

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, 2009 to December 31, 2009



FILED
05/24/2010

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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	David J. Schmitt A.C. Pressler	01-01-09 to 12-31-09 01-01-01 to 12-31-10
Superintendent of the Water Utility	Todd A. Taylor	01-01-09 to 12-31-10
Superintendent of the Wastewater Utility	Jerry P. Jackson	01-01-09 to 12-31-10



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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 (Utilities), departments of the City of LaPorte, as of and for the year ended December 31, 2009. The Utilities' management is responsible for the financial statements presented herein. Our responsibility is to express opinions 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 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, 2009, 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 Water Utility's capital assets, and records classifying and summarizing the Water Utility's capital assets are incomplete.

In our opinion, except for the effects, if any, of incomplete capital asset 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, 2009, 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.

INDEPENDENT ACCOUNTANT'S REPORT
(Continued)

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

April 1, 2010

WATER AND WASTEWATER UTILITIES
CITY OF LAPORTE
STATEMENT OF NET ASSETS
December 31, 2009

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Current assets:		
Cash and cash equivalents	\$ 1,191,308	\$ 484,002
Accounts receivable	122,960	138,013
Inventories	136,091	33,261
Prepaid items	10,630	10,346
Restricted:		
Collections held for other government	14,506	9,066
Total current assets	<u>1,475,495</u>	<u>674,688</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Construction cash and investments	-	974,162
Bond and interest cash and investments	14,272	1,016,806
Revenue bond covenant cash	328,500	883,383
Depreciation cash	107,087	428,648
Customer deposits	238,273	-
Depreciation system development	78,805	-
Total restricted assets:	<u>766,937</u>	<u>3,302,999</u>
Deferred charges	<u>20,225</u>	<u>169,701</u>
Capital assets:		
Land, improvements to land and construction in progress	158,380	6,821,922
Other capital assets (net of accumulated depreciation)	<u>11,537,289</u>	<u>20,052,690</u>
Total capital assets	<u>11,695,669</u>	<u>26,874,612</u>
Total noncurrent assets	<u>12,482,831</u>	<u>30,347,312</u>
Total assets	<u>13,958,326</u>	<u>31,022,000</u>
<u>Liabilities</u>		
Current liabilities:		
Unrestricted:		
Accounts payable	76,242	68,059
Accrued wages payable	46,610	52,077
Contracts payable	-	11,908
Accrued interest payable	-	137,716
Taxes payable	11,954	-
Restricted:		
Customer deposits	238,873	-
Collections held for other government	14,506	9,066
Revenue bonds payable	465,000	140,000
State revolving loan payable	-	284,000
Total current liabilities	<u>853,185</u>	<u>702,826</u>
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	636,050	6,610,377
State revolving fund loans payable	-	3,702,000
Total noncurrent liabilities	<u>636,050</u>	<u>10,312,377</u>
Total liabilities	<u>1,489,235</u>	<u>11,015,203</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	10,594,619	16,562,235
Restricted for debt service	342,772	1,900,189
Restricted for capital improvements	185,892	1,402,810
Restricted for customer deposits	238,873	-
Restricted for other government	14,506	9,066
Unrestricted	<u>1,092,429</u>	<u>132,497</u>
Total net assets	<u>\$ 12,469,091</u>	<u>\$ 20,006,797</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, 2009

	Water Utility	Wastewater Utility
Operating revenues:		
Metered revenue	\$ 2,365,289	\$ -
Measured revenue	-	3,545,572
Fire protection revenue	352,984	-
Service start up revenue	24,276	-
System development revenue	24,125	-
Penalties	15,959	60,443
Other	120,166	34,727
	<u>2,902,799</u>	<u>3,640,742</u>
 Total operating revenues		
Operating expenses:		
Source of supply	526,229	-
Water treatment	181,292	-
Transmission and distribution	441,863	1,691,742
Customer accounts	107,943	-
Administration and general	917,934	593,257
Collection system	-	33,446
Pumping	-	267,378
Depreciation	238,338	770,386
Bad debt expense	-	573
	<u>2,413,599</u>	<u>3,356,782</u>
 Total operating expenses		
Operating income (loss)	<u>489,200</u>	<u>283,960</u>
 Nonoperating revenues (expenses):		
Interest and investment revenue	1,885	10,712
Miscellaneous revenue	7,200	-
Interest expense	(73,468)	(423,452)
Amortization expense	(8,090)	(11,529)
	<u>(72,473)</u>	<u>(424,269)</u>
 Total nonoperating revenues (expenses)		
Income (loss) before contributions and transfers	416,727	(140,309)
Capital contributions	<u>-</u>	<u>2,645,365</u>
 Change in net assets	416,727	2,505,056
Total net assets - beginning	<u>12,052,364</u>	<u>17,501,741</u>
Total net assets - ending	<u>\$ 12,469,091</u>	<u>\$ 20,006,797</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, 2009

