

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

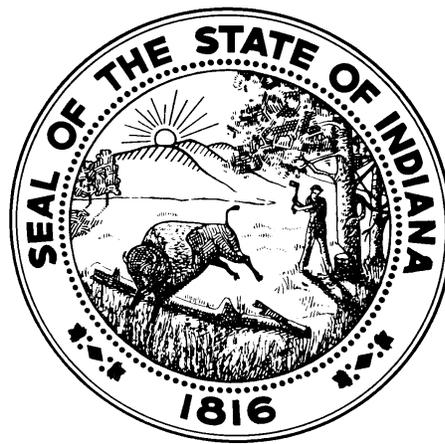
ANNUAL FINANCIAL REPORT

2007

WATER AND WASTEWATER UTILITIES

CITY OF LAPORTE

LAPORTE COUNTY, INDIANA



FILED
08/06/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Auditor's Report	3-4
Statement of Net Assets	5
Statement of Revenues, Expenses and Other Changes in Fund Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8-17
Supplementary Information: Schedule of Funding Progress	18
Audit Results and Comments: Capital Asset Records - Water Utility	19
Capital Assets and Construction-In-Progress - Wastewater Utility	19
Prescribed Receipts	19
Exit Conference	20
Official Response	21-28

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Teresa L. Ludlow	01-01-07 to 12-31-10
Mayor	Leigh E. Morris Kathleen A. Chroback	01-01-07 to 12-31-07 01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Leigh E. Morris Kathleen A. Chroback	01-01-07 to 12-31-07 01-01-08 to 12-31-11
President Pro-Tem of the Common Council	Terry Scherer Andrea Renner	01-01-07 to 12-31-07 01-01-08 to 12-31-08
Superintendent of Water Utility	Todd Taylor	01-01-07 to 12-31-08
Superintendent of Wastewater Utility	Jerry Jackson	01-01-07 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE WATER AND WASTEWATER
UTILITIES, CITY OF LAPORTE, LAPORTE COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Water and Wastewater Utilities, departments of the City of LaPorte, as of and for the year ended December 31, 2007. 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.

Except as discussed in the fourth paragraph, 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, City of LaPorte, 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 LaPorte as of December 31, 2007, 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.

The Water Utility does not maintain a complete record of capital assets in accordance with generally accepted accounting principles. The Water Utility does not have records providing historical costs for some of the Utility's capital assets and records classifying and summarizing the Utility's capital assets are incomplete.

INDEPENDENT AUDITOR'S REPORT
(Continued)

In our opinion, except for the effects, if any, of incomplete capital assets records referred to in the fourth paragraph, 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, 2007, 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 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 the Governmental Accounting Standards Board. 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.

