835,426	 -	 5,167,606
 Total capital assets, being depreciated, net	 26,227,149	 11,984,394	 -	 38,211,543
 Total capital assets, net	 \$ 32,110,463	 \$ 18,635,799	 \$ 11,556,950	 \$ 39,189,312

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2005	Committed	Required Future Funding
Water Utility:				
River road plant expansion	\$ 4,000,000	\$ 17,593	\$ 3,982,407	\$ -
Elevated water storage tank	1,500,000	14,200	1,485,800	-
Water lines	42,068	42,068	-	-
Monon trail	2,754	2,754	-	-
 Totals	 \$ 5,544,822	 \$ 76,615	 \$ 5,468,207	 \$ -

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

Project	Total Project Authorized	Expended to December 31, 2005	Committed	Required Future Funding
Wastewater Utility:				
Westside interceptor	\$ 225,000	\$ 201,565	\$ 23,435	\$ -
US 31 lift station	35,000	32,161	2,839	-
Cool creek interceptor	30,000	26,491	3,509	-
Treatment lift station	1,113,881	49,537	1,064,344	-
Sandpiper lift station	68,671	51,256	17,415	-
Washington woods extension	1,557,869	2,045	1,555,824	-
Wastewater lines	40,648	40,648	-	-
Totals	<u>\$ 3,071,069</u>	<u>\$ 403,703</u>	<u>\$ 2,667,366</u>	<u>\$ -</u>

D. Long-Term Liabilities

1. Revenue Bonds

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

Purpose	Interest Rates	Balance at December 31	Unamortized Discount	Amount
Water Utility:				
Issue of 1992 - improvements	3.60% to 6.30%	\$ 100,000	\$ -	\$ 100,000
Issue of 1998 - improvements	4.50% to 4.60%	1,875,000	30,000	1,845,000
Issue of 2002 - improvements	2.50%	<u>8,560,000</u>	<u>-</u>	<u>8,560,000</u>
Total Water Utility		<u>10,535,000</u>	<u>30,000</u>	<u>10,505,000</u>
Wastewater Utility:				
Issue of 1997 - improvements	2.72%	7,200,000	97,111	7,102,889
Issue of 2002 - improvements	2.50%	9,485,000	-	9,485,000
Issue of 2004 - improvements	3.00% to 5.00%	<u>11,610,000</u>	<u>37,459</u>	<u>11,572,541</u>
Total Wastewater Utility		<u>\$ 28,295,000</u>	<u>\$ 134,570</u>	<u>\$ 28,160,430</u>

Revenue bonds debt service requirements to maturity are as follows:

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

Year Ended December 31	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2006	\$ 475,000	\$ 518,126	\$ 1,065,000	\$ 1,379,660
2007	490,000	499,126	1,115,000	1,338,453
2008	455,000	478,552	1,170,000	1,293,963
2009	475,000	459,607	1,230,000	1,243,891
2010	495,000	439,155	1,285,000	1,189,149
2011-2015	3,425,000	1,830,488	7,495,000	4,985,147
2016-2020	2,715,000	1,059,362	8,765,000	2,926,475
2021-2025	<u>2,005,000</u>	<u>226,485</u>	<u>6,170,000</u>	<u>863,908</u>
Totals	<u>\$ 10,535,000</u>	<u>\$ 5,510,901</u>	<u>\$ 28,295,000</u>	<u>\$ 15,220,646</u>

2. Loans Payable

The Utilities have entered into loans. Annual debt service requirements to maturity for the loans are as follows:

	Water Utility	Wastewater Utility
2006	\$ -	\$ -
2007	113,087	326,330
2008	113,087	326,330
2009	113,087	326,330
2010	113,087	326,330
2011-2015	565,433	1,631,652
2016-2020	<u>113,086</u>	<u>326,331</u>
Total	1,130,867	3,263,303
Less: interest	<u>(263,585)</u>	<u>(760,618)</u>
Net total	<u>\$ 867,282</u>	<u>\$ 2,502,685</u>

