

B30888

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

ANNUAL FINANCIAL REPORT

2006

WATER, WASTEWATER, AND STORM WATER UTILITIES

CITY OF NEW HAVEN

ALLEN COUNTY, INDIANA



FILED
10/30/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Brenda D. Adams	01-01-04 to 12-31-07
Mayor	Terry E. McDonald	01-01-04 to 12-31-07
President of the Board of Public Works	Terry E. McDonald	01-01-04 to 12-31-07
President of the Common Council	Harold E. West	01-01-06 to 12-31-07
Superintendent of Utilities	David L. Jones	01-01-06 to 12-31-07
Utility Office Manager	Jill N. Cain	01-01-06 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE WATER, WASTEWATER, AND STORM WATER
UTILITIES, CITY OF NEW HAVEN, ALLEN COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Water, Wastewater, and Storm Water Utilities (Utilities), departments of the City of New Haven, as of and for the year ended December 31, 2006. 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, Wastewater, and Storm Water Utilities, City of New Haven, 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 New Haven as of December 31, 2006, 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 positions of the business-type activities for the Water, Wastewater, and Storm Water Utilities as of December 31, 2006, and the respective changes in financial positions and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

STATE BOARD OF ACCOUNTS

September 25, 2007

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
STATEMENT OF NET ASSETS
December 31, 2006

<u>Assets</u>	<u>Water</u>	<u>Wastewater</u>	<u>Storm Water</u>
Current assets:			
Cash and cash equivalents	\$ 360,874	\$ 1,184,511	\$ 846,365
Accounts receivable	157,574	284,848	86,494
Accrued revenue receivable	104,751	260,917	74,440
Other receivables	111,196	283,395	-
Inventories	86,253	7,206	-
Prepaid items	43,175	43,175	-
	<u>863,823</u>	<u>2,064,052</u>	<u>1,007,299</u>
Total current assets			
Noncurrent assets:			
Restricted cash, cash equivalents and investments:			
Depreciation cash and investments	18,900	637,372	-
Bond and interest cash and investments	53,868	533,441	-
Construction cash and investments	521,043	-	-
Improvement cash and investments	335,016	-	-
Debt service reserve cash and investments	329,805	703,697	-
Customer deposits	81,505	-	-
	<u>1,340,137</u>	<u>1,874,510</u>	<u>-</u>
Total restricted assets			
Deferred charges	92,619	43,455	-
	<u>92,619</u>	<u>43,455</u>	<u>-</u>
Capital assets:			
Land, improvements to land and construction in progress	537,820	3,866,197	73,177
Other capital assets (net of accumulated depreciation)	9,247,872	14,090,724	1,621,039
	<u>9,785,692</u>	<u>17,956,921</u>	<u>1,694,216</u>
Total capital assets			
Total noncurrent assets			
	<u>11,218,448</u>	<u>19,874,886</u>	<u>1,694,216</u>
Total assets			
	<u>12,082,271</u>	<u>21,938,938</u>	<u>2,701,515</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	55,388	120,048	5,247
Accrued wages payable	7,140	8,130	2,992
Taxes payable	9,012	-	-
Compensated absences	30,045	34,794	6,266
Current liabilities payable from restricted assets:			
Customer deposits	81,505	-	-
Contracts payable	145,854	-	-
Revenue bonds payable	145,000	65,000	-
Capital leases payable	20,823	20,823	20,823
Loans payable	-	145,000	-
Accrued interest payable	751	122,846	751
	<u>495,518</u>	<u>516,641</u>	<u>36,079</u>
Total current liabilities			
Noncurrent liabilities:			
Revenue bonds payable (net of unamortized discounts)	3,289,007	1,472,697	-
Capital leases payable	21,659	21,659	21,659
Loans payable	-	7,583,073	-
	<u>3,310,666</u>	<u>9,077,429</u>	<u>21,659</u>
Total noncurrent liabilities			
Total liabilities			
	<u>3,806,184</u>	<u>9,594,070</u>	<u>57,738</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	6,163,349	8,648,669	1,651,734
Restricted for debt service	383,673	1,237,138	-
Restricted for capital projects	874,959	637,372	-
Unrestricted	854,106	1,821,689	992,043
	<u>8,276,087</u>	<u>12,344,868</u>	<u>2,643,777</u>
Total net assets			
	<u>\$ 8,276,087</u>	<u>\$ 12,344,868</u>	<u>\$ 2,643,777</u>