The Utilities have 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

July 2, 2008

WATER AND WASTEWATER UTILITIES
CITY OF LAPORTE
STATEMENT OF NET ASSETS
December 31, 2007

<u>Assets</u>	Water Utility	Wastewater Utility
Current assets:		
Cash and cash equivalents	\$ 813,689	\$ 540,793
Accounts receivable	107,748	136,766
Security deposit receivable	1,292	-
Inventories	129,806	35,770
Prepaid items	<u>10,614</u>	<u>10,880</u>
Total current assets	<u>1,063,149</u>	<u>724,209</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Depreciation cash and investments	132,356	710,876
Depreciation system development cash and investments	42,000	-
Bond and interest cash and investments	18,959	726,442
Construction cash and investments	-	4,226,173
Revenue bond covenant cash and investments	328,500	822,136
Customer deposits	226,326	-
Collections held for other government	<u>14,951</u>	<u>6,223</u>
Total restricted assets	<u>763,092</u>	<u>6,491,850</u>
Deferred charges	<u>36,404</u>	<u>192,761</u>
Capital assets:		
Land, intangible assets and construction in progress	158,380	3,488,092
Other capital assets (net of accumulated depreciation)	<u>11,953,538</u>	<u>18,953,089</u>
Total capital assets	<u>12,111,918</u>	<u>22,441,181</u>
Total noncurrent assets	<u>12,911,414</u>	<u>29,125,792</u>
Total assets	<u>13,974,563</u>	<u>29,850,001</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	74,824	90,983
Accrued wages payable	16,778	14,025
Contracts payable	-	527,787
Taxes payable	9,994	-
Interest payable	-	145,896
Capital lease payable	1,268	-
Current liabilities payable from restricted assets:		
Customer deposits	226,326	-
Revenue bonds payable	435,000	130,000
State revolving loan payable	-	352,000
Collections held for other government	<u>14,951</u>	<u>6,223</u>
Total current liabilities	<u>779,141</u>	<u>1,266,914</u>
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts, premiums and deferred amount on refunding)	1,490,686	6,875,055
State revolving fund loans payable	<u>-</u>	<u>4,175,951</u>
Total noncurrent liabilities	<u>1,490,686</u>	<u>11,051,006</u>
Total liabilities	<u>2,269,827</u>	<u>12,317,920</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	10,222,636	10,908,175
Restricted for debt service	347,459	1,548,578
Restricted for capital improvements	174,356	4,409,262
Restricted for customer deposits	226,326	-
Restricted for other government	14,951	6,223
Unrestricted	<u>719,008</u>	<u>659,843</u>
Total net assets	<u>\$ 11,704,736</u>	<u>\$ 17,532,081</u>

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

WATER AND WASTEWATER UTILITIES
CITY OF LAPORTE
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2007

	Water Utility	Wastewater Utility
Operating revenues:		
Metered revenue	\$ 2,510,300	\$ 3,486,102
Fire protection revenue	357,873	-
Penalties	16,536	58,869
Service start up revenue	26,462	-
System development revenue	45,250	-
Other	57,220	316,488
 Total operating revenues	 3,013,641	 3,861,459
Operating expenses:		
Source of supply and expense - operations and maintenance	447,337	-
Water treatment expense - operations and maintenance	168,087	-
Transmission and distribution - operations and maintenance	456,115	-
Collection system - operations and maintenance	-	282,017
Pumping - operations and maintenance	-	246,986
Treatment and disposal - operations and maintenance	-	1,438,595
Customer accounts	137,252	-
Administration and general	859,804	509,726
Depreciation	226,424	635,615
 Total operating expenses	 2,295,019	 3,112,939
 Operating income	 718,622	 748,520
Nonoperating revenues (expenses):		
Interest and investment revenue	66,634	337,244
Interest expense	(95,970)	(268,445)
Amortization	(8,089)	(10,328)
Proceeds from the sale of capital assets	-	8,900
Miscellaneous	-	(800)
 Total nonoperating revenues (expenses)	 (37,425)	 66,571
 Contributed capital	 126,676	 158,354
 Change in net assets	 807,873	 973,445
 Total net assets - beginning	 10,896,863	 16,558,636
 Total net assets - ending	 \$ 11,704,736	 \$ 17,532,081

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

WATER AND WASTEWATER UTILITIES
CITY OF LAPORTE
STATEMENT OF CASH FLOWS
As Of And For The Year Ended December 31, 2007

