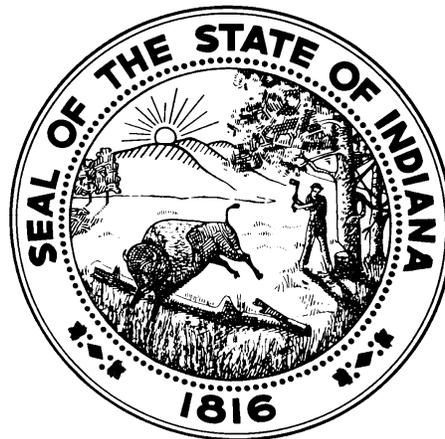


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT  
OF  
WATER AND WASTEWATER UTILITIES  
CITY OF LAPORTE  
LAPORTE COUNTY, INDIANA

January 1, 2008 to December 31, 2008



**FILED**  
09/28/2009



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Teresa L. Ludlow	01-01-08 to 12-31-11
Mayor	Kathleen A. Chroback	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Kathleen A. Chroback	01-01-08 to 12-31-11
President Pro-Tem of the Common Council	Andrea Renner David J. Schmitt	01-01-08 to 12-31-08 01-01-09 to 12-31-09
Superintendent of the Water Utility	Todd Taylor	01-01-08 to 12-31-09
Superintendent of the Wastewater Utility	Jerry Jackson	01-01-08 to 12-31-09



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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined 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, 2008. The Utilities' management is responsible for the financial statements presented herein. Our responsibility is to express an opinion based on our examination.

Except as discussed in the fourth paragraph, 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 statements 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 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, 2008, 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.

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, 2008, 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 examine the information and express no opinion on it.

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

STATE BOARD OF ACCOUNTS

September 10, 2009

WATER AND WASTEWATER UTILITIES  
CITY OF LAPORTE  
STATEMENT OF NET ASSETS  
December 31, 2008

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Current assets:		
Unrestricted:		
Cash and cash equivalents	\$ 952,239	\$ 345,993
Accounts receivable	115,017	135,703
Inventories	136,583	49,457
Prepaid items	10,283	9,731
Restricted:		
Collections held for other government	<u>15,684</u>	<u>8,660</u>
Total current assets	<u>1,229,806</u>	<u>549,544</u>
Noncurrent assets:		
Restricted:		
Construction cash	-	1,301,426
Bond and interest cash	14,272	869,966
Revenue bond covenant cash	328,500	860,913
Depreciation cash	117,980	632,878
Customer deposits	231,218	-
Depreciation system development	<u>54,680</u>	<u>-</u>
Total restricted assets	<u>746,650</u>	<u>3,665,183</u>
Deferred charges	<u>28,314</u>	<u>181,230</u>
Capital assets:		
Land, intangible assets, and construction in progress	158,380	6,255,934
Other capital assets (net of accumulated depreciation)	<u>11,738,981</u>	<u>18,301,556</u>
Total capital assets	<u>11,897,361</u>	<u>24,557,490</u>
Total noncurrent assets	<u>12,672,325</u>	<u>28,403,903</u>
Total assets	<u>13,902,131</u>	<u>28,953,447</u>
<u>Liabilities</u>		
Current liabilities:		
Unrestricted:		
Accounts payable	42,073	48,928
Accrued wages payable	30,241	53,306
Contracts payable	-	56,850
Accrued interest payable	-	142,666
Taxes payable	12,184	-
Restricted:		
Customer deposits	231,218	-
Collections held for other government	15,684	8,660
Revenue bonds payable	445,000	135,000
State revolving loan payable	<u>-</u>	<u>275,000</u>
Total current liabilities	<u>776,400</u>	<u>720,410</u>
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts, premiums, and deferred amount on refunding)	1,073,367	6,745,296
State revolving fund loans payable	<u>-</u>	<u>3,986,000</u>
Total noncurrent liabilities	<u>1,073,367</u>	<u>10,731,296</u>
Total liabilities	<u>1,849,767</u>	<u>11,451,706</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	10,378,994	13,416,194
Restricted for debt service	342,772	1,730,879
Restricted for capital improvements	172,660	1,877,454
Restricted for customer deposits	231,218	-
Restricted for other government	15,684	8,660
Unrestricted	<u>911,036</u>	<u>468,554</u>
Total net assets	<u>\$ 12,052,364</u>	<u>\$ 17,501,741</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, 2008

