

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

EXAMINATION REPORT

OF

CITY OF CROWN POINT

LAKE COUNTY, INDIANA

January 1, 2007 to December 31, 2007



FILED
06/03/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedule of Receipts, Disbursements, and Cash and Investment Balances	4-5
Notes to Financial Information	6-9
Supplementary Information:	
Schedule of Capital Assets.....	10
Schedule of Long-Term Debt	11
Examination Results and Comments:	
Old Outstanding Checks - City Court	12
Distribution of Fees Collected - City Court	12
Exit Conference.....	13

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Mayor	Daniel M. Klein David D. F. Uran	01-01-04 to 12-31-07 01-01-08 to 12-31-11
Clerk-Treasurer	Patti Olson	01-01-04 to 12-31-11
President of the Board of Works	Daniel M. Klein David D. F. Uran	01-01-07 to 12-31-07 01-01-08 to 12-31-08
President of the Common Council	Paul Bremer Robert C. Corbin	01-01-07 to 12-31-07 01-01-08 to 12-31-08
Public Works Director	Jay Olson	01-01-07 to 12-31-08
Plant Superintendent	Ron Henley	01-01-07 to 12-31-08
Superintendent of Utilities	Kent Swinehart	01-01-07 to 12-31-08
City Judge	Kent A. Jeffirs	01-01-04 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF CROWN POINT, LAKE COUNTY, INDIANA

We have examined the financial information presented herein of the City of Crown Point (City), for the period of January 1, 2007 to December 31, 2007. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

April 3, 2008

CITY OF CROWN POINT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 2,474,094	\$ 14,027,984	\$ 14,063,686	\$ 2,438,392
Motor Vehicle Highway	586,767	1,547,931	1,863,136	271,562
Local Road and Street	11,387	244,834	162,408	93,813
Law Enforcement Continuing Education	19,818	20,715	17,964	22,569
Riverboat	21,748	191,042	-	212,790
Major Moves Construction	470,974	-	319,799	151,175
Crown Point Redevelopment	1,136,574	4,278,712	4,812,331	602,955
Recycling and Solid Waste Grant	269,430	117,288	118,872	267,846
Police Donations	16,814	10,239	14,501	12,552
DUI Grant Fund	4,000	-	-	4,000
Big City/County Seatbelt Enforcement	2,370	9,975	12,345	-
DARE Fund	10,642	1,828	6,569	5,901
Police Federal Nonreverting Seizure	2,638	132	834	1,936
Police State Nonreverting Seizure	1,034	-	1,006	28
Hazmat Nonreverting	672	6,687	-	7,359
Civil Defense	15,823	9,250	9,020	16,053
LCDD Task Force	-	358,000	307,504	50,496
Nonreverting Park	92,470	112,196	77,713	126,953
Park and Playground	2,800	-	-	2,800
Park Department Nonreverting	1,809	4,425	3,367	2,867
Economic Development Nonreverting	30,188	4,500	-	34,688
Barrett Law	38,374	-	-	38,374
Tourism	5,575	5,400	7,594	3,381
Firefighter's Grant	5,147	265	-	5,412
Fire Department Donation	1,751	20,975	19,752	2,974
St. Jude Grant	-	20,238	20,238	-
Nonreverting Special Events	7,870	15,752	10,041	13,581
Crown Point Beautification	1,000	600	120	1,480
Deferral Program	66,198	27,692	33,435	60,455
Adult Probation Service	34,394	40,070	12,819	61,645
Court Record Perpetuation	24,481	14,529	986	38,024
Mayor's Roundtable	320	-	320	-
GREAT Program	1	-	1	-
Dog Supply and Maintenance	6,909	-	1,471	5,438
Economic Development Corporation	1,489	-	-	1,489
Homestead Restoration	100	4,275	4,275	100
Vehicle Purchase Nonreverting	-	81,941	-	81,941
Community of Character Nonreverting	2,976	2,417	2,435	2,958
Cemetery Nonreverting	29,320	7,200	-	36,520
Lease Rental, EMS Building	43,042	282,984	310,000	16,026
Redevelopment TIF Debt Service	-	333,630	-	333,630
Cumulative Capital Improvement	54,708	69,566	102,341	21,933
Cumulative Capital Development	458,193	141,113	191,696	407,610
Cumulative Sewer	1,039,302	239,229	894,919	383,612
Cumulative Fire	403,629	50,572	300,128	154,073
Cumulative Capital II (EMS)	195,432	19,638	80,449	134,621
General Improvement	26,738	17,220	21,326	22,632
Redevelopment Bond Capital	-	3,046,369	2,845,682	200,687
Proprietary Funds:				
Water Utility - Operating	557,829	4,500,696	4,885,498	173,027
Water Utility - Bond and Interest	301,252	700,386	693,821	307,817

The accompanying notes are an integral part of the financial information.