	Water Utility	Wastewater Utility
Cash flows from operating activities:		
Receipts from customers and users	\$ 3,024,022	\$ 3,866,284
Payments to suppliers and contractors	(1,323,521)	(1,602,797)
Payments to employees	<u>(741,328)</u>	<u>(887,534)</u>
Net cash provided by operating activities	<u>959,173</u>	<u>1,375,953</u>
Cash flows from capital and related financing activities:		
Proceeds from capital debt	-	2,723,097
Acquisition and construction of capital assets	(468,396)	(3,129,489)
Principal paid on capital debt	(432,285)	(495,000)
Interest paid on capital debt	(68,288)	(334,123)
Capital contributions	126,676	158,354
Bond agent fees	-	(800)
Bond issuance cost paid on capital debt	-	(90,163)
Proceeds from sale of capital assets	<u>-</u>	<u>8,900</u>
Net cash used by capital and related financing activities	<u>(842,293)</u>	<u>(1,159,224)</u>
Cash flows from investing activities:		
Interest received	<u>66,634</u>	<u>337,244</u>
Net increase in cash and cash equivalents	183,514	553,973
Cash and cash equivalents, January 1	<u>1,393,267</u>	<u>6,478,670</u>
Cash and cash equivalents, December 31	<u>\$ 1,576,781</u>	<u>\$ 7,032,643</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 718,622	\$ 748,520
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	226,424	635,615
(Increase) decrease in assets:		
Accounts receivable	3,418	4,825
Inventories	(22,688)	(920)
Prepaid items	1,560	2,029
Security deposit	(1,292)	-
Increase (decrease) in liabilities:		
Accounts payable	22,581	38,105
Accrued wages payable	3,491	(26,140)
Taxes payable	(197)	-
Contracts payable	-	(24,897)
Customer deposits	6,962	-
Collections held for other government	<u>292</u>	<u>(1,184)</u>
Total adjustments	<u>240,551</u>	<u>627,433</u>
Net cash provided by operating activities	<u>\$ 959,173</u>	<u>\$ 1,375,953</u>
Noncash investing, capital and financing activities:		
Purchase of equipment on account	\$ 7,141	\$ -
Capitalized interest	-	163,755
Contracts payable included in capital assets	-	527,787

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

WATER AND WASTEWATER UTILITIES
CITY OF LAPORTE
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 LaPorte (City), and the results of its operations and cash flows of its enterprise funds. The Utilities, whose operations are controlled by the City, represents a substantial portion of the City's enterprise funds.

B. Fund Financial Statements

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

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

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

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 is reported as nonoperating revenue in the operating statement.

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

2. Inventories and Prepaid Items

Materials and supplies purchased throughout the year for repair and maintenance of the Utilities are charged 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid.

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 because their use is limited by bond covenants. In addition, customer deposits are classified as restricted assets on the statement of net assets because the assets on hand are refundable to the customer 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	Percentage
Water Utility:			
Buildings	\$ 5,000	Composite rate	1.5%
Improvements other than buildings	5,000	Composite rate	1.5%
Machinery and equipment	5,000	Composite rate	1.5%
Transportation equipment	5,000	Composite rate	1.5%
Wastewater Utility:			
Buildings	5,000	Straight-line	3 to 99 years
Improvements other than buildings	5,000	Straight-line	5 to 99 years
Machinery and equipment	5,000	Straight-line	5 to 10 years
Transportation equipment	5,000	Straight-line	5 to 10 years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

5. Compensated Absences

- a. Sick Leave - Employees earn sick leave at the rate of 6 days per year. Unused sick leave may be accumulated to a maximum of 60 days. Accumulated sick leave is not paid to employees upon termination or retirement.
- b. Vacation/Personal Leave - Employees earn vacation/personal leave at rates from 12 days to 28 days per year based upon the number of years of service. Vacation/personal leave does not accumulate from year to year.

No liability is reported for sick or vacation/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, deferral of loss on refunding, 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 and deferral of loss on refunding. 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. As of December 31, 2007, the Utilities had no investments.

B. Capital Assets

In 2007, the Wastewater Utility paid \$163,755 in interest on the 2006 and 2007 general obligation bonds which were capitalized.