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

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2006

	<u>Water</u>	<u>Wastewater</u>	<u>Storm Water</u>
Operating revenues:			
Metered sales	\$ 1,484,350	\$ 3,005,733	\$ -
Fire protection	248,657	-	-
Unmeasured sales	-	-	900,800
Other	<u>54,759</u>	<u>137,077</u>	<u>187</u>
Total operating revenues	<u>1,787,766</u>	<u>3,142,810</u>	<u>900,987</u>
Operating expenses:			
Source of supply and expense - operations and maintenance			
Collection system - operations and maintenance			
Salaries and wages	191,186	196,667	98,654
Purchased water	614,693	-	-
Purchased wastewater treatment	-	1,035,871	-
Ditch assessments paid by City	-	-	27,758
Purchased power	14,124	32,625	13,589
Materials and supplies	124,620	99,544	10,268
Repair and maintenance	-	-	33,518
Transportation expenses	19,901	19,901	-
Contractual services	61,436	22,583	2,106
Rents	34,699	-	35,274
Other	1,441	409	8,216
Administration and general			
Salaries and wages	171,115	217,615	37,982
Employee pensions and benefits	167,922	173,648	49,142
Materials and supplies - office	25,499	28,921	11,924
Contractual services	13,256	18,412	52,092
Utility receipts tax	23,052	-	-
Insurance expense	44,917	44,917	-
Depreciation	<u>153,126</u>	<u>150,806</u>	<u>16,303</u>
Total operating expenses	<u>1,660,987</u>	<u>2,041,919</u>	<u>396,826</u>
Operating income	<u>126,779</u>	<u>1,100,891</u>	<u>504,161</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	49,982	101,852	39,772
Interest expense	(27,184)	(245,222)	(2,212)
Rental revenue	-	104,098	-
Amortization of bond issue costs	<u>(5,789)</u>	<u>(2,897)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>17,009</u>	<u>(42,169)</u>	<u>37,560</u>
Income before contributions and transfers	143,788	1,058,722	541,721
Contributions	1,197,785	1,542,792	1,029,338
Transfers in	<u>-</u>	<u>200,000</u>	<u>-</u>
Change in net assets	1,341,573	2,801,514	1,571,059
Total net assets - beginning	<u>6,934,514</u>	<u>9,543,354</u>	<u>1,072,718</u>
Total net assets - ending	<u>\$ 8,276,087</u>	<u>\$ 12,344,868</u>	<u>\$ 2,643,777</u>

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

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
STATEMENT OF CASH FLOWS
As Of And For The Year Ended December 31, 2006