CITY OF CROWN POINT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2007
(Continued)

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Proprietary Funds (continued):				
Water Utility - Depreciation	2,424,187	5,167,493	2,254,335	5,337,345
Water Utility - Customer Deposit	12,590	12,428	3,153	21,865
Water Utility - Construction	55,636	126,113	151,972	29,777
Water Utility - Cash Reserve	494,825	-	494,825	-
Water Utility - Petty Cash	600	-	-	600
Wastewater Utility - Operating	500,402	3,288,966	3,336,442	452,926
Wastewater Utility - Bond and Interest	593,240	882,670	933,758	542,152
Wastewater Utility - Improvement Other	754,471	332,322	927,161	159,632
Wastewater Utility - Debt Service	1,047,005	-	-	1,047,005
Wastewater Utility - Construction	3,569,780	700,348	3,709,650	560,478
Wastewater Utility - Improvement (Replacement)	673,430	25,990	548,609	150,811
Wastewater Utility - Petty Cash	800	-	-	800
Nonreverting Employee Health	578,942	2,152,316	2,634,895	96,363
Retiree's Nonreverting Insurance	539,286	31,719	-	571,005
Fiduciary Funds:				
Police Officers' Pension	557,400	284,118	294,721	546,797
Firefighters' Pension	234,797	45,358	43,381	236,774
User Fee Fund	-	36,376	29,582	6,794
PERF Escrow	28,927	134,074	131,409	31,592
Voluntary PERF Deduction	1,311	4,518	5,167	662
Special Insurance Escrow	94	-	-	94
Miscellaneous Refunds	-	6,041	5,960	81
Credit Card Fees	-	1,632	1,225	407
Unum Insurance Escrow	-	1,254	1,177	77
Fire Pension II	13,606	56,138	55,620	14,124
Indiana State Income Tax	22,513	288,821	287,827	23,507
Police Pension Indiana Gross	908	11,505	11,362	1,051
Fire Pension Indiana Gross	78	969	969	78
Police Pension II	23,913	101,043	98,826	26,130
Colonial Life and Accident	371	276	276	371
Greenview Recovery Agreement	9,600	-	-	9,600
Municipal Insurance	349	1,392	1,364	377
Miscellaneous Sales Tax	134	3,206	3,313	27
Court Cost County	911	31,484	20,766	11,629
Prepaid Legal Escrow	101	5,192	5,197	96
Vision Insurance Escrow	1,602	11,453	11,366	1,689
AFLAC Escrow	775	64,198	64,159	814
American Bankers Insurance Escrow	158	-	-	158
Account Police Car Escrow	151	-	151	-
Grimmer Retainage Fund	18,800	4,532	23,332	-
High Meadows Escrow	23,660	-	1,530	22,130
Tank Improvement Escrow	144	-	-	144
Perpetual Building Improvement Fund Escrow	314,120	238,000	255,000	297,120
City of Crown Point Court (Supplemental)	439,649	818,155	893,638	364,166
Totals	<u>\$ 21,417,348</u>	<u>\$ 45,458,595</u>	<u>\$ 49,472,520</u>	<u>\$ 17,403,423</u>

The accompanying notes are an integral part of the financial information.

CITY OF CROWN POINT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, highways and streets, culture and recreation, planning and zoning, general administrative, urban redevelopment, water utility, and wastewater utility services.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. 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.

State statute (IC 5-13-9) authorizes the City 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.

CITY OF CROWN POINT
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

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

1. Public Employees' Retirement Fund

Plan Description

The City 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 Town 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.

2. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

CITY OF CROWN POINT
NOTES TO FINANCIAL INFORMATION
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan.

3. 1937 Firefighters' Pension Plan

Plan Description

The city contributes to the 1937 Firefighters' Pension Plan which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan.

B. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

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

CITY OF CROWN POINT
NOTES TO FINANCIAL INFORMATION
(Continued)

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

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the Town are established by the Board of Trustees of PERF.

Note 7. Property Taxes

Due to the delays in the general property reassessment, the property taxes for 2006 payable in 2007 were delayed. The property taxes were billed in one installment due January 31, 2008. County Officials made the final property tax distribution on March 20, 2008.

Note 8. Additional Borrowing

At December 31, 2007, the City had the following temporary borrowing outstanding:

Tax Anticipation Warrants of \$2,919,882 due from the General Fund.

