

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

ANNUAL FINANCIAL REPORT

2006

WATER UTILITY

CITY OF HAMMOND

LAKE COUNTY, INDIANA



**FILED**  
09/20/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Barbara Cardwell	01-01-06 to 12-31-07
Mayor	Thomas M. McDermott Jr	01-01-04 to 12-31-07
President of the Board of Public Works	William J. O'Connor	01-01-06 to 12-31-07
President of the Common Council	Alfonso Salinas Daniel Repay	01-01-06 to 12-31-06 01-01-07 to 12-31-07
Superintendent	Richard Mercer Gary Williams (Interim)	01-01-06 to 12-31-06 01-01-07 to 12-31-07
President of the Utility Service Board	Edward Krusa Chester Smithers Sharon Daniels	01-16-06 to 02-14-07 02-15-07 to-03-21-07 03-22-07 to 12-31-07
Chief Executive Officer	Edward Krusa	02-14-07 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 UTILITY, CITY OF HAMMOND, LAKE COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Water Utility, a department of the City of Hammond, as of and for the year ended December 31, 2006. These financial statements are the responsibility of the Utility's 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 Utility, City of Hammond, 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 Utility. They do not purport to, and do not, present fairly the financial position of the City of Hammond 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 position of the business-type activities for the Water Utility, as of December 31, 2006, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted of 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.

STATE BOARD OF ACCOUNTS

May 7, 2007

WATER UTILITY  
CITY OF HAMMOND  
STATEMENT OF NET ASSETS  
December 31, 2006

Assets

Current assets:	
Cash and cash equivalents	\$ 8,673,830
Accounts receivable	244,503
Inventories	309,727
Prepaid items	101,411
Due from state government	8,654
Due from federal government	9,457
Due from sanitary	252
Due from refuse	<u>99</u>
 Total current assets	 <u>9,347,933</u>
Noncurrent assets:	
Restricted cash, cash equivalents and investments:	
Customer deposits	<u>758,481</u>
Capital assets:	
Land and construction in progress	582,912
Other capital assets (net of accumulated depreciation)	<u>25,459,573</u>
 Total capital assets	 <u>26,042,485</u>
 Total noncurrent assets	 <u>26,800,966</u>
 Total assets	 <u>36,148,899</u>

Liabilities

Current liabilities:	
Accounts payable	29,120
Accrued payroll and withholding payable	102,795
Taxes payable	13,907
PERF payable	45,916
Compensated absences payable	9,639
Current liabilities payable from restricted assets:	
Customer deposits	<u>758,681</u>
 Total current liabilities	 960,058
Noncurrent liabilities:	
compensated absences payable	<u>95,337</u>
 Total liabilities	 <u>1,055,395</u>

Net Assets

Invested in capital assets, net of related debt	26,042,486
Restricted for debt service	758,481
Unrestricted	<u>8,292,537</u>
 Total net assets	 <u>\$ 35,093,504</u>

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

WATER UTILITY  
CITY OF HAMMOND  
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS  
As Of And For The Year Ended December 31, 2006

Operating revenues:	
Unmetered water revenue	\$ 177,574
Metered water revenue:	
Residential	1,731,054
Commercial	6,244,034
Other water revenue	<u>331,498</u>
Total operating revenues	<u>8,484,160</u>
Operating expenses:	
Water Treatment:	
Salaries and wages	801,167
Employee pensions and benefits	82,940
Purchased power	1,016,785
Chemicals	526,190
Materials and supplies	94,178
Contractual services	458,122
Insurance	306,356
Miscellaneous	32,675
Transmission and Distribution:	
Salaries and wages	732,527
Employee pensions and benefits	88,835
Materials and supplies	377,894
Contractual services	59,744
Transportation expense	31,952
Insurance	404,991
Miscellaneous	1,195
Customer Accounts:	
Salaries and wages	474,185
Employee pensions and benefits	50,051
Contractual services	188,750
Transportation expense	7,404
Insurance	231,199
Bad debt expense	6,282
Miscellaneous	7,614
Administrative and General:	
Salaries and wages	556,236
Employee pensions and benefits	42,866
Materials and supplies	167,796
Insurance	280,229
Taxes	250,161
Depreciation	1,257,905
Miscellaneous expenses	<u>68,388</u>
Total operating expenses	<u>8,604,617</u>
Operating loss	<u>(120,457)</u>
Nonoperating revenues (expenses):	
Interest and investment revenue	423,099
Transfer from Port Authority	400,000
Wolf Lake restoration project	<u>(1,912,822)</u>
Total nonoperating revenues (expenses)	<u>(1,089,723)</u>
Loss before contributions and transfers	(1,210,180)
Capital contributions	1,320,500
Transfers to City	<u>(792,574)</u>
Change in net assets	(682,254)
Total net assets - beginning	<u>35,775,758</u>
Total net assets - ending	<u>\$ 35,093,504</u>