	<u>Water</u>	<u>Wastewater</u>	<u>Storm Water</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,787,445	\$ 2,987,081	\$ 821,537
Payments to suppliers and contractors	(947,254)	(1,236,590)	(193,373)
Payments to employees	(528,991)	(581,823)	(180,031)
Payments for taxes	(23,351)	-	-
Interfund services provided	-	104,098	-
Other receipts	-	16,755	-
	<u>287,849</u>	<u>1,289,521</u>	<u>448,133</u>
Net cash provided by operating activities			
Cash flows from noncapital financing activities:			
Contributions from other funds	-	200,000	-
	<u>-</u>	<u>200,000</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Proceeds from capital debt	-	4,003,434	-
Acquisition and construction of capital assets	(1,104,168)	(4,110,809)	(479,444)
Principal paid on capital debt	(160,018)	(80,018)	(20,018)
Interest paid on capital debt	(122,956)	(201,396)	(2,290)
	<u>(1,387,142)</u>	<u>(388,789)</u>	<u>(501,752)</u>
Net cash used by capital and related financing activities			
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	4,351,770	4,018,984	1,911,829
Purchase of investments	(4,351,770)	(4,018,984)	(1,911,829)
Interest received	76,761	101,852	39,772
	<u>76,761</u>	<u>101,852</u>	<u>39,772</u>
Net cash used by investing activities			
Net increase in cash and cash equivalents	(1,022,532)	1,202,584	(13,847)
Cash and cash equivalents, January 1	<u>2,723,543</u>	<u>1,856,437</u>	<u>860,212</u>
Cash and cash equivalents, December 31	<u>\$ 1,701,011</u>	<u>\$ 3,059,021</u>	<u>\$ 846,365</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 126,779	\$ 1,100,891	\$ 504,161
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	153,126	150,806	16,303
Nonoperating income	-	104,098	-
(Increase) decrease in assets:			
Accounts receivable	4,360	(111,180)	(14,238)
Accounts receivable - other	1,650	16,755	-
Accrued revenue receivable	(6,410)	(107,976)	(1,785)
Taxes receivable	79	-	-
Interfund loans	-	63,427	(63,427)
Inventories	1,991	1,347	-
Prepaid items	5,069	5,069	-
Increase (decrease) in liabilities:			
Accounts payable	3,140	60,177	1,372
Accrued wages payable	(332)	(34)	1,112
Taxes payable	(299)	-	-
Compensated absence payable	1,564	6,141	4,635
Customer deposits	(2,868)	-	-
	<u>161,070</u>	<u>188,630</u>	<u>(56,028)</u>
Total adjustments			
Net cash provided by operating activities	<u>\$ 287,849</u>	<u>\$ 1,289,521</u>	<u>\$ 448,133</u>
Noncash investing, capital and financing activities:			
Contributions of capital assets from government	\$ 1,197,785	\$ 1,527,691	\$ 1,029,338
Purchase of capital asset on account	145,854	-	-

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

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
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 New Haven (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 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. However, the Utilities continue to maintain Class C (cash basis) accounts.

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.

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of business-type funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the 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 certain 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
Buildings	\$ 5,000	Straight-line	75 years
Improvements other than buildings	5,000	Straight-line	25 to 100 years
Machinery and equipment	5,000	Straight-line	5 to 20 years
Transportation equipment	5,000	Straight-line	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, Wastewater, and Storm Water Utilities during the current year was \$147,850, \$199,106 and \$2,290, respectively. Of the amount, \$83,782 and \$3,182, respectively, was included as part of the cost of capital assets under construction in connection with Water Utility and Wastewater Utility Projects.

5. Compensated Absences

- a. Sick Leave – Utility employees earn sick leave at the rate of 10 days per year. Unused sick leave may be accumulated to a maximum of 60 days. Accumulated sick leave is paid to employees, at the rate of 10% through cash payments upon termination with greater than 10 years of service.

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

- b. Vacation Leave – Utility employees earn vacation leave at rates from 10 days to 20 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year. Unused vacation leave is paid to employees through cash payments upon termination.
- c. Personal Leave – Utility employees earn personal leave at the rate of 5 days per year. Personal leave does not accumulate from year to year. Accumulated personal leave is not paid to employees upon termination.

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 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

Authorization for investment activity is stated in Indiana Code 5-13.

B. Receivables

The other receivable accounts have timing and credit characteristics different from typical accounts receivable. Other receivables consist of assessments receivable from landowners for water and sewer lines that were run to their properties. These assessments receivable will be paid over several years.

C. Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 11,000	\$ -	\$ -	\$ 11,000
Construction in progress	<u>464,946</u>	<u>1,103,822</u>	<u>1,041,948</u>	<u>526,820</u>
 Total capital assets, not being depreciated	 <u>475,946</u>	 <u>1,103,822</u>	 <u>1,041,948</u>	 <u>537,820</u>
Capital assets, being depreciated:				
Buildings	64,667	-	-	64,667
Improvements other than buildings	8,744,854	2,237,133	-	10,981,987
Machinery and equipment	157,218	57,331	-	214,549
Transportation equipment	<u>51,434</u>	<u>-</u>	<u>-</u>	<u>51,434</u>
 Totals	 <u>9,018,173</u>	 <u>2,294,464</u>	 <u>-</u>	 <u>11,312,637</u>
Less accumulated depreciation for:				
Buildings	(28,806)	(862)	-	(29,668)
Improvements other than buildings	(1,773,255)	(136,048)	-	(1,909,303)
Machinery and equipment	(80,071)	(13,051)	-	(93,122)
Transportation equipment	<u>(29,507)</u>	<u>(3,165)</u>	<u>-</u>	<u>(32,672)</u>
 Totals	 <u>(1,911,639)</u>	 <u>(153,126)</u>	 <u>-</u>	 <u>(2,064,765)</u>
 Total capital assets, being depreciated, net	 <u>7,106,534</u>	 <u>2,141,338</u>	 <u>-</u>	 <u>9,247,872</u>
 Total Water Utility capital assets, net	 <u>\$ 7,582,480</u>	 <u>\$ 3,245,160</u>	 <u>\$ 1,041,948</u>	 <u>\$ 9,785,692</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 251,699	\$ -	\$ -	\$ 251,699
Construction in progress	<u>3,764,556</u>	<u>4,060,920</u>	<u>4,210,978</u>	<u>3,614,498</u>
 Total capital assets, not being depreciated	 <u>4,016,255</u>	 <u>4,060,920</u>	 <u>4,210,978</u>	 <u>3,866,197</u>
Capital assets, being depreciated:				
Buildings	1,924,425	-	-	1,924,425
Improvements other than buildings	7,730,934	5,736,069	-	13,467,003
Machinery and equipment	407,233	57,331	-	464,564
Transportation equipment	<u>111,317</u>	<u>-</u>	<u>-</u>	<u>111,317</u>
 Totals	 <u>10,173,909</u>	 <u>5,793,400</u>	 <u>-</u>	 <u>15,967,309</u>

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Wastewater Utility (continued):				
Capital assets, being				
depreciated (continued):				
Less accumulated depreciation for:				
Buildings	(154,810)	(38,478)	-	(193,288)
Improvements other than buildings	(1,332,858)	(94,218)	-	(1,427,076)
Machinery and equipment	(170,934)	(15,854)	-	(186,788)
Transportation equipment	(67,177)	(2,256)	-	(69,433)
Totals	(1,725,779)	(150,806)	-	(1,876,585)
Total capital assets, being				
depreciated, net	8,448,130	5,642,594	-	14,090,724
Total Wastewater Utility capital assets, net	\$ 12,464,385	\$ 9,703,514	\$ 4,210,978	\$ 17,956,921
Storm Water Utility:				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 277,313	\$ 204,136	\$ 73,177
Capital assets, being depreciated:				
Improvements other than buildings	163,078	1,233,474	-	1,396,552
Machinery and equipment	45,478	202,131	-	247,609
Transportation equipment	4,695	-	-	4,695
Totals	213,251	1,435,605	-	1,648,856
Less accumulated depreciation for:				
Improvements other than buildings	(8,154)	(8,154)	-	(16,308)
Machinery and equipment	(3,360)	(7,679)	-	(11,039)
Transportation equipment	-	(470)	-	(470)
Totals	(11,514)	(16,303)	-	(27,817)
Total capital assets, being				
depreciated, net	201,737	1,419,302	-	1,621,039
Total Storm Water Utility capital assets, net	\$ 201,737	\$ 1,696,615	\$ 204,136	\$ 1,694,216

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2006	Committed	Required Future Funding
Water Utility:				
Water contract "D-1"	\$ 299,039	\$ 299,039	\$ 245,830	\$ -
Water contract "D-2"	428,866	183,527	352,856	-
Water contract "E"	<u>304,434</u>	<u>44,254</u>	<u>268,380</u>	<u>-</u>
Total Water Utility	<u>\$ 1,032,339</u>	<u>\$ 526,820</u>	<u>\$ 867,066</u>	<u>\$ -</u>
Wastewater Utility:				
Wastewater contract "A-3"	\$ 1,298,244	\$ 1,233,762	\$ 1,286,866	\$ -
Wastewater contract "A-4"	1,902,763	1,515,869	1,919,162	-
Wastewater contract "A-5"	1,337,827	754,940	1,571,326	-
Wastewater contract "A-6"	963,908	104,376	1,794,498	-
Wastewater New Haven Heights	4,680	3,510	4,680	-
Wastewater Sunrose Avenue	<u>1,718</u>	<u>2,041</u>	<u>1,718</u>	<u>-</u>
Total Wastewater Utility	<u>\$ 5,509,140</u>	<u>\$ 3,614,498</u>	<u>\$ 6,578,250</u>	<u>\$ -</u>
Storm Water Utility:				
Downtown Phase I Revitalization	<u>\$ 73,177</u>	<u>\$ 73,177</u>	<u>\$ 73,177</u>	<u>\$ -</u>