Temporary loan of \$2,000,000, due to the Water Depreciation Fund, from the General Fund.

Temporary loan of \$500,000, due to the Wastewater Improvement Fund, from the General Fund.

Temporary loan of \$800,000, due to the Cumulative Sewer Fund, from the Redevelopment Operating Fund.

Note 9. Redevelopment Bonds Issues

In late 2007, the City Redevelopment Commission (Commission) approved two Tax Increment Financing (TIF) Bond Issues for two separate TIF areas. These two bond issues may total up to \$16,000,000. The Commission also approved Bond Anticipation Notes (BAN) for both issues. The Commission will draw upon the BAN's on an "as needed" basis, then, upon completion of the projects, the final bonds will be issued.

The larger issue, \$13,000,000, is divided into two parts. Part A is for "on-site" improvements of up to \$9,500,000 made by the developer. Part B is for "off-site" improvements of up to \$3,500,000 made by the City. The smaller issue of \$3,000,000 is for city infrastructure improvements that will be made by the developer.

CITY OF CROWN POINT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

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.

General infrastructure assets are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

The Utilities use a composite depreciation rate. This does not allow depreciation to be applied to each class of asset.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 3,796,511
Infrastructure	23,802,941
Buildings	4,866,604
Improvements other than buildings	3,865,109
Machinery and equipment	<u>7,388,644</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 43,719,809</u></u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 237,959
Construction in progress	3,294,533
Capital assets, being depreciated:	
Buildings	2,613,419
Improvements other than buildings	14,883,953
Machinery and equipment	1,559,345
Accumulated depreciation	<u>(4,016,493)</u>
 Total Water Utility capital assets	 <u>18,572,716</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	4,886,851
Construction in progress	9,976,985
Capital assets, being depreciated:	
Buildings	1,768,959
Improvements other than buildings	20,562,507
Machinery and equipment	2,630,252
Accumulated depreciation	<u>(6,562,340)</u>
 Total Wastewater Utility capital assets	 <u>33,263,214</u>
 Total business-type activities capital assets	 <u><u>\$ 51,835,930</u></u>

CITY OF CROWN POINT
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2007

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
EMS Building	\$ 820,000	\$ 310,000
Notes and loans payable	218,000	49,079
Bonds payable:		
Revenue bonds:		
2007 Redevelopment TIF	<u>3,500,000</u>	<u>110,755</u>
Total governmental activities debt	<u>\$ 4,538,000</u>	<u>\$ 469,834</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
2002 Improvement	\$ 2,420,000	\$ 199,344
2007 Refunding	<u>4,355,000</u>	<u>483,747</u>
Total Water Utility	<u>6,775,000</u>	<u>683,091</u>
Wastewater Utility		
Revenue bonds:		
SRF Loan Plant Improvement	5,335,000	776,725
2006 Improvement	<u>3,625,000</u>	<u>270,000</u>
Total Wastewater Utility	<u>8,960,000</u>	<u>1,046,725</u>
Total business-type activities debt:	<u>\$ 15,735,000</u>	<u>\$ 1,729,816</u>

CITY OF CROWN POINT
EXAMINATION RESULTS AND COMMENTS

OLD OUTSTANDING CHECKS - CITY COURT

Our review of the bank reconcilments of the City Court, as of December 31, 2007, revealed checks outstanding in excess of two years.

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

DISTRIBUTION OF FEES COLLECTED - CITY COURT

The City Court collects various fees that are to be remitted to the county auditor and the city fiscal officer on a monthly basis. However, fees were paid to the City from 53 to 149 days after the end of the month. On more than one occasion, two or more months of fees were remitted to the City and County at the same time.

Overweight Vehicle Fines, State User Fees, Special Death Benefit Fees, Marijuana Eradication Fees, and Jury Fees are to be sent to the county auditor by the court on a monthly basis. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 1)

The county's and city's/town's share of court costs, any city/town fines, document fees, administrative fees, facsimile fees, document storage fees, late payment fees, probation fees, credit card service fees, user fees or other items shall be remitted to the city/town fiscal officer on a monthly basis. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 1)

CITY OF CROWN POINT
EXIT CONFERENCE

The contents of this report were discussed on April 3, 2008, with David D. F. Uran, Mayor; Patti Olson, Clerk-Treasurer; and Linda Abraham, Deputy Clerk-Treasurer. The officials concurred with our findings.

The contents of this report were discussed on March 31, 2008 with Kent A. Jeffirs, City Judge.