

B37251

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

EXAMINATION REPORT
OF
WATER UTILITY
CITY OF MICHIGAN CITY
LAPORTE COUNTY, INDIANA

January 1, 2009 to December 31, 2009



FILED
07/22/2010

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Statement of Net Assets	4
Statement of Revenues, Expenses, and Changes in Fund Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7-15
Required Supplementary Information:	
Schedule of Funding Progress	16
Exit Conference.....	17

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	John J. Schaefer	01-01-09 to 12-31-10
Mayor	Charles E. Oberlie	01-01-08 to 12-31-11
President of the Utility Board of Directors	Larry J. Jordan III	01-01-09 to 12-31-10
Office Manager	Ronald Plamowski	01-01-09 to 12-31-10
Superintendent of Water Utility	Randall E. Russell	01-01-09 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE WATER UTILITY, CITY OF MICHIGAN CITY,
LAPORTE COUNTY, INDIANA

We have examined the accompanying financial statements of the business-type activities of the Water Utility, a department of the City of Michigan City, as of and for the year ended December 31, 2009. The Utility's management is responsible for the financial statements presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statement 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, City of Michigan City, 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 Utility. They do not purport to, and do not, present fairly the financial position of the City of Michigan City 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.

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, 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 examine the information and express no opinion on it.

The Water Utility has 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

April 28, 2010

WATER UTILITY
CITY OF MICHIGAN CITY
STATEMENT OF NET ASSETS
December 31, 2009

Assets

Current assets:	
Cash and cash equivalents	\$ 1,454,754
Accounts receivable (net of allowance)	492,804
Inventories	278,984
Prepaid items	<u>654</u>
Total current assets	<u>2,227,196</u>
Noncurrent assets:	
Restricted cash, cash equivalents and investments:	
Improvement cash and investments	3,473,715
Bond and interest cash and investments	407,106
Customer deposits cash and investments	489,722
Pension asset	<u>74,760</u>
Total restricted assets:	<u>4,445,303</u>
Deferred charges	<u>205,158</u>
Capital assets:	
Land, improvements to land and construction in progress	236,417
Other capital assets (net of accumulated depreciation)	<u>45,294,122</u>
Total capital assets	<u>45,530,539</u>
Total noncurrent assets	<u>50,181,000</u>
Total assets	<u>52,408,196</u>

Liabilities

Current liabilities:	
Accounts payable	102,844
Accounts wages payable	68,107
Taxes payable	19,996
Unearned revenue	88,444
Current liabilities payable from restricted assets:	
Customer deposits	488,493
Revenue bonds payable	775,000
Loan payable	40,000
Accrued interest payable	<u>135,290</u>
Total current liabilities	<u>1,718,174</u>
Noncurrent liabilities:	
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	5,389,764
Loan payable	6,044,916
Advances for construction	<u>52,123</u>
Total noncurrent liabilities	<u>11,486,803</u>
Total liabilities	<u>13,204,977</u>

Net Assets

Invested in capital assets, net of related debt	33,070,622
Restricted for debt service	542,396
Restricted for capital outlay	3,473,715
Restricted for other purposes	564,482
Unrestricted	<u>1,552,004</u>
Total net assets	<u>\$ 39,203,219</u>

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

WATER UTILITY
CITY OF MICHIGAN CITY
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2009

Operating revenues:	
Metered water revenue:	
Residential and commercial	\$ 3,485,190
Industrial and governmental	1,197,460
Fire protection revenue	1,141,229
Penalties	34,696
Sales for resale	434,000
Other water revenue	<u>228,330</u>
 Total operating revenues	 <u>6,520,905</u>
Operating expenses:	
Source of supply and expense - operations and maintenance	557,871
Water treatment expense - operations and maintenance	720,331
Transmission and distribution	987,075
Customer accounts	334,171
Administration and general	964,604
In lieu of tax	441,844
Depreciation	1,134,000
Taxes	<u>195,485</u>
 Total operating expenses	 <u>5,335,381</u>
 Operating income (loss)	 <u>1,185,524</u>
Nonoperating revenues (expenses):	
Interest and investment revenue	94,280
Interest expense	(445,802)
Amortization expense	<u>(24,032)</u>
 Total nonoperating revenues (expenses)	 <u>(375,554)</u>
 Income before contributions	 809,970
Capital contributions (See note below)	<u>666,062</u>
 Change in net assets	 1,476,032
Total net assets - beginning	<u>37,727,187</u>
Total net assets - ending	<u>\$ 39,203,219</u>

Note: \$525,865 of capital contributions from the Sanitary District from a previous year were transferred back to the Sanitary District in 2009.