Capital asset activity for the year ended December 31, 2007, was as follows:

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

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 42,468	\$ 7,340	\$ -	\$ 49,808
Intangible assets	108,572	-	-	108,572
Construction in progress	128,856	-	128,856	-
	<u>279,896</u>	<u>7,340</u>	<u>128,856</u>	<u>158,380</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	4,711,439	5,901	-	4,717,340
Improvements other than buildings	6,915,937	551,810	-	7,467,747
Machinery and equipment	3,019,116	22,343	-	3,041,459
Transportation equipment	463,862	16,999	-	480,861
	<u>15,110,354</u>	<u>597,053</u>	<u>-</u>	<u>15,707,407</u>
Totals				
Less accumulated depreciation for:				
Buildings	1,181,356	70,599	-	1,251,955
Improvements other than buildings	1,449,399	103,633	-	1,553,032
Machinery and equipment	789,679	45,241	-	834,920
Transportation equipment	107,011	6,951	-	113,962
	<u>3,527,445</u>	<u>226,424</u>	<u>-</u>	<u>3,753,869</u>
Totals				
Total capital assets, being depreciated, net				
	<u>11,582,909</u>	<u>370,629</u>	<u>-</u>	<u>11,953,538</u>
Total Water Utility capital assets, net				
	<u>\$ 11,862,805</u>	<u>\$ 377,969</u>	<u>\$ 128,856</u>	<u>\$ 12,111,918</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 131,034	\$ -	\$ -	\$ 131,034
Construction in progress	161,260	3,593,013	397,215	3,357,058
	<u>292,294</u>	<u>3,593,013</u>	<u>397,215</u>	<u>3,488,092</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	4,791,562	62,227	-	4,853,789
Improvements other than buildings	25,929,600	441,573	-	26,371,173
Machinery and equipment	1,761,925	82,411	-	1,844,336
Transportation equipment	205,399	39,012	-	244,411
	<u>32,688,486</u>	<u>625,223</u>	<u>-</u>	<u>33,313,709</u>
Totals				
Less accumulated depreciation for:				
Buildings	2,723,959	100,747	-	2,824,706
Improvements other than buildings	9,716,367	478,453	-	10,194,820
Machinery and equipment	1,101,164	43,222	-	1,144,386
Transportation equipment	183,515	13,193	-	196,708
	<u>13,725,005</u>	<u>635,615</u>	<u>-</u>	<u>14,360,620</u>
Totals				
Total capital assets, being depreciated, net				
	<u>18,963,481</u>	<u>(10,392)</u>	<u>-</u>	<u>18,953,089</u>
Total Wastewater Utility capital assets, net				
	<u>\$ 19,255,775</u>	<u>\$ 3,582,621</u>	<u>\$ 397,215</u>	<u>\$ 22,441,181</u>

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

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2007	Committed
Wastewater Utility:			
Monroe Street	\$ 640,000	\$ 48,828	\$ 591,172
Darlington-Factory Sewer Separation	1,500,000	25,918	1,474,082
Lakeside Sewer Relocation	700,000	10,542	689,458
CSO Remediation	4,423,040	3,265,045	1,157,995
Brighton/Rush Drain	490,000	5,300	484,700
West Street	25,000	1,425	23,575
	<u>\$ 7,778,040</u>	<u>\$ 3,357,058</u>	<u>\$ 4,420,982</u>
Wastewater Utility Totals	<u>\$ 7,778,040</u>	<u>\$ 3,357,058</u>	<u>\$ 4,420,982</u>

D. Capital Leases

The Water Utility has entered into a capital lease for a backhoe. Future minimum lease payments and present values of the net minimum lease payments under the capital lease as of December 31, 2007, are as follows:

2008	\$ 1,292
Less amount representing interest	<u>(24)</u>
Present value of net minimum lease payments	<u>\$ 1,268</u>

Assets acquired through capital leases still in effect are as follows:

	Water Utility
Transportation equipment	\$ 7,141
Accumulated depreciation	<u>-</u>
Total	<u>\$ 7,141</u>