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

WATER UTILITY  
CITY OF HAMMOND  
STATEMENT OF CASH FLOWS  
As Of And For The Year Ended December 31, 2006

Cash flows from operating activities:	
Receipts from customers and users	\$ 8,536,234
Payments to suppliers and contractors	(4,714,980)
Payments to employees	<u>(2,739,710)</u>
Net cash provided by operating activities	<u>1,081,544</u>
Cash flows from noncapital financing activities:	
Transfers from Port Authority	400,000
Transfers to City	(792,574)
Wolf Lake	<u>(1,912,822)</u>
Net cash used by noncapital financing activities	<u>(2,305,396)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	<u>(574,747)</u>
Cash flows from investing activities:	
Interest received	<u>423,099</u>
Net decrease in cash and cash equivalents	(1,375,500)
Cash and cash equivalents, January 1	<u>10,807,811</u>
Cash and cash equivalents, December 31	<u>\$ 9,432,311</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	<u>\$ (120,457)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	1,257,905
Bad debt expense	6,282
(Increase) decrease in assets:	
Accounts receivable	52,425
Due from sanitary	(252)
Due from refuse	(99)
Inventories	(70,728)
Prepaid items	4,597
Increase (decrease) in liabilities:	
Accounts payable	(92,557)
Accrued wages payable	(15,879)
Taxes payable	(1,184)
PERF payable	2,374
Due to City	(51,943)
Customer deposits	6,084
Compensated absences	<u>104,976</u>
Total adjustments	<u>1,202,001</u>
Net cash provided by operating activities	<u>\$ 1,081,544</u>
Noncash investing, capital and financing activities:	
Contributions of capital assets from government	\$ 1,320,500
Deletion of obsolete capital assets	52,083
Transfer of completed CIP projects	669,694

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

WATER UTILITY  
CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the Utility and are not intended to present fairly the position of the City of Hammond (City), and the results of its operations and cash flows of its enterprise funds. The Utility, 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.

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 Utility's 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 Utility to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units. Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Inventories and Prepaid Items

Materials and supplies purchased throughout the year for repair and maintenance of the Utility are to expense accounts at the time of purchase. At year end, physical counts of significant inventories are made and are valued at cost using the first in/first out (FIFO) method. Appropriate entries are then made to adjust inventory and expense accounts.

WATER UTILITY  
CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

3. Restricted Assets

Customer Deposits are classified as restricted assets on the statement of net assets balance sheet because assets on hand are refundable upon termination of services.

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
Source and supply	\$ 5,000	Straight-line	15 years
Distribution lines	5,000	Straight-line	15 years
Pumping equipment	5,000	Straight-line	5 to 10 years
Treatment equipment	5,000	Straight-line	5 to 10 years
General building	15,000	Straight-line	20 to 50 years
General equipment	2,000	Straight-line	5 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.

5. Compensated Absences

- a. Sick Leave – Utility employees earn sick leave at the rate of ¼ of a day per month. Unused sick leave may be accumulated to a maximum of 75 days. Upon separation of employment, sick leave is paid to employees that have been employed at least ten years at the rate of 1 days pay for each 4 unused accumulated sick days or after 15 years of employment at the rate of 1 days pay for each two unused accumulated sick days.
- b. Vacation Leave – Utility employees earn vacation leave at rates from 5 days to 30 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year. However, unused vacation leave is paid to employees through cash payments upon separation from employment.
- c. Personal Leave – Utility employees earn personal leave at the rate of ¼ of a day per month, if employed on January 1 of that year. Personal leave does not accumulate from year to year. Unused personal leave is added to accumulated sick leave to a maximum of 75 days. Unused personal leave is not paid to employees upon separation from employment.