	Water Utility	Wastewater Utility
Cash flows from operating activities:		
Receipts from customers and users	\$ 2,893,678	\$ 3,638,265
Payments to suppliers and contractors	(783,274)	(1,072,438)
Payments to employees	(1,209,682)	(1,207,745)
Payments for taxes	(124,197)	(272,155)
	776,525	1,085,927
Net cash provided by operating activities		
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(36,647)	(487,087)
Principal paid on capital debt	(445,000)	(410,000)
Interest paid on capital debt	(45,785)	(423,321)
	(527,432)	(1,320,408)
Net cash used by capital and related financing activities		
Cash flows from investing activities:		
Interest received	1,885	10,712
Miscellaneous receipts	7,200	-
	9,085	10,712
Net cash provided by investing activities		
Net increase (decrease) in cash and cash equivalents	258,178	(223,769)
Cash and cash equivalents, January 1	1,714,573	4,019,836
Cash and cash equivalents, December 31	\$ 1,972,751	\$ 3,796,067
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 489,200	\$ 283,960
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	238,338	770,386
Bad debt expense	-	573
(Increase) decrease in assets:		
Accounts receivable	(7,943)	(2,883)
Inventories	492	16,196
Prepaid items	(347)	(614)
Increase (decrease) in liabilities:		
Accounts payable	34,169	19,132
Accrued wages payable	16,369	(1,229)
Taxes Payable	(230)	-
Customer deposits	7,655	-
Collections held for other government	(1,178)	406
	287,325	801,967
Total adjustments		
Net cash provided by operating activities	\$ 776,525	\$ 1,085,927
Noncash investing, capital and financing activities:		
Contributions of capital assets from government	\$ -	\$ 2,645,365
Contracts payable included in capital assets	-	9,366
Contracts payable included in construction in progress	-	2,542

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 Utility 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 Utility, whose operations are controlled by the City, represents a substantial portion of the City's enterprise funds.

B. Fund Financial Statements

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Utility has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

When both restricted and unrestricted resources are available for use, the Utility's policy is to use restricted resources first, then unrestricted resources as they are needed.

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.

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

State statute (IC 5-13-9) authorizes the Utility to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

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

2. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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.

The financial statements report \$784,443 of restricted net assets in the Water Utility, and \$3,312,065 of restricted net assets in the Wastewater Utility.

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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Water Utility:			
Buildings	\$ 5,000	Composite rate	1.50%
Improvements other than buildings	5,000	Composite rate	1.50%
Machinery and equipment	5,000	Composite rate	1.50%
Transportation equipment	5,000	Composite rate	1.50%

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Wastewater Utility:			
Buildings	5,000	Straight-line	3 to 99 years
Improvements other than buildings	5,000	Straight-line	3 to 99 years
Machinery and equipment	5,000	Straight-line	3 to 99 years

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

5. Compensated Absences

- a. Sick Leave – Utility employees earn sick leave at the rate of 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, 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 and Investments

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 Utilities do not have a deposit policy for custodial credit risk. At December 31, 2009, the Utilities had deposit balances in the amount of \$5,854,619.

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.