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

E. 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	Amount
2005 Waterworks refunding revenue bonds for waterworks system improvements	2.5% to 3.3%	<u>\$ 2,050,000</u>
2006 Wastewater revenue bonds for system improvements	4%	<u>\$ 4,500,000</u>
2007 Wastewater revenue bonds for system improvements	3.75% to 3.9%	<u>2,595,000</u>
Total Wastewater revenue bonds		<u>\$ 7,095,000</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2008	\$ 435,000	\$ 57,053	\$ 130,000	\$ 279,061
2009	445,000	45,785	135,000	274,186
2010	465,000	33,177	140,000	269,124
2011	475,000	19,033	150,000	263,874
2012	230,000	3,795	155,000	258,249
2013-2017	-	-	870,000	1,199,654
2018-2022	-	-	1,015,000	1,010,413
2023-2027	-	-	4,500,000	473,200
Totals	<u>\$ 2,050,000</u>	<u>\$ 158,843</u>	<u>\$ 7,095,000</u>	<u>\$ 4,027,761</u>

2. State Revolving Fund Loans Payable

The Wastewater Utility has entered into various loans. Annual debt service requirements to maturity for the loans, including interest of \$1,009,173, are as follows:

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

2008	\$ 510,478
2009	510,158
2010	510,418
2011	510,223
2012	510,573
2013-2017	2,475,569
2018-2022	<u>509,705</u>
 Total	 <u>\$ 5,537,124</u>

3. Advance Refunding

In prior years, the Water Utility defeased certain revenue and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Water Utility's financial statements. The following outstanding bonds, at December 31, 2007, were considered defeased:

	<u>Amount</u>
1995 Waterworks revenue bonds	<u>\$ 430,000</u>

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

	<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	\$ 2,470,000	\$ -	\$ 420,000	\$ 2,050,000	\$ 435,000
Less deferred amount on refunding	(140,675)	-	(25,578)	(115,097)	-
Less bond discount	(14,909)	-	(2,712)	(12,197)	-
Add bond premium	3,586	-	606	2,980	-
Capital lease	<u>6,412</u>	<u>7,141</u>	<u>12,285</u>	<u>1,268</u>	<u>1,268</u>
Total Water long-term liabilities	<u>\$ 2,324,414</u>	<u>\$ 7,141</u>	<u>\$ 404,601</u>	<u>\$ 1,926,954</u>	<u>\$ 436,268</u>
Wastewater Utility:					
Revenue bonds payable	\$ 4,500,000	\$ 2,750,000	\$ 155,000	\$ 7,095,000	\$ 130,000
Less bond discount	(67,500)	(26,903)	4,458	(98,861)	-
State revolving fund loans payable	<u>4,867,951</u>	<u>-</u>	<u>340,000</u>	<u>4,527,951</u>	<u>352,000</u>
Total Wastewater long-term liabilities	<u>\$ 9,300,451</u>	<u>\$ 2,723,097</u>	<u>\$ 499,458</u>	<u>\$ 11,524,090</u>	<u>\$ 482,000</u>

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

III. Other Information

A. Risk Management

The Utilities are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

The risks 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 to Employees, Retirees, and Dependents

The City, including the Utilities, has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents. The risk financing fund is accounted for in the City's 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 \$85,000 per eligible participant per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions. As needed, the Common Council contributes funds from budgeted accounts within the general, CEDIT, and riverboat gaming funds.

Job Related Illnesses or Injuries to Employees

During 2003, the City (including the utilities) joined with other governmental entities in the Indiana Public Employers' Plan, Inc. (IPEP), a public entity risk pool currently operating as a common risk management and insurance program for approximately 740 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 job related illnesses or injuries to employees. The City (including the utilities) 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

The current rate structure for the water and wastewater utilities was approved by the Council on November 15, 2004, which included an incremental increase in rates effective January 1, 2006.

