

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

EXAMINATION REPORT  
OF

WATER UTILITY  
TOWN OF OGDEN DUNES  
PORTER COUNTY, INDIANA

January 1, 2008 to December 31, 2009



**FILED**  
02/08/2011

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OFFICIALS

| <u>Office</u>                    | <u>Official</u>              | <u>Term</u>                                  |
|----------------------------------|------------------------------|--|
| Clerk-Treasurer                  | Donna Smith                  | 09-01-07 to 12-31-11                         |
| President of the<br>Town Council | Bradley Wood<br>Bill Gregory | 01-01-08 to 12-31-09<br>01-01-10 to 12-31-10 |
| President of the<br>Water Board  | John Hannon                  | 01-01-06 to 12-31-10                         |
| Office Manager                   | James Kopp                   | 01-01-06 to 12-31-10                         |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

We have examined the accompanying financial statements of the business-type activities of the Water Utility, a department of the Town of Ogden Dunes, as of and for the years ended December 31, 2008, and 2009, which collectively comprise the Utility's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Utility's management. 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 Utility, Town of Ogden Dunes, are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the Town that is attributable to the transactions of the Utility. They do not purport to, and do not, present fairly the financial position of the Town of Ogden Dunes as of December 31, 2008, and 2009, and the changes in its financial position and its cash flows, where applicable, for the years then ended based on the criteria set forth in the uniform guidelines established by the Indiana State Board of Accounts.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the business-type activities for the Water Utility, as of December 31, 2008, and 2009, and the respective changes in financial position and cash flows thereof for the years then ended based on the criteria set forth in the uniform guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

December 1, 2010

WATER UTILITY  
TOWN OF OGDEN DUNES  
STATEMENT OF NET ASSETS  
December 31, 2008 and 2009

| <u>Assets</u>  | <u>2008</u>       | <u>2009</u>       |
|--|-------------------|-------------------|
| Current assets:  |                   |                   |
| Cash and cash equivalents                              | \$ 26,835         | \$ 40,311         |
| Accounts receivable                                    | 40,836            | 73,352            |
| Prepaid rent   | 22,500            | 20,000            |
| Prepaid taxes  | <u>-</u>          | <u>4,468</u>      |
| Total current assets                                   | <u>90,171</u>     | <u>138,131</u>    |
| Noncurrent assets:                                     |                   |                   |
| Capital assets:  |                   |                   |
| Other capital assets (net of accumulated depreciation) | <u>528,542</u>    | <u>530,740</u>    |
| Total assets   | <u>618,713</u>    | <u>668,871</u>    |
| <u>Liabilities</u>                                     |                   |                   |
| Current liabilities:                                   |                   |                   |
| Accounts payable                                       | 11,125            | 925               |
| Wages payable  | 726               | -                 |
| Sales Tax payable                                      | <u>273</u>        | <u>-</u>          |
| Total liabilities                                      | <u>12,124</u>     | <u>925</u>        |
| <u>Net Assets</u>                                      |                   |                   |
| Invested in capital assets, net of related debt        | 528,542           | 530,740           |
| Unrestricted   | <u>78,047</u>     | <u>137,206</u>    |
| Total net assets                                       | <u>\$ 606,589</u> | <u>\$ 667,946</u> |

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

WATER UTILITY  
TOWN OF OGDEN DUNES  
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS  
As Of And For The Years Ended December 31, 2008 and 2009

|   | <u>2008</u>           | <u>2009</u>           |
|---|-----------------------|-----------------------|
| Operating revenues:                           |                       |                       |
| Metered sales                                 | \$ 180,207            | \$ 211,062            |
| Hydrant rental                                | 36,453                | 39,268                |
| Penalties                                     | 1,987                 | 1,132                 |
| Tapping and miscellaneous                     | <u>16,532</u>         | <u>5,662</u>          |
| <br>Total operating revenues                  | <br><u>235,179</u>    | <br><u>257,124</u>    |
| Operating expenses:                           |                       |                       |
| Salaries and wages - employees                | 53,069                | 36,641                |
| Employee pensions and benefits                | 3,805                 | 2,800                 |
| Purchased water                               | 89,350                | 84,727                |
| Purchased power                               | 3,787                 | 3,126                 |
| Materials and supplies                        | 28,995                | 19,400                |
| Contractual services                          | 61,970                | 20,023                |
| Rent expense                                  | 2,500                 | 2,500                 |
| Transportation expenses                       | 157                   | 304                   |
| Insurance                                     | 2,155                 | 5,372                 |
| Utility regulatory expense                    | 628                   | 598                   |
| Miscellaneous expenses                        | 580                   | 267                   |
| Utility receipts tax                          | 5,000                 | -                     |
| Depreciation                                  | <u>23,054</u>         | <u>23,491</u>         |
| <br>Total operating expenses                  | <br><u>275,050</u>    | <br><u>199,249</u>    |
| <br>Operating loss                            | <br><u>(39,871)</u>   | <br><u>57,875</u>     |
| Nonoperating revenues:                        |                       |                       |
| Interest revenue                              | 1,717                 | 48                    |
| Transfer from sanitation                      | <u>-</u>              | <u>3,052</u>          |
| <br>Change in net assets                      | <br>(38,154)          | <br>60,975            |
| <br>Total net assets - beginning              | <br><u>653,614</u>    | <br><u>606,589</u>    |
| Prior period adjustment:                      |                       |                       |
| To separate sanitation funds from water funds | (8,871)               | -                     |
| To record prepaid taxes                       | <u>-</u>              | <u>382</u>            |
| <br>Total net assets - ending                 | <br><u>\$ 606,589</u> | <br><u>\$ 667,946</u> |