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

WATER UTILITY
CITY OF MICHIGAN CITY
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Year Ended December 31, 2009

Cash flows from operating activities:	
Receipts from customers and users	\$ 6,357,439
Payments to suppliers and contractors	(1,873,851)
Payments to employees	(1,855,500)
Interfund services provided	88,467
Interfund services used	<u>(444,243)</u>
Net cash provided by operating activities	<u>2,272,312</u>
Cash flows from capital and related financing activities:	
Capital contributions	1,191,927
Acquisition and construction of capital assets	(2,970,737)
Principal paid on revenue bonds	(735,000)
Principal paid on state revolving loan	(50,000)
Interest paid on revenue bonds	(247,361)
Interest paid on state revolving loan	(177,550)
Refunds of customer advances for construction	<u>(24,518)</u>
Net cash used by capital and related financing activities	<u>(3,013,239)</u>
Cash flows from investing activities:	
Interest received	<u>162,497</u>
Net cash provided by investing activities	<u>162,497</u>
Net decrease in cash and cash equivalents (578,430)	
Cash and cash equivalents, January 1 <u>6,403,727</u>	
Cash and cash equivalents, December 31 <u>\$ 5,825,297</u>	
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income	<u>\$ 1,185,524</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	1,134,000
Bad debt expense	9,600
(Increase) decrease in assets:	
Accounts receivable	(24,902)
Inventories	21,474
Prepaid items	(654)
Increase (decrease) in liabilities:	
Accounts payable	2,710
Accrued wages payable	5,058
Taxes payable	(801)
Unearned revenue	(46,811)
Customer deposits	<u>(12,886)</u>
Total adjustments	<u>1,086,788</u>
Net cash provided by operating activities <u>\$ 2,272,312</u>	
Noncash investing, capital and financing activities:	
Disposal of fixed assets	\$ 285,665
Decrease in pension asset	68,217

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

WATER UTILITY
CITY OF MICHIGAN CITY
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 Michigan City (City), and the results of its operations and cash flows of its enterprise funds. The Utility, whose operations are controlled by the Utility Board of Directors, per Indiana Code 8-1.5-4-1.5(b), 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 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.

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.

WATER UTILITY
CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

The financial statements report \$4,445,303 of restricted net assets, of which \$407,106 is restricted by enabling legislation.

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	Estimated Useful Life
Improvements other than buildings	\$ 500	Composite rate	2%
Buildings	500	Composite rate	2%
Machiner and equipment	500	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.

WATER UTILITY
CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Compensated Absences

- a. Sick Leave – Utility employees earn sick leave at the rate of 1.5 days per month. Unused sick leave may be accumulated to a maximum of 180 days. Accumulated sick leave is not paid to employees upon termination.
- b. Vacation Leave – Utility employees earn vacation leave at rates from 5 days to 20 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.
- c. Personal Leave – Utility employees earn personal leave at the rate of 2 days per year. Personal leave does not accumulate from year to year.

No liability is reported for vacation, sick 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 Utility does not have a deposit policy for custodial credit risk. At December 31, 2009, the Utility had deposit balances in the amount of \$5,873,202.

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.