E. Interfund Balances and Activity

Contributions

The Wastewater Utility will receive an annual subsidy of \$200,000, per Ordinance G-04-06, from CEDIT to help repay the SRF loan payable over the next 19 years.

F. Capital Leases

The Utilities have entered into a capital lease for equipment and they are sharing the expense. Future minimum lease payments and present values of the net minimum lease payments under the capital lease as of December 31, 2006, are as follows:

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Storm Water Utility</u>
2007	\$ 22,308	\$ 22,308	\$ 22,308
2008	<u>22,308</u>	<u>22,308</u>	<u>22,308</u>
Total minimum lease payments	44,616	44,616	44,616
Less amount representing interest	<u>2,134</u>	<u>2,134</u>	<u>2,134</u>
Present value of net minimum lease payments	<u>\$ 42,482</u>	<u>\$ 42,482</u>	<u>\$ 42,482</u>

G. 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:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Balance at December 31</u>	<u>Less: Unamortized Discount</u>	<u>Revenue Bonds</u>
2002 Water improvement projects	2.7% to 4.7%	\$ 3,460,000	\$ 25,993	\$ 3,434,007
2001 Wastewater improvement projects	3.6% to 5.2%	\$ 1,555,000	\$ 17,303	\$ 1,537,697

Revenue bonds debt service requirements to maturity are as follows:

<u>Year Ended December 31</u>	<u>Water Utility</u>		<u>Wastewater Utility</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 145,000	\$ 144,070	\$ 65,000	\$ 72,563
2008	150,000	139,720	65,000	70,044
2009	160,000	134,845	70,000	67,342
2010	165,000	129,245	75,000	64,350
2011	175,000	123,223	75,000	61,162
2012-2016	1,015,000	506,210	450,000	248,329
2017-2021	1,335,000	262,260	610,000	118,716
2022-2026	<u>315,000</u>	<u>14,805</u>	<u>145,000</u>	<u>3,770</u>
Totals	<u>\$ 3,460,000</u>	<u>\$ 1,454,378</u>	<u>\$ 1,555,000</u>	<u>\$ 706,276</u>

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Loans Payable

The Wastewater Utility has entered into a State Revolving Fund (SRF) loan. At December 31, 2006, the Wastewater Utility had drawn down \$4,100,000 of the \$4,100,000 available loan money. Annual debt service requirements to maturity for the entire \$4,100,000 SRF loan, including interest of \$1,569,844, are as follows:

	Wastewater Utility	
	Principal	Interest
2007	\$ 145,000	\$ 138,546
2008	150,000	133,472
2009	155,000	128,226
2010	160,000	122,808
2011	165,000	117,218
2012-2016	930,000	493,984
2017-2021	1,095,000	320,350
2022-2026	1,300,000	115,240
Totals	\$ 4,100,000	\$ 1,569,844

The Wastewater Utility has entered into a second State Revolving Fund (SRF) loan. At December 31, 2006, the Wastewater Utility had drawn down \$3,628,073 of the \$7,900,000 available loan money. Annual debt service requirements to maturity for the entire \$7,900,000 SRF loan, including interest of \$3,177,493, are as follows:

	Wastewater Utility	
	Principal	Interest
2007	\$ -	\$ 263,070
2008	285,000	258,325
2009	295,000	248,668
2010	305,000	238,678
2011	315,000	228,355
2012-2016	1,730,000	975,192
2017-2021	2,035,000	662,591
2022-2026	2,405,000	293,789
2027	530,000	8,825
Totals	\$ 7,900,000	\$ 3,177,493