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

C. Agent Multiple-Employer and Single-Employer Defined Benefit 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.

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 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

Annual required contribution	\$ 253,321
Interest on net pension obligation	(10,324)
Adjustment to annual required contribution	<u>11,765</u>
Annual pension cost	254,762
Contributions made	<u>242,509</u>
Increase in net pension obligation	12,253
Net pension obligation, beginning of year	<u>(142,403)</u>
Net pension obligation, end of year	<u><u>\$ (130,150)</u></u>

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

	PERF
Contribution rates:	
Utilities	6.75%
Plan members	3%
Actuarial valuation date	07-01-07
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 value

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	06-30-05	\$ 219,260	110%	\$ (82,811)
	06-30-06	188,518	132%	(142,403)
	06-30-07	254,762	95%	(130,150)

WATER AND WASTEWATER UTILITIES
CITY OF LAPORTE
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)
07-01-05	\$ 3,924,083	\$ 4,310,377	\$ (386,294)	91%	\$ 3,291,086	(12%)
07-01-06	3,616,085	4,418,349	(802,264)	82%	3,339,668	(24%)
07-01-07	4,106,386	4,789,609	(683,223)	86%	3,644,736	(19%)

WATER AND WASTEWATER UTILITIES
CITY OF LAPORTE
AUDIT RESULTS AND COMMENTS

CAPITAL ASSET RECORDS - WATER UTILITY

The Water Utility does not maintain sufficient detailed records of capital assets for its Utility Plant in Service accounts. Upon purchase, the costs of the capital assets are added to an aggregate Utility Plant in Service account, and to subsidiary accounts for land, buildings, etc., in the General Ledger. However, records providing historical costs for some of the Utility's capital assets are not available, and records classifying and summarizing the Utility's capital assets are incomplete. Deletions or disposals of capital assets are not recorded. The Water Utility has contracted with a vendor to help develop the Utility's detailed capital asset records.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSETS AND CONSTRUCTION-IN-PROGRESS - WASTEWATER UTILITY

The detail listing of capital assets did not include all additions to capital assets for 2007, as listed in the ledger by the unit. The detailed listing for capital assets had a balance of \$32,728,521, but the unit's ledger balance was \$33,423,087, after adjustments, for a difference of \$694,566. Bond costs and bond discount were included in construction in progress and not subsequently adjusted. Other completed projects were not transferred from construction in progress to the proper asset category. Equipment was sold; however, deletions were not posted for the year.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PRESCRIBED RECEIPTS

The Utilities collect money on behalf of the Clerk-Treasurer for certain City services. The following receipts are being used which have not been approved for use in lieu of prescribed receipts:

1. Service Start-Up Fees.
2. Water Taps.
3. Dog Licenses.
4. Back Flow Invoices beginning February 2008.
5. Septic Hauler Discharge Billing.

In addition, the forms are not prenumbered by the printer.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

WATER AND WASTEWATER UTILITIES
CITY OF LAPORTE
EXIT CONFERENCE

The contents of this report were discussed on July 2, 2008, with Kathleen A. Chroback, Mayor; Teresa L. Ludlow, Clerk-Treasurer; Joanne Layman, Deputy Clerk-Treasurer; Jerry Jackson, Superintendent of the Wastewater Utility; L Linda Howell, Wastewater Bookkeeper; and Donald E. Baugher, City Attorney. The official response has been made a part of this report and may be found on pages 21 through 28.



City of LaPorte Wastewater
2101 Boyd Blvd
LaPorte, IN 46350
(219)362-2354

July 10, 2008

State Board of Accounts
302 W. Washington St.
Room E-418
Indianapolis, IN 46204

RE: Audit Report for the City of LaPorte Wastewater Department

Gentlemen:

Enclosed you will find attached the response of John Kaylor, the CPA, to the State Board of Accounts audit report. Said enclosure includes four points of response. We request that this letter, along with the attachment, be made part of the audit report record.