B. Capital Assets

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

WATER UTILITY
CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
2009:				
Capital assets, not being depreciated:				
Land	\$ 91,291	\$ -	\$ -	\$ 91,291
Construction in progress	795,400	2,400,654	3,050,928	145,126
	<u>886,691</u>	<u>2,400,654</u>	<u>3,050,928</u>	<u>236,417</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Improvements other than buildings	30,748,712	2,167,676	213,595	32,702,793
Buildings	20,221,879	153,011	2,407	20,372,483
Machinery and equipment	5,701,870	595,442	86,704	6,210,608
	<u>56,672,461</u>	<u>2,916,129</u>	<u>302,706</u>	<u>59,285,884</u>
Totals				
Less accumulated depreciation for:				
Improvements other than buildings	7,833,449	614,974	213,595	8,234,828
Buildings	4,479,818	404,438	-	4,884,256
Machinery and equipment	830,160	114,037	71,519	872,678
	<u>13,143,427</u>	<u>1,133,449</u>	<u>285,114</u>	<u>13,991,762</u>
Totals				
Total capital assets, being depreciated, net	<u>43,529,034</u>	<u>1,782,680</u>	<u>17,592</u>	<u>45,294,122</u>
Total capital assets, net	<u>\$ 44,415,725</u>	<u>\$ 4,183,334</u>	<u>\$ 3,068,520</u>	<u>\$ 45,530,539</u>

Depreciation expense was charged to functions/programs of the Utility as follows:

2009

\$ 1,134,000

C. Construction Commitments

Construction work in progress is composed of the following:

<u>Project</u>	<u>2009</u>	
	<u>Expended to December 31,</u>	<u>Committed</u>
Highway 20 Main Extension	\$ 106,274	\$ 18,405
Pahs Road Booster Station (VFD Project)	15,652	19,348
Plant Security Project	<u>23,200</u>	<u>5,800</u>
Totals	<u>\$ 145,126</u>	<u>\$ 43,553</u>

WATER UTILITY
CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Long-Term Liabilities

1. Revenue Bonds

The Utility issues 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	Balance at December 31	Less: Deferral on Refunding	Amount
2004 Waterworks refunding revenue bond	3.5% to 3.75%	\$ 6,375,000	\$ 210,236	\$ 6,164,764

Revenue bonds debt service requirements to maturity are as follows:

	Water Utility	
	Principal	Interest
2010	\$ 775,000	\$ 222,669
2011	800,000	195,369
2012	830,000	167,106
2013	870,000	137,706
2014	905,000	106,794
2015-2017	2,195,000	116,531
Totals	\$ 6,375,000	\$ 946,175

2. Loan Payable

The Utility has entered into a State Revolving Fund Loan. Annual debt service requirements to maturity for the loan, including interest of \$1,753,601, are as follows:

	Principal	Interest
2010	\$ 40,000	\$ 176,173
2011	40,000	175,013
2012	40,000	173,853
2013	30,000	172,765
2014	30,000	171,895
2015-2019	2,995,000	756,018
2020-2022	2,909,916	127,884
Totals	\$ 6,084,916	\$ 1,753,601

WATER UTILITY
CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Advance Refunding

In 2004, the Utility defeased revenue bonds of 1995, 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 Utility's financial statements. The following outstanding bonds, at December 31, 2009, were considered defeased:

\$ 6,385,000

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, was as follows:

<u>2009</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds payable	\$ 7,110,000	\$ -	\$ 735,000	\$ 6,375,000	\$ 775,000
Less deferred amount on refunding	<u>239,572</u>	<u>-</u>	<u>29,336</u>	<u>210,236</u>	<u>-</u>
Total revenue bonds payable	6,870,428	-	705,664	6,164,764	775,000
Loan payable	6,134,916	-	50,000	6,084,916	40,000
Advances for construction	<u>76,641</u>	<u>-</u>	<u>24,518</u>	<u>52,123</u>	<u>-</u>
Total long-term liabilities	<u>\$ 13,081,985</u>	<u>\$ -</u>	<u>\$ 780,182</u>	<u>\$ 12,301,803</u>	<u>\$ 815,000</u>

E. Restricted Assets

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

	<u>2009</u>
Improvement cash and investments	\$ 3,473,715
Bond and interest cash and investments	407,106
Customer deposits cash and investments	489,722
Pension assets	<u>74,760</u>
Total restricted assets	<u>\$ 4,445,303</u>

III. Other Information

A. Risk Management

The Utility is 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 (excluding postemployment benefits); and natural disasters.

