

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

EXAMINATION REPORT
OF

WATER UTILITY
TOWN OF OGDEN DUNES
PORTER COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
03/16/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Susan Cunningham Marie Englehart Donna Smith	01-17-05 to 03-14-07 03-15-07 to 08-31-07 09-01-07 to 12-31-11
President of the Town Council	Judith Root Stiles Bradley Wood	01-01-06 to 12-31-07 01-01-08 to 12-31-09
President of the Water Board	John Hannon	01-01-06 to 12-31-09
Water Manager	James Kopp	01-01-06 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE WATER UTILITY, TOWN OF OGDEN DUNES,
PORTER COUNTY, INDIANA

We have examined the accompanying financial statements of the business-type activities of the Water Utility (Utility), a department of the Town of Ogden Dunes, as of and for the years ended December 31, 2006 and 2007. 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 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.

As discussed in Note I, the financial statements of the Water Utility, Town of Ogden Dunes, are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the Town of Ogden Dunes that is attributable to the transactions of the Utility. They do not purport to, and do not, present fairly the financial position of the Town of Ogden Dunes as of December 31, 2006 and 2007, and the changes in its financial position and its cash flows, where applicable, for the years then ended based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

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 2007, and the respective changes in financial position and cash flows thereof for the years then ended based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

February 4, 2009

WATER UTILITY
TOWN OF OGDEN DUNES
STATEMENT OF NET ASSETS
December 31, 2006 And 2007

<u>Assets</u>	<u>2006</u>	<u>2007</u>
Current assets:		
Cash and cash equivalents	\$ 169,725	\$ 108,144
Sanitation cash and cash equivalents	291	5,932
Accounts receivable	23,620	82,379
Sanitation receivable	6,167	-
Prepaid rent	<u>27,500</u>	<u>25,000</u>
Total current assets	<u>227,303</u>	<u>221,455</u>
Noncurrent assets:		
Capital assets:		
Other capital assets (net of accumulated depreciation)	<u>466,165</u>	<u>469,003</u>
Total assets	<u>693,468</u>	<u>690,458</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	2,315	9,522
Wages payable	1,628	1,436
Sales tax payable	2,814	2,805
Sanitation payable	<u>-</u>	<u>23,081</u>
Total liabilities	<u>6,757</u>	<u>36,844</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	466,165	469,003
Unrestricted	<u>220,546</u>	<u>184,611</u>
Total net assets	<u>\$ 686,711</u>	<u>\$ 653,614</u>

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

WATER UTILITY
TOWN OF OGDEN DUNES
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Years Ended December 31, 2006 And 2007

	<u>2006</u>	<u>2007</u>
Operating revenues:		
Metered sales	\$ 148,357	\$ 190,542
Hydrant rental	28,310	28,641
Penalties	1,575	868
Tapping and miscellaneous	<u>14,083</u>	<u>16,124</u>
Total operating revenues	<u>192,325</u>	<u>236,175</u>
Operating expenses:		
Salaries and wages - employees	52,204	40,939
Salaries and wages - officers	300	-
Employee pensions and benefits	1,299	1,297
Purchased water	81,424	92,846
Purchased power	2,684	3,390
Materials and supplies	28,462	27,423
Contractual services	41,945	56,256
Rent expense	515	2,672
Transportation expenses	829	582
Insurance	5,467	9,075
Utility regulatory expense	589	589
Miscellaneous expenses	206	1,093
Utility receipts tax	3,200	6,150
Payroll taxes	4,324	3,391
Depreciation	<u>29,994</u>	<u>31,362</u>
Total operating expenses	<u>253,442</u>	<u>277,065</u>
Operating loss	<u>(61,117)</u>	<u>(40,890)</u>
Nonoperating revenues:		
Interest revenue	<u>9,727</u>	<u>7,793</u>
Change in net assets	(51,390)	(33,097)
Total net assets - beginning	<u>738,101</u>	<u>686,711</u>
Total net assets - ending	<u>\$ 686,711</u>	<u>\$ 653,614</u>

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

WATER UTILITY
TOWN OF OGDEN DUNES
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Years Ended December 31, 2006 And 2007