Very truly yours,

Jerry P. Jackson, Director
Wastewater Department

/cef

SCOPE OF SERVICES

- 1) RECONCILE 12/31/06 CURRENT CONSTRUCTION AND ADD TO DETAIL INVENTORY OF CAPITAL ASSETS AS OF 1/1/07.
- 2) RECONCILE 12/31/06 CIP (ACCOUNT 35100) FROM 1/1/07 TO 12/31/07. THIS PROCEDURE WOULD INCLUDE ADDITIONS TO CURRENT CONSTRUCTION FOR COMPLETED PROJECTS AND RECLASSIFICATION OF CURRENT CONSTRUCTION TO CIP FOR INCOMPLETE PROJECTS. IT WOULD ALSO INCLUDE EXPENSING OF CAPITAL ADDITIONS COSTING LESS THAN \$5,000.00.
- 3) UPDATE 12/31/07 DEPRECIATION EXPENSE AND DEPRECIATION RESERVE TO MATCH DETAIL CAPITAL ASSET INVENTORY.
- 4) THE 12/31/07 CIP WOULD INCLUDE ACCOUNTS 35100, 36018, AND 36019. WE DID NOT ADJUST ACCOUNTS 36018 OR 36019, SINCE THEY ARE SEPARATELY STATED CIP ACCOUNTS THAT WERE INCOMPLETE AS OF 12/31/07.

**CITY OF LAPORTE
CURRENT CONSTRUCTION RECONCILIATION
BY ACCOUNT NUMBER
2007**

ACCT. DESCRIPTION	ACCT. #	AMOUNT
CS EXTENSION	36023	35,700.36
CS LIFT STATIONS	37130	49,844.59
CS EQUIPMENT	38920	10,608.69
ADMIN. EQUIPMENT	38940	21,227.00
CS VEHICLE	39171	30,611.65
PLANT VEHICLE	39172	8,400.00
ADMIN EQUIPMENT	39070	7,885.79
		<hr/>
		164,278.08
		<hr/> <hr/>

**CITY OF LAPORTE
BOND PROJECT RECONCILIATION
2007**

WARRANT #	2006 BOND PROJECT #36019	WARRANT #	2007 BOND PROJECT #36018
1373	38.79	1396	3,300.00
1380	71.21	1393	850.00
1408	1,500.00	1409	18,000.00
1384	252.00	1388	3,392.21
1382	20,134.25	1385	312.18
1382	10,122.08	1383	439.76
1392	2,575.00	1414	15,328.45
1398	4,220.95	1389	800.00
1405	35,894.12		
1415	870.56		
1415	3,531.36		
1405	233.58		
1415	64.08		
1436	15.38		
1415	444.88		
1436	214.23		
1432	29,235.00		
1443	23,700.00		
1441	26,463.67		
1418	72,532.00		
1383	100.23		
1404	6,563.75		
1410	710,280.00		
1419	17,477.85		
1423	5,920.40		
1425	5,668.92		
1445	577,007.40		
1446	14,210.63		
1422	509,427.00		
1434	296,157.60		
1400	171,990.00		
1394	397,215.17		
1369	800.00		
1378	6,455.04		
1372	3,577.68		
1367	10,410.96		
1368	4,500.00		
1387	1,585.42		
1365	1,750.00		
1415	12.10		
2006 ADJ	105,657.13		
TOTALS	<u>3,078,880.42</u>		<u>42,422.60</u>