WATER UTILITY
CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; 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 and Dependents

The Utility has chosen to participate in a risk financing fund of the City of Michigan City for risks associated with medical benefits to employees and dependents. The risk financing fund is accounted for in the City's Health and Health Insurance Funds, internal service funds, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$150,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A premium is charged to each fund that accounts for payroll expenditures. The total charge allocated to each of the funds is calculated using trends in actual claims experience. Provisions are also made for unexpected and unusual claims.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported (IBNRs).

Information to segregate the assets and liabilities figures between the City, Utilities, and the Port Authority is not available and therefore considered an obligation of the City. Thus, claim liabilities cannot be reasonably estimated for the Utility, separate from the City.

B. Rate Structure

The current rate structure was approved by the Indiana Utility Regulatory Commission on March 31, 2004. The Utility has 12,516 customers.

C. Pension Plan

Plan Description

The Utility has a defined contribution pension plan administered by McKready and Keene, Inc., as authorized by Indiana Code 8-1.5-3-7. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by written agreement between the governing board of the Utility and the Plan Administrator. The Plan Administrator issues a publicly available financial report that includes financial statements and required supplementary information of the plan. That report may be obtained by contacting:

McKready and Keene, Inc.
7941 Castleway Drive
P.O. Box 50460
Indianapolis, IN 46250-0460
Ph. (317) 849-4333

WATER UTILITY
CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members are established by the written agreement between the governing board of the Utility and the Plan Administrator. Plan members are required to contribute 3% of the annual covered salary. The Utility is required to contribute at an actuarially determined rate. The current rate is 0% of annual covered payroll. Employer and employee contributions to the plan were \$0 and \$51,850, respectively.

Actuarial Information for the Above Plan

Decrease in net pension obligation	\$ 68,217
Net pension obligation, beginning of year	<u>(142,977)</u>
Net pension obligation, end of year	<u>\$ (74,760)</u>

Contribution rates:	
Utility	0%
Plan members	3%
Actuarial valuation date	01-01-10
Actuarial cost method	Entry age normal cost
Amortization method	Ten year level funding
Amortization period	30 years

Actuarial Assumptions

Investment rate of return	6.00%
Projected future salary increases	4.00%

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>
12-31-07	\$ 2,002	0.0%	\$ (144,812)
12-31-08	1,835	0.0%	(142,977)
12-31-09	68,217	0.0%	(74,760)

WATER UTILITY
CITY OF MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funded Status and Funding Progress for the Above Plan

The funded status of each plan as of January 1, 2010, the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-06	\$ 7,897,062	\$ 3,353,155	\$ 4,543,907	236%	\$ 1,489,584	305%
01-01-07	8,341,097	3,640,098	4,700,999	229%	1,651,726	285%
01-01-08	8,923,668	5,910,351	3,013,317	151%	1,664,817	181%
01-01-09	7,534,128	6,175,000	1,359,128	122%	1,687,915	81%
01-01-10	8,601,372	6,560,416	2,040,956	131%	1,728,340	118%

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 UTILITY
CITY OF MICHIGAN CITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Water Utility Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-06	\$ 7,897,062	\$ 3,353,155	\$ 4,543,907	236%	\$ 1,489,584	305%
01-01-07	8,341,097	3,640,098	4,700,999	229%	1,651,726	285%
01-01-08	8,923,668	5,910,351	3,013,317	151%	1,664,817	181%
01-01-09	7,534,128	6,175,000	1,359,128	122%	1,687,915	81%
01-01-10	8,601,372	6,560,416	2,040,956	131%	1,728,340	118%

WATER UTILITY
CITY OF MICHIGAN CITY
EXIT CONFERENCE

The contents of this report were discussed on April 28, 2010, with Randall E. Russell, Superintendent of Water Utility; Larry J. Jordan III, President of the Utility Board of Directors; and Ronald Plamowski, Office Manager. Our examination disclosed no material items that warrant comment at this time.