	Water Utility	Wastewater Utility
Operating revenues:		
Metered revenue	\$ 2,419,328	\$ -
Measured revenue	-	3,565,635
Fire protection revenue	357,758	-
Service start up revenue	25,380	-
System development revenue	14,200	-
Penalties	15,785	59,786
Other	<u>131,371</u>	<u>73,854</u>
 Total operating revenues	 <u>2,963,822</u>	 <u>3,699,275</u>
Operating expenses:		
Source of supply	601,056	-
Water treatment	174,729	-
Transmission and distribution	508,820	-
Customer accounts	128,941	-
Administration and general	902,766	527,935
Collection system	-	32,147
Pumping	-	319,726
Treatment and disposal	-	1,897,068
Depreciation	237,986	611,444
Bad debt expense	<u>6,102</u>	<u>2,135</u>
 Total operating expenses	 <u>2,560,400</u>	 <u>3,390,455</u>
 Operating income	 <u>403,422</u>	 <u>308,820</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	28,486	111,758
Miscellaneous revenue	8,900	-
Interest expense	(84,938)	(439,389)
Amortization expense	<u>(8,242)</u>	<u>(11,529)</u>
 Total nonoperating revenues (expenses)	 <u>(55,794)</u>	 <u>(339,160)</u>
 Change in net assets	 347,628	 (30,340)
Total net assets - beginning	<u>11,704,736</u>	<u>17,532,081</u>
Total net assets - ending	<u>\$ 12,052,364</u>	<u>\$ 17,501,741</u>

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, 2008

	Water Utility	Wastewater Utility
Cash flows from operating activities:		
Receipts from customers and users	\$ 2,952,475	\$ 3,700,642
Payments to suppliers and contractors	(982,343)	(1,470,252)
Payments to employees	(1,226,908)	(1,129,961)
Payments for taxes	(125,712)	(198,465)
Other receipts	8,748	-
	<u>626,260</u>	<u>901,964</u>
Net cash provided by operating activities		
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(23,429)	(3,192,200)
Principal paid on capital debt	(436,268)	(482,000)
Interest paid on capital debt	(57,257)	(352,329)
	<u>(516,954)</u>	<u>(4,026,529)</u>
Net cash used by capital and related financing activities		
Cash flows from investing activities:		
Interest received	28,486	111,758
	<u>28,486</u>	<u>111,758</u>
Net increase (decrease) in cash and cash equivalents	137,792	(3,012,807)
Cash and cash equivalents, January 1	1,576,781	7,032,643
	<u>1,576,781</u>	<u>7,032,643</u>
Cash and cash equivalents, December 31	\$ 1,714,573	\$ 4,019,836
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 403,422	\$ 308,820
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	237,986	611,444
Bad debt expense	6,102	2,135
Nonoperating revenue	8,748	-
Prior year construction in progress reclassified as expense	-	1,425
(Increase) decrease in assets:		
Accounts receivable	(13,371)	(1,072)
Inventories	(5,965)	(13,687)
Prepaid items	331	1,150
Security deposit	1,292	-
Increase (decrease) in liabilities:		
Accounts payable	(33,563)	(49,970)
Accrued wages payable	13,463	39,282
Taxes payable	2,190	-
Customer deposits	4,892	-
Collections held for other government	733	2,437
	<u>222,838</u>	<u>593,144</u>
Total adjustments		
Net cash provided by operating activities	\$ 626,260	\$ 901,964
Noncash investing, capital and financing activities:		
Purchase of equipment on account	\$ -	\$ 7,915
Purchase of inventory - materials and supplies on account	812	-
Contracts payable included in capital assets	-	49,545
Contracts payable included in construction in progress	-	7,305

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, including changes in the fair value of investments, is reported as revenue in the operating statement.