No liability is reported for vacation and personal leave

WATER UTILITY  
CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

II. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

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.

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

State statute (IC 5-13-9) authorizes the Utility 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. As of June 30, 2006, the Utility had no investments.

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 134,466	\$ -	\$ -	\$ 134,466
Construction in progress	664,891	453,249	669,694	448,446
Total capital assets, not being depreciated	<u>799,357</u>	<u>453,249</u>	<u>669,694</u>	<u>582,912</u>
Capital assets, being depreciated:				
Source and supply	1,476,275	321,764	7,168	1,790,871
Distribution lines	32,496,730	1,327,668	37,276	33,787,122
Pumping equipment	8,616,230	-	-	8,616,230
Treatment equipment	11,149,249	-	-	11,149,249
General building	306,675	347,930	-	654,605
General equipment	<u>1,446,479</u>	<u>121,498</u>	<u>14,807</u>	<u>1,553,170</u>
Totals	<u>55,491,638</u>	<u>2,118,860</u>	<u>59,251</u>	<u>57,551,247</u>

WATER UTILITY  
CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated (continued):				
Less accumulated depreciation for:				
Source and supply	805,258	116,705	-	921,963
Distribution lines	18,227,137	487,357	37,276	18,677,218
Pumping equipment	2,758,969	430,650	-	3,189,619
Treatment equipment	7,733,461	121,355	-	7,854,816
General building	295,748	1,863	-	297,611
General equipment	1,065,279	99,975	14,807	1,150,447
<b>Totals</b>	<b>30,885,852</b>	<b>1,257,905</b>	<b>52,083</b>	<b>32,091,674</b>
 Total capital assets, being depreciated, net	 24,605,786	 860,955	 7,168	 25,459,573
 Total capital assets, net	 <u>\$ 25,405,143</u>	 <u>\$ 1,314,204</u>	 <u>\$ 676,862</u>	 <u>\$ 26,042,485</u>

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2006	Committed
Schliecher Subdivision phase 1	\$ 74,360	\$ 69,454	\$ 4,906
New water storage tanks	77,600	69,693	7,907
New intake	135,600	135,324	276
Calumet Avenue water main move	682,580	173,976	508,604
<b>Totals</b>	<b>\$ 970,140</b>	<b>\$ 448,447</b>	<b>\$ 521,693</b>

D. Transfers to City

Interfund transfers at December 31, 2006, were as follows:

Transfer From	Transfer to City General Fund
Water Utility	<u>\$ 792,574</u>

WATER UTILITY  
CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

III. Other Information

A. Risk Management

The Utility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; 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.

Medical Benefits and Job Related Illnesses or Injuries to Employees and Liability Insurance

The City (including the Utility) has chosen to establish a risk financing fund for risks associated with medical vision, dental, workers' compensation and liability claims. The risk financing fund is accounted for in the City's Self-Insurance Fund (an internal service fund) where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$125,000 per year. Settled claims resulting from this risk exceeded commercial insurance coverage by \$291,742 in 2004. A premium is charged to each fund that accounts for payroll. The total charge allocated to each of the funds is calculated using trends in actual claims experience. Provisions are also made for unexpected and unusual claims.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amounts of pay outs, and other economic and social factors.

Changes in the balance of claim liabilities during the past two years are as follows:

	2006	2005
Unpaid claims, beginning of fiscal year	\$ 7,398,073	\$ 6,109,216
Incurred claims and changes in estimates	16,585,792	15,220,283
Claim payments	17,957,689	13,931,426
Unpaid claims, end of fiscal year	\$ 6,026,176	\$ 7,398,073

Unemployment Compensation

The City (including the Utility) has chosen to establish a risk financing fund for risks associated with unemployment compensation claims. The risk financing fund is accounted for in the City's Unemployment Compensation Fund (an internal service fund of the City) where assets are set aside for claim settlements and the Utility reimburses the City from the Utility's Unemployment Compensation Account. The total charge allocated to each of the funds is based on each fund's actual number of employees which have had claims. Provisions are also made for unexpected and unusual claims. Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amounts of pay outs, and other economic and social factors.