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006, was as follows:

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
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>
Revenue bonds payable:					
Water Utility	\$ 3,600,000	\$ -	\$ 140,000	\$ 3,460,000	\$ 145,000
Wastewater Utility	<u>1,615,000</u>	<u>-</u>	<u>60,000</u>	<u>1,555,000</u>	<u>65,000</u>
Total revenue bonds payable	<u>5,215,000</u>	<u>-</u>	<u>200,000</u>	<u>5,015,000</u>	<u>210,000</u>
State revolving fund loans payable:					
Wastewater Utility	<u>3,724,639</u>	<u>4,003,434</u>	<u>-</u>	<u>7,728,073</u>	<u>145,000</u>
Leases payable:					
Water Utility	62,500	-	20,018	42,482	20,823
Wastewater Utility	62,500	-	20,018	42,482	20,823
Storm Water Utility	<u>62,500</u>	<u>-</u>	<u>20,018</u>	<u>42,482</u>	<u>20,823</u>
Total leases payable	<u>187,500</u>	<u>-</u>	<u>60,054</u>	<u>127,446</u>	<u>62,469</u>
Total long-term liabilities	<u>\$ 9,127,139</u>	<u>\$ 4,003,434</u>	<u>\$ 260,054</u>	<u>\$ 12,870,519</u>	<u>\$ 417,469</u>

H. Restricted Assets

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

	<u>Water Utility</u>	<u>Wastewater Utility</u>
Depreciation account	\$ 18,900	\$ 637,372
Revenue bonds and interest account	53,868	533,441
Revenue bond construction account	521,043	-
Improvement account	335,016	-
Revenue bonds debt service reserve account	329,805	703,697
Customer deposits account	<u>81,505</u>	<u>-</u>
Total restricted assets	<u>\$ 1,340,137</u>	<u>\$ 1,874,510</u>

III. Other Information

A. Risk Management

The City, including the Utilities, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; 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 of the City, Including the Utilities

During 1990, the City, including the Utilities, joined together with other governmental entities in the Indiana Public Employer's Plan, Inc. (IPEP), a public entity risk pool currently operating as a common risk management and insurance program for member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of worker's compensation claims. The City pays an annual premium to the risk pool for its job related illnesses or injuries to employees 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.

B. Rate Structure

1. Water Utility

The current rate structure was approved by the Common Council on August 14, 2004. The Utility has 4,668 customers.

2. Wastewater Utility

The current rate structure was approved by the Common Council on February 28, 2006. The Utility has 4,415 customers.

3. Storm Water Utility

The current rate structure was approved by the Common Council on April 27, 2004, and was subsequently amended on April 24, 2005. The Utility has 5,099 customers.

C. 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 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.

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 197,012
Interest on net pension obligation	(7,263)
Adjustment to annual required contribution	8,277
Annual pension cost	198,026
Contributions made	174,073
Increase in net pension obligation	23,953
Net pension obligation, beginning of year	(100,184)
Net pension obligation, end of year	\$ (76,231)
Contribution rates:	
Utilities	7.25%
Plan members	3%
Actuarial valuation date	07-01-06
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	75% of expected actuarial value plus 25% of market

WATER, WASTEWATER, AND STORM WATER UTILITIES
 CITY OF NEW HAVEN
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Actuarial Assumptions	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	06-30-04	\$ 133,574	108%	\$ (85,546)
	06-30-05	151,026	110%	(100,184)
	06-30-06	198,026	88%	(76,231)

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 1,415,813	\$ 2,018,816	\$ (603,003)	70%	\$ 2,137,490	(28%)
07-01-05	1,547,565	2,500,013	(952,448)	62%	2,395,112	(40%)
07-01-06	1,982,657	2,564,966	(582,309)	77%	2,453,235	(24%)

WATER, WASTEWATER, AND STORM WATER UTILITIES
CITY OF NEW HAVEN
EXIT CONFERENCE

The contents of this report were discussed on September 25, 2007, with Terry E. McDonald, Mayor; and Brenda D. Adams, Clerk-Treasurer. Our audit disclosed no material items that warrant comment at this time.