**CITY OF LAPORTE
WASTEWATER DEPARTMENT
ADJUSTING JOURNAL ENTRIES
31-Dec-07**

DESCRIPTION	ACCT #	DEBIT	CREDIT
	1		
CS LIFT STATION	37130	15,000.00	
MISCELLANEOUS INCOME	00536		15,000.00
to reclassify reimbursement of supplies & labor			
	2		
CONSTRUCTION IN PROGRESS	35100	269,265.35	
CSO FACILITY	36020		215,783.03
CS SEPERATION	36021		49,650.89
CS LIFT STATION	37130		3,831.43
to adj 2006 CIP to actual			
	3		
MATERIALS & SUPPLIES	50720	6,247.35	
LIFT STATIONS	40724	670.08	
MATERIALS & SUPPLIES	60720	9,091.29	
OFFICE SUPPLIES	80720	2,537.81	
LAB SUPPLIES	50721	2,320.55	
VACTOR OPERATING	20711	533.08	
WATER METERS	36420		6,247.35
CS LIFT STATIONS	37130		670.08
BIO TOWERS	38046		4,891.71
SLUDGE DIGESTION	38049		4,199.58
ADMINISTRATIVE EQUIPMENT	39070		2,537.81
LAB EQUIPMENT	39470		2,320.55
MISCELLANEOUS	39771		533.08
to reclassify current construction & equip. less than \$5,000			
	4		
DEPRECIATION EXPENSE	5-00403	2,276.97	
DEPRECIATION RESERVE	2-00108		2,276.97
to adj 2007 depreciation to actual			
	5		
CS LIFT STATIONS	37130	22,045.59	
CONSTRUCTION IN PROGRESS	35100		22,045.59
to reclassify project 112 & 114 complete			
	6		
SLUDGE DIGESTION	38049	4,128.00	
MATERIALS & SUPPLIES	60720		4,128.00
to reclassify refund			
	7		
MATERIALS & SUPPLIES	50720	581.42	
OFFICE SUPPLIES	80720	6,825.05	
WATER METERES	36420		581.42
ADMINISTRATIVE EQUIPMENT	39070		6,825.05
to reclassify current construction & equip. less than \$5,000			
	8		
CONSTRUCTION IN PROGRESS	35100	88,716.07	
CS SEPERATION	36021		36,897.98
CS EXTENSION	36023		105.00
CS LIFT STATIONS	37130		16,274.09
CS REPAIR	36024		10,542.00
SLUDGE DIGESTION	38049		24,897.00
to adjust 2007 CIP to actual			
	9		
CSO FACILITIES	36020	105,657.13	
CS LIFT STATIONS	37130		19,639.16
CONSTRUCTION IN PROGRESS	35100		86,017.97

**CITY OF LAPORTE
ACCOUNT RECONCILIATIONS
2007**

PROPERTY & PLANT:

BALANCE PER TRIAL BALANCE 2007	33,004,186.52
S&K ADJUSTING ENTRY #1	15,000.00
S&K ADJUSTING ENTRY #2	(269,265.35)
S&K ADJUSTING ENTRY #3	(21,400.16)
	32,728,521.01
BALANCE PER TRIAL BALANCE	32,728,521.01
BALANCE PER DETAIL LISTING	32,728,521.01
DIFFERENCE	0.00

CURRENT CONSTRUCTION:

BALANCE PER TRIAL BALANCE 2007	148,209.06
S&K ADJUSTING ENTRY #5	22,045.59
S&K ADJUSTING ENTRY #6	4,128.00
S&K ADJUSTING ENTRY #7	(7,406.47)
S&K ADJUSTING ENTRY #8	(88,716.07)
S&K ADJUSTING ENTRY #9	86,017.97
	164,278.08
BALANCE PER TRIAL BALANCE	164,278.08
BALANCE PER DETAIL LISTING	164,278.08
DIFFERENCE	0.00

**ACCOUNT #35100
CONSTRUCTION IN PROGRESS:**

BALANCE PER TRIAL BALANCE 2007	13,131.17
S&K ADJUSTING ENTRY #2	269,265.35
S&K ADJUSTING ENTRY #5	(22,045.59)
S&K ADJUSTING ENTRY #8	88,716.07
S&K ADJUSTING ENTRY #9	(86,017.97)
	263,049.03
BALANCE PER TRIAL BALANCE	263,049.03
BALANCE PER DETAIL LISTING	263,049.03
DIFFERENCE	0.00

**CITY OF LAPORTE
ACCOUNT RECONCILIATIONS
2007**

**ACCOUNT #36018
2007 BOND PROJECT:**

BALANCE PER TRIAL BALANCE	42,422.60
BALANCE PER DETAIL LISTING	<u>42,422.60</u>
DIFFERENCE	<u><u>0.00</u></u>

**ACCOUNT #36019
2006 BOND PROJECT:**

BALANCE PER TRIAL BALANCE	3,078,880.42
BALANCE PER DETAIL LISTING	<u>3,078,880.42</u>
DIFFERENCE	<u><u>0.00</u></u>