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

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

	<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	\$ 10,990,000	\$ -	\$ 455,000	\$ 10,535,000	\$ 475,000
Less discount	<u>32,400</u>	<u>-</u>	<u>2,400</u>	<u>30,000</u>	<u>-</u>
Net revenue bonds payable	10,957,600	-	452,600	10,505,000	475,000
Loan payable	<u>-</u>	<u>867,282</u>	<u>-</u>	<u>867,282</u>	<u>-</u>
Total long-term liabilities	<u>\$ 10,957,600</u>	<u>\$ 867,282</u>	<u>\$ 452,600</u>	<u>\$ 11,372,282</u>	<u>\$ 475,000</u>
Wastewater Utility:					
Revenue bonds payable	\$ 29,290,000	\$ -	\$ 995,000	\$ 28,295,000	\$ 1,065,000
Less discount	<u>145,839</u>	<u>-</u>	<u>11,269</u>	<u>134,570</u>	<u>-</u>
Net revenue bonds payable	29,144,161	-	983,731	28,160,430	1,065,000
Loan payable	<u>-</u>	<u>2,502,685</u>	<u>-</u>	<u>2,502,685</u>	<u>-</u>
Total long-term liabilities	<u>\$ 29,144,161</u>	<u>\$ 2,502,685</u>	<u>\$ 983,731</u>	<u>\$ 30,663,115</u>	<u>\$ 1,065,000</u>

E. Restricted Assets

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

	<u>Water Utility</u>	<u>Wastewater Utility</u>
Revenue bond and interest account	\$ 415,818	\$ 1,337,267
Revenue bond depreciation account	223,711	74,055
Revenue bond debt service reserve account	247,184	819,133
Revenue bond expansion account	-	143,090
Revenue bond plant equipment account	<u>-</u>	<u>2,637</u>
Total restricted assets	<u>\$ 886,713</u>	<u>\$ 2,376,182</u>

III. Other Information

A. Risk Management

The Town including 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.

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

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 Town including the Utilities joined together with other governmental entities to form the Indiana Public Employers' Plan, Inc., 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 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 - Contracts

Capital Assets

On July 10, 2006, the Town Council approved the purchase of a new billing machine for \$40,000.

Contracts

On February 13, 2006, the Town Council approved \$1,625,883 for the Washington Woods Sewer, Forced Main, and Lift station project.

Revenue Bond Refunding

On May 25, 2006, the Wastewater Utility issued bonds in the amount of \$7,215,000 to refund \$7,200,000 of outstanding 1997 Revenue Bonds.

C. Rate Structure

1. Water Utility

On August 14, 1998, the Town Council adopted Ordinance 98-12 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on April 14, 1997. The Utility has 8,125 customers.

2. Wastewater Utility

The current rate structure was approved by the Town Council on August 1, 2004. The Utility has 7,534 customers.

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

D. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town, including the Utility, 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 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 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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

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

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 187,701
Interest on net pension obligation	(8,293)
Adjustment to annual required contribution	9,451
Annual pension cost	188,859
Contributions made	197,850
Decrease in net pension obligation	(8,991)
Net pension obligation, beginning of year	(114,391)
Net pension obligation, end of year	\$ (123,382)
Contribution rates:	
Utilities	3%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

Actuarial Assumptions

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 125,740	98%	\$ 33,079
	06-30-04	54,992	368%	(114,391)
	06-30-05	188,859	360%	(123,382)

TOWN OF WESTFIELD
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

PERF Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 1,564,995	\$ 1,269,119	\$ 295,876	123%	\$ 1,748,066	17%
07-01-04	1,686,288	2,158,827	(472,539)	78%	3,320,498	(14%)
07-01-05	1,877,340	2,611,458	(734,118)	72%	3,808,698	(19%)

WATER AND WASTEWATER UTILITIES
TOWN OF WESTFIELD
AUDIT RESULT AND COMMENT

PENALTIES, INTEREST AND OTHER CHARGES

Penalties and interest totaling \$1,724 were paid to the Indiana Department of Revenue in reference to the remittance of sales tax and utility receipts tax for the 2005 period.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit. Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

WATER AND WASTEWATER UTILITIES
TOWN OF WESTFIELD
EXIT CONFERENCE

The contents of this report were discussed on August 10, 2006, with Cindy J. Gossard, Clerk-Treasurer; and Robert J. Smith, Town Council President. The officials concurred with our audit finding.