WATER UTILITY  
CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Changes in the balance of claim liabilities during the past two years are as follows:

	2006	2005
Unpaid claims, beginning of fiscal year	\$ -	\$ 3,042
Incurred claims and changes in estimates	7,692	1,352
Claim payments	7,692	4,394
 Unpaid claims, end of fiscal year	 \$ -	 \$ -

B. Intergovernmental Agreement

The Port Authority and Hammond Water Utility entered into an Intergovernmental Agreement dated June 20, 1996, to which the Port Authority agreed to distribute embarkation fees to the Water Utility. The Port Authority agreed to distribute the lesser of (a) one-third of the amount of the embarkation fee received by the Port Authority in the most recent ended prior calendar quarter, or (b) \$375,000 quarterly, to a maximum of \$12,000,000. As of December 31, 2003, the Port Authority had distributed a total of \$7,300,000 to the Water Utility which resulted in a balance of \$4,700,000 due to the Water Utility. On October 26, 2004, the Port Authority passed Resolution 2004-13 which suspended the 2004 distributions to the Hammond Water Utility. On February 22, 2005, the Port Authority passed Resolution 2005-01 which suspended the 2005 distributions to the Hammond Water Utility. Distributions resumed in 2006.

C. Subsequent Events

On March 13, 2007, the Utility approved the Calumet Avenue Water Main Relocation Project between 175<sup>th</sup> Street and 173<sup>rd</sup> Street for \$942,103.

D. Postemployment Benefits

In addition to the pension benefits described below, the Utility provides postemployment medical benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the Utility on or after attaining age 50 with at least 15 years of service. Currently, 13 retirees meet these eligibility requirements. The Utility provides \$1,000 per month per retiree and the retiree remits the balance of the premium to the City Controller. Expenditures for those post employment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2006, expenditures of \$156,000 were recognized for postemployment benefits.

E. Rate Structure

The current rate structure was approved by the Indiana Utility Regulatory Commission on June 18, 1985.

F. Agent Services

The Utility provides billing and collection services for the City and Sanitary District of Hammond, and as such, acts as their agent.

WATER UTILITY  
CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

G. Customer Cities

The Utility sells water to ten neighboring cities and towns. Revenues attributable to these cities and towns for 2006 are as follows:

	Metered Revenue
Burnham	\$ 112,115
Calumet City	1,218,459
Chicago Heights	1,780,183
Ford Heights	27,407
Griffith	306,168
Highland	659,400
Lansing	1,044,435
Munster	731,133
South Holland	26,713
Village of Lynwood	211
 Total	 \$ 5,906,224

H. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City, 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

WATER UTILITY  
CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 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 and is not presented as an asset/liability of the proprietary funds.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 904,017
Interest on net pension obligation	(56,638)
Adjustment to annual required contribution	64,543
Annual pension cost	911,922
Contributions made	920,486
Decrease in net pension obligation	(8,564)
Net pension obligation, beginning of year	(781,215)
Net pension obligation, end of year	\$ (789,779)
Contribution rates:	
Utility	4.75%
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%

WATER UTILITY  
CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-03	\$ 866,712	90%	\$ (649,056)
	06-30-04	734,971	118%	(781,215)
	06-30-05	911,922	125%	(789,779)

WATER UTILITY  
CITY OF HAMMOND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

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	\$ 18,586,612	\$ 17,901,034	\$ 685,578	104%	\$ 17,270,930	4%
07-01-04	18,797,977	19,498,861	(700,884)	96%	18,447,579	(4%)
07-01-05	19,522,708	22,345,580	(2,822,872)	87%	19,211,969	(15%)

WATER UTILITY  
CITY OF HAMMOND  
EXIT CONFERENCE

The contents of this report were discussed on May 7, 2007, with Edward Krusa, Chief Executive Officer; Sharon Daniels, President of the Utility Service Board; Deborah L. VanMeter, Office Manager; and Sandra Winston, Information Technology Systems. Our audit disclosed no material items that warrant comment at this time.