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

B. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 49,808	\$ -	\$ -	\$ 49,808
Intangible assets	<u>108,572</u>	<u>-</u>	<u>-</u>	<u>108,572</u>
Total capital assets, not being depreciated	<u>158,380</u>	<u>-</u>	<u>-</u>	<u>158,380</u>
Capital assets, being depreciated:				
Buildings	4,717,340	-	-	4,717,340
Improvements other than buildings	7,467,894	36,647	-	7,504,541
Machinery and equipment	3,050,990	-	-	3,050,990
Transportation equipment	<u>494,612</u>	<u>-</u>	<u>-</u>	<u>494,612</u>
Totals	<u>15,730,836</u>	<u>36,647</u>	<u>-</u>	<u>15,767,483</u>
Less accumulated depreciation for:				
Buildings	1,323,429	71,473	-	1,394,902
Improvements other than buildings	1,666,177	113,146	-	1,779,323
Machinery and equipment	881,002	53,720	-	934,722
Transportation equipment	<u>121,247</u>	<u>-</u>	<u>-</u>	<u>121,247</u>
Totals	<u>3,991,855</u>	<u>238,339</u>	<u>-</u>	<u>4,230,194</u>
Total capital assets, being depreciated, net	<u>11,738,981</u>	<u>(201,692)</u>	<u>-</u>	<u>11,537,289</u>
Total water utility capital assets, net	<u>\$ 11,897,361</u>	<u>\$ (201,692)</u>	<u>\$ -</u>	<u>\$ 11,695,669</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 131,034	\$ -	\$ -	\$ 131,034
Construction in progress	<u>6,124,900</u>	<u>565,988</u>	<u>-</u>	<u>6,690,888</u>
Total capital assets, not being depreciated	<u>6,255,934</u>	<u>565,988</u>	<u>-</u>	<u>6,821,922</u>
Capital assets, being depreciated:				
Buildings	4,840,994	106,810	110,126	4,837,678
Improvements other than buildings	26,203,982	2,552,461	50,153	28,706,290
Machinery and equipment	<u>2,228,644</u>	<u>127,027</u>	<u>83,018</u>	<u>2,272,653</u>
Totals	<u>33,273,620</u>	<u>2,786,298</u>	<u>243,297</u>	<u>35,816,621</u>
Less accumulated depreciation for:				
Buildings	2,922,890	91,436	-	3,014,326
Improvements other than buildings	10,651,823	677,831	-	11,329,654
Machinery and equipment	<u>1,397,351</u>	<u>59,587</u>	<u>36,987</u>	<u>1,419,951</u>
Totals	<u>14,972,064</u>	<u>828,854</u>	<u>36,987</u>	<u>15,766,931</u>
Total capital assets, being depreciated, net	<u>18,301,556</u>	<u>1,957,444</u>	<u>206,310</u>	<u>20,052,690</u>
Total capital assets, net	<u>\$ 24,557,490</u>	<u>\$ 2,523,432</u>	<u>\$ 206,310</u>	<u>\$ 26,874,612</u>

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

The increases in Wastewater Utility of \$8,357,089 in capital asset categories improvements other than buildings, and the decreases of \$68,263 machinery and equipment, are corrections to prior period balances and not additions or disposals.

C. Construction Commitments

Construction work in progress is composed of the following:

<u>Project</u>	<u>Expended to December 31,</u>	<u>Committed</u>
Darlington-Factory Sewer Separation	\$ 251,856	\$ 1,248,144
Brighton/Rush Drain	5,048	484,952
CSO Remediation	-	7,250,000
Lakeside Sewer Relocation	27,858	672,142
Pine Lake Lift Station	19,447	(19,447)
Primary Digester	<u>73,667</u>	<u>(73,667)</u>
 Totals	 <u>\$ 377,876</u>	 <u>\$ 9,562,124</u>

D. Long-Term Liabilities

1. Revenue Bonds

The Utilities issues bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Balance at December 31</u>	<u>Less: Unamortized (Premium) Discount</u>	<u>Less: Deferral on Refunding</u>	<u>Amount</u>
Water Utility:					
2005 Waterworks refunding revenue bonds for waterworks system improvements	2.85% to 3.3%	\$ 1,170,000	\$ 5,007	\$ 63,943	\$ 1,101,050
Wastewater Utility:					
2006 Wastewater revenue bonds for system improvements	4%	4,500,000	79,623	-	4,420,377
2007 Wastewater revenue bonds for system improvements	3.75% to 3.9%	<u>2,330,000</u>	<u>-</u>	<u>-</u>	<u>2,330,000</u>
Totals		<u>\$ 8,000,000</u>	<u>\$ 84,630</u>	<u>\$ 63,943</u>	<u>\$ 7,851,427</u>

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

Revenue bonds debt service requirements to maturity are as follows:

	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
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	-	-	165,000	246,436
2015-2019	-	-	950,000	1,131,998
2020-2024	-	-	2,710,000	857,595
2025-2029	-	-	2,400,000	194,800
Totals	<u>\$ 1,170,000</u>	<u>\$ 56,006</u>	<u>\$ 6,830,000</u>	<u>\$ 3,474,512</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 \$4,919,660, are as follows:

	Principal	Interest
2010	\$ 284,000	\$ 139,510
2011	294,000	129,570
2012	305,000	119,280
2013	316,000	108,605
2014	327,000	97,545
2015-2019	1,814,000	307,965
2020-2024	646,000	31,185
2025-2029	-	-
2030-2034	-	-
2035-2039	-	-
Totals	<u>\$ 3,986,000</u>	<u>\$ 933,660</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, 2009, were considered defeased:

1995 Waterworks revenue bonds \$ 515,000

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, 2009, 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:					
2005 Revenue bonds	\$ 1,615,000	\$ -	\$ 445,000	\$ 1,170,000	\$ 465,000
Wastewater Utility:					
Revenue bonds payable:					
2006 Revenue bonds	4,500,000	-	-	4,500,000	-
2007 Revenue bonds	<u>2,465,000</u>	<u>-</u>	<u>135,000</u>	<u>2,330,000</u>	<u>140,000</u>
Total revenue bonds payable	8,580,000	-	580,000	8,000,000	605,000
State revolving fund loans payable	<u>4,261,000</u>	<u>-</u>	<u>275,000</u>	<u>3,986,000</u>	<u>284,000</u>
Total Long-term liabilities	<u>\$ 12,841,000</u>	<u>\$ -</u>	<u>\$ 855,000</u>	<u>\$ 11,986,000</u>	<u>\$ 889,000</u>

E. Restricted Assets

The balances of restricted asset accounts in the enterprise funds are as follows:

	<u>Water Utility</u>	<u>Wastewater Utility</u>
Investment in capital assets, net of related debt	\$ 10,594,619	\$ 16,562,235
Debt service	342,772	1,900,189
Capital improvements	185,892	1,402,810
Customer deposits	238,873	-
Other government	<u>14,506</u>	<u>9,066</u>
Total restricted assets	<u>\$ 11,376,662</u>	<u>\$ 19,874,300</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.

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

Medical Benefits to Employees, Retirees, and Dependents

The City, including 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 year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. 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 CREDIT funds.

However, claim liabilities cannot be reasonably estimated.

Job Related Illnesses or Injuries to Employees

During 2003, the City, including the Utilities joined together 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 700 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. Pension Plan

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 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.

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

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

PERF members are required to contribute 3% percent of their annual covered salary. The City, including the Utilities are required to contribute at an actuarially determined rate; the current rate is 7.5% of annual covered payroll. The contribution requirements of plan members and the City, including the Utilities are established and may be amended by the PERF Board of Trustees.

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 (decrease) in net pension obligation		25,787
Net pension obligation, beginning of year		(130,150)
Net pension obligation, end of year	\$	(104,363)

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

	PERF
Contribution rates:	
Utilities	7.50%
Plan members	3%
Actuarial valuation date	07-01-08
Actuarial cost method	Entry age normal cost
Amortization method	Level dollar, closed amortization period
Amortization period	30 years
Amortization period (from date)	07-01-07
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	4.00%
Cost-of-living adjustments	1.50%

Three Year Trend Information				
	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 188,518	132%	\$ (142,403.00)
	06-30-07	254,762	95%	(130,150)
	06-30-08	270,730	90%	(104,363)

Funded Status and Funding Progress for the Above Plan

The funded status of this plan as of July 1, 2008, the most recent actuarial valuation date is as follows:

Retirement Plan	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL or (Funding Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL or (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
PERF	\$ 4,260,655	\$ 5,143,722	\$ 883,067	83%	\$ 3,561,646	25%

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

The Schedule of Funding Progress, presented as RSI for the above plans following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

Public Employee's 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 – WATER UTILITY

The Water Utility does not maintain sufficient detailed records of capital assets for its Utility Plant in Service. Upon purchase, the costs of the capital assets are added to the general ledger in subsidiary accounts for land, buildings, etc., but no historical records of the assets are maintained. Therefore, a detailed record documenting all of the assets on hand by the asset category and name (Vehicles: 2009 Ford F150 pickup truck), cost and purchased date is not maintained to support the total dollar amount of the Utility Plant in Service reported in the financial statements. This comment appeared in the prior report.

Each governmental unit should have complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least 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)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (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 April 1, 2010, with Teresa L. Ludlow, Clerk-Treasurer; Kathleen A. Chroback, Mayor; Todd A. Taylor, Superintendent of the Water Utility; and Jerry P. Jackson, Superintendent of the Wastewater Utility. The officials concurred with our finding.