	<u>2006</u>	<u>2007</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 193,755	\$ 177,416
Payments to suppliers and contractors	(173,816)	(166,010)
Payments to employees	<u>(52,504)</u>	<u>(40,939)</u>
Net cash used by operating activities	<u>(32,565)</u>	<u>(29,533)</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	<u>(85,859)</u>	<u>(34,200)</u>
Cash flows from investing activities:		
Interest received	<u>9,727</u>	<u>7,793</u>
Net decrease in cash and cash equivalents	(108,697)	(55,940)
Cash and cash equivalents, January 1	<u>278,713</u>	<u>170,016</u>
Cash and cash equivalents, December 31	<u>\$ 170,016</u>	<u>\$ 114,076</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	<u>\$ (61,117)</u>	<u>\$ (40,890)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	29,994	31,362
(Increase) decrease in assets:		
Accounts receivable	1,430	(58,759)
Sanitation receivable	(6,167)	6,167
Prepaid rent	2,500	2,500
Increase (decrease) in liabilities:		
Accounts payable	(3,647)	7,207
Wages payable	1,628	(192)
Sales tax payable	2,814	(9)
Sanitation payable	<u>-</u>	<u>23,081</u>
Total adjustments	<u>28,552</u>	<u>11,357</u>
Net cash used by operating activities	<u>\$ (32,565)</u>	<u>\$ (29,533)</u>

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

WATER UTILITY
TOWN OF OGDEN DUNES
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 Town of Ogden Dunes (Town), and the results of its operations and cash flows of its enterprise funds. The Utility, whose operations are controlled by the Town, represents a substantial portion of the Town's enterprise funds.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and 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.

WATER UTILITY
TOWN OF OGDEN DUNES
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Prepaid Items

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

3. 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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings, pumps, and piping	\$ 5,000	Composite rate	2%
Mains, meters, and hydrants	5,000	Composite rate	2%
Office equipment	5,000	Composite rate	2%
Equipment and tools	5,000	Composite rate	2%

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.

II. Detailed Notes on All Funds

A. Deposits and Investments

Deposits, made in accordance with IC 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.

B. Capital Assets

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

WATER UTILITY
TOWN OF OGDEN DUNES
NOTES TO FINANCIAL STATEMENTS
(Continued)

	01-01-06 Beginning Balance	Increases	Decreases	12-31-06 Ending Balance
Capital assets, being depreciated:				
Buildings, pumps, and piping	\$ 585,514	\$ -	\$ -	\$ 585,514
Mains, meters, and hydrants	493,606	85,859	-	579,465
Office equipment	43,177	-	-	43,177
Equipment and tools	31,157	-	-	31,157
	<u>1,153,454</u>	<u>85,859</u>	<u>-</u>	<u>1,239,313</u>
Totals				
Less accumulated depreciation for:				
Buildings, pumps, and piping	435,230	10,825	-	446,055
Mains, meters, and hydrants	253,986	16,086	-	270,072
Office equipment	27,034	2,234	-	29,268
Equipment and tools	26,904	849	-	27,753
	<u>743,154</u>	<u>29,994</u>	<u>-</u>	<u>773,148</u>
Totals				
Total capital assets, net	<u>\$ 410,300</u>	<u>\$ 55,865</u>	<u>-</u>	<u>\$ 466,165</u>
	01-01-07 Beginning Balance	Increases	Decreases	12-31-07 Ending Balance
Capital assets, being depreciated:				
Buildings, pumps, and piping	\$ 585,514	\$ 2,500	\$ -	\$ 588,014
Mains, meters, and hydrants	579,465	31,700	-	611,165
Office equipment	43,177	-	-	43,177
Equipment and tools	31,157	-	-	31,157
	<u>1,239,313</u>	<u>34,200</u>	<u>-</u>	<u>1,273,513</u>
Totals				
Less accumulated depreciation for:				
Buildings, pumps, and piping	446,055	10,825	-	456,880
Mains, meters, and hydrants	270,072	17,454	-	287,526
Office equipment	29,268	2,234	-	31,502
Equipment and tools	27,753	849	-	28,602
	<u>773,148</u>	<u>31,362</u>	<u>-</u>	<u>804,510</u>
Totals				
Total capital assets, net	<u>\$ 466,165</u>	<u>\$ 2,838</u>	<u>-</u>	<u>\$ 469,003</u>

WATER UTILITY
TOWN OF OGDEN DUNES
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Prepaid Rent

The Ogden Dunes Water Utility signed a rental agreement with the Town of Ogden Dunes for a 20 year period beginning January 1998. The agreement required a prepayment of \$50,000. This prepayment is being amortized over the 20 year period starting in 1998.

III. Other Information

Subsequent Events

Rate Structure

The Town Council adopted a new rate structure on May 7, 2007. The Indiana Utility Regulatory Commission approved it on January 16, 2008. The new rate structure will be implemented in April 2009.

WATER UTILITY
TOWN OF OGDEN DUNES
EXIT CONFERENCE

The contents of this report were discussed on February 4, 2009, with James Kopp, Water Manager; and John Hannon, President of the Water Board. Our examination disclosed no material items that warrant comment at this time.