WATER AND WASTEWATER UTILITIES  
CITY OF LAPORTE  
NOTES TO FINANCIAL STATEMENTS

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 balance sheet 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/ Useful Life
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 – Utility 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 – Utility 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. 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

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, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 49,808	\$ -	\$ -	\$ 49,808
Intangible assets	108,572	-	-	108,572
Total capital assets, not being depreciated	158,380	-	-	158,380
Capital assets, being depreciated:				
Buildings	4,717,340	-	-	4,717,340
Improvements other than buildings	7,467,747	147	-	7,467,894
Machinery and equipment	3,041,459	9,531	-	3,050,990
Transportation equipment	480,861	13,751	-	494,612
Totals	15,707,407	23,429	-	15,730,836

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

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility (continued):				
Capital assets, being depreciated (continued):				
Less accumulated depreciation for:				
Buildings	1,251,955	71,474	-	1,323,429
Improvements other than buildings	1,553,032	113,145	-	1,666,177
Machinery and equipment	834,920	46,082	-	881,002
Transportation equipment	113,962	7,285	-	121,247
Totals	3,753,869	237,986	-	3,991,855
Total capital assets, being depreciated, net	11,953,538	(214,557)	-	11,738,981
Total Water Utility capital assets, net	\$ 12,111,918	\$ (214,557)	\$ -	\$ 11,897,361
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 131,034	\$ -	\$ -	\$ 131,034
Construction in progress	3,357,058	2,958,074	190,232	6,124,900
Total capital assets, not being depreciated	3,488,092	2,958,074	190,232	6,255,934
Capital assets, being depreciated:				
Buildings	4,853,789	113,991	126,786	4,840,994
Improvements other than buildings	26,371,173	265,405	432,596	26,203,982
Machinery and equipment	1,844,336	130,797	-	1,975,133
Transportation equipment	244,411	9,100	-	253,511
Totals	33,313,709	519,293	559,382	33,273,620
Less accumulated depreciation for:				
Buildings	2,824,706	98,184	-	2,922,890
Improvements other than buildings	10,194,820	457,003	-	10,651,823
Machinery and equipment	1,144,386	44,852	-	1,189,238
Transportation equipment	196,708	11,405	-	208,113
Totals	14,360,620	611,444	-	14,972,064
Total capital assets, being depreciated, net	18,953,089	(92,151)	559,382	18,301,556
Total Wastewater Utility capital assets, net	\$ 22,441,181	\$ 2,865,923	\$ 749,614	\$ 24,557,490

The decreases in Wastewater Utility capital asset categories, buildings and improvements other than buildings, are corrections to prior period balances and not disposals.

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, 2008	Committed
Wastewater Utility:			
CSO remediation	\$ 7,250,000	\$ 6,052,821	\$ 1,197,179
Darlington-factory sewer separation	1,500,000	47,551	1,452,449
Lakeside sewer Relocation	700,000	18,072	681,928
Brighton-Rush Drain	490,000	5,048	484,952
GIS Sewer Map	250,000	1,408	248,592
Totals	<u>\$ 10,190,000</u>	<u>\$ 6,124,900</u>	<u>\$ 4,065,100</u>

D. 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
Water Utility:		
2005 Waterworks refunding revenue bonds for waterworks system improvements	2.6% to 3.3%	<u>\$ 1,615,000</u>
Wastewater Utility:		
2006 Wastewater revenue bonds for system improvements	4%	\$ 4,500,000
2007 Wastewater revenue bonds for system improvements	3.75% to 3.9%	<u>2,465,000</u>
Total Wastewater Utility revenue bonds		<u>\$ 6,965,000</u>

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

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2009	\$ 445,000	\$ 45,785	\$ 135,000	\$ 274,186
2010	465,000	33,178	140,000	269,124
2011	475,000	19,033	150,000	263,874
2012	230,000	3,795	155,000	258,249
2013	-	-	160,000	252,436
2014-2018	-	-	910,000	1,166,701
2019-2023	-	-	2,185,000	944,129
2024-2027	-	-	3,130,000	320,000
Totals	<u>\$ 1,615,000</u>	<u>\$ 101,791</u>	<u>\$ 6,965,000</u>	<u>\$ 3,748,699</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 \$1,082,795, are as follows:

2009	\$ 424,135
2010	423,510
2011	423,570
2012	424,280
2013	424,605
2014-2018	2,121,285
2019-2021	<u>1,102,410</u>
Total	<u>\$ 5,343,795</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, 2008, were considered defeased:

	Amount
1995 Waterworks revenue bonds	<u>\$ 1,455,000</u>

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

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water Utility:					
Revenue bonds payable:					
2005 Revenue bonds	\$ 2,050,000	\$ -	\$ 435,000	\$ 1,615,000	\$ 445,000
Loss on refunding	(115,097)	-	(25,577)	(89,520)	-
Bond discount	(12,197)	-	(2,709)	(9,488)	-
Bond premium	2,980	-	605	2,375	-
	<u>1,925,686</u>	<u>-</u>	<u>407,319</u>	<u>1,518,367</u>	<u>445,000</u>
Total revenue bonds payable					
Capital lease	<u>1,268</u>	<u>-</u>	<u>1,268</u>	<u>-</u>	<u>-</u>
Total Water Utility long-term liabilities	<u>\$ 1,926,954</u>	<u>\$ -</u>	<u>\$ 408,587</u>	<u>\$ 1,518,367</u>	<u>\$ 445,000</u>
Wastewater Utility:					
Revenue bonds payable:					
2006 Revenue bonds	\$ 4,500,000	\$ -	\$ -	\$ 4,500,000	\$ -
2007 Revenue bonds	2,595,000	-	130,000	2,465,000	135,000
Bond discount	(98,861)	-	(14,157)	(84,704)	-
	<u>6,996,139</u>	<u>-</u>	<u>115,843</u>	<u>6,880,296</u>	<u>135,000</u>
Total revenue bonds payable					
State revolving fund loans payable	<u>4,527,951</u>	<u>-</u>	<u>266,951</u>	<u>4,261,000</u>	<u>275,000</u>
Total Wastewater Utility long-term liabilities	<u>\$ 11,524,090</u>	<u>\$ -</u>	<u>\$ 382,794</u>	<u>\$ 11,141,296</u>	<u>\$ 410,000</u>

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 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 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

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

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 a family and single plan monthly rate determined by the insurance company multiplied by the number of employees each department has enrolled in the plan and are reported as quasi-external interfund transactions. As needed, the Common Council contributes funds from budgeted accounts within the general and CEDIT 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 pays an annual premium to the risk pool for its 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.

C. Agent Multiple-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 Utilities 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 three percent 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 AND WASTEWATER UTILITIES  
CITY OF LAPORTE  
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 Utilities' annual pension cost and related information, as provided by the actuary, is presented in this note.

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 269,413
Interest on net pension obligation	(9,436)
Adjustment to annual required contribution	10,753
Annual pension cost	270,730
Contributions made	244,943
Increase in net pension obligation	25,787
Net pension obligation, beginning of year	(130,150)
Net pension obligation, end of year	\$ (104,363)
Contribution rates:	
Utilities	6.63%
Plan members	3%
Actuarial valuation date	07-01-08
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%

WATER AND WASTEWATER UTILITIES  
 CITY OF LAPORTE  
 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	06-30-06	\$ 188,518	132%	\$ (142,403)
	06-30-07	254,762	95%	(130,150)
	06-30-08	270,730	90%	(104,363)

WATER AND WASTEWATER UTILITIES  
CITY OF LAPORTE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Plan

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)
07-01-06	\$ 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%)
07-01-08	4,260,655	5,143,722	(883,067)	83%	3,561,646	(25%)

WATER AND WASTEWATER UTILITIES  
CITY OF LAPORTE  
EXAMINATION RESULT AND COMMENT

CAPITAL ASSET RECORDS (Applies to 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 the general ledger in subsidiary accounts for land, buildings, etc., but no detailed historical records of the assets are maintained. Therefore, there is no detailed documentation to provide the costs and classification of all the capital assets to support the amount reflected on the general ledger.

Every governmental unit should have a complete inventory of all fixed assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable General Fixed Asset Account Group Form. A complete inventory should be taken at least every two years 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)

WATER AND WASTEWATER UTILITIES  
CITY OF LAPORTE  
EXIT CONFERENCE

The contents of this report were discussed on September 10, 2009, with Kathleen A. Chroback, Mayor; Teresa L. Ludlow, Clerk-Treasurer; Joanne Layman, Deputy Clerk-Treasurer; Jerry Jackson, Superintendent of the Wastewater Utility; and Donald E. Baugher, City Attorney.