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

WATER UTILITY  
TOWN OF OGDEN DUNES  
STATEMENT OF CASH FLOWS  
As Of And For The Years Ended December 31, 2008 and 2009

|  | <u>2008</u>        | <u>2009</u>      |
|--|--------------------|------------------|
| Cash flows from operating activities:  |                    |                  |
| Receipts from customers and users  | \$ 279,222         | \$ 219,588       |
| Payments to suppliers and contractors  | (219,132)          | (143,356)        |
| Payments to employees  | <u>(57,584)</u>    | <u>(40,167)</u>  |
| Net cash used by operating activities  | <u>2,506</u>       | <u>36,065</u>    |
| Cash flows from capital and related financing activities:                                      |                    |                  |
| Acquisition and construction of capital assets   | (82,593)           | (25,689)         |
| Transfer of sanitation funds   | <u>(8,871)</u>     | <u>3,052</u>     |
| Cash flows from investing activities:  |                    |                  |
| Interest received  | <u>1,717</u>       | <u>48</u>        |
| Net decrease in cash and cash equivalents  | (87,241)           | 13,476           |
| Cash and cash equivalents, January 1   | <u>114,076</u>     | <u>26,835</u>    |
| Cash and cash equivalents, December 31   | <u>\$ 26,835</u>   | <u>\$ 40,311</u> |
| Reconciliation of operating income to net cash provided (used) by operating activities:        |                    |                  |
| Operating income   | <u>\$ (39,871)</u> | <u>\$ 57,875</u> |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: |                    |                  |
| Depreciation expense   | 23,054             | 23,491           |
| Transfer of sanitation funds   | -                  | 3,252            |
| (Increase) decrease in assets:   |                    |                  |
| Accounts receivable  | 41,543             | (32,516)         |
| Prepaid taxes  | -                  | (4,468)          |
| Prepaid rent   | 2,500              | 2,500            |
| Increase (decrease) in liabilities:  |                    |                  |
| Accounts payable   | 1,603              | (10,200)         |
| Wages payable  | (710)              | (726)            |
| Sales tax payable  | (2,532)            | (273)            |
| Sanitation payable   | (23,081)           | -                |
| Adjustments to net assets  | <u>(8,871)</u>     | <u>382</u>       |
| Total adjustments  | <u>33,506</u>      | <u>(18,558)</u>  |
| Net cash used by operating activities  | <u>\$ (6,365)</u>  | <u>\$ 39,317</u> |

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

WATER UTILITY  
TOWN OF OGDEN DUNES  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the Utility and are not intended to present fairly the position of the Town of Ogden Dunes (Town), and the results of its operations and cash flows of its enterprise funds. The Utility, whose operations are controlled by the Town, represents a substantial portion of the Town's enterprise funds.

B. Fund Financial Statements

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

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

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

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise 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 costs, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Utility's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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

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

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.

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

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

3. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

|                               | Capitalization<br>Threshold | Depreciation<br>Method | Estimated<br>Useful Life |
|-------------------------------|-----------------------------|------------------------|--------------------------|
| Buildings and improvements \$ | 5,000                       | Composite rate         | 2%                       |
| Equipment                     | 5,000                       | Composite rate         | 2%                       |
| Water collection systems      | 5,000                       | Composite rate         | 2%                       |

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

II. Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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 \$64,307.94.

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

B. Capital Assets

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

| <u>2008</u>                                  | Beginning<br>Balance | Increases        | Decreases   | Ending<br>Balance |
|--|----------------------|------------------|-------------|-------------------|
| Capital assets, being depreciated:           |                      |                  |             |                   |
| Buildings, pumps, and piping                 | \$ 588,014           | \$ -             | \$ -        | \$ 588,014        |
| Mains, meters, and hydrants                  | 611,165              | 60,000           | -           | 671,165           |
| Machinery and equipment                      | 43,177               | -                | -           | 43,177            |
| Distribution and collection systems          | <u>31,157</u>        | <u>22,593</u>    | -           | <u>53,750</u>     |
| Totals                                       | <u>1,273,513</u>     | <u>82,593</u>    | -           | <u>1,356,106</u>  |
| Less accumulated depreciation for:           |                      |                  |             |                   |
| Buildings                                    | (456,880)            | (9,996)          | -           | (466,876)         |
| Improvements other than buildings            | (287,526)            | (11,410)         | -           | (298,936)         |
| Machinery and equipment                      | (31,502)             | (734)            | -           | (32,236)          |
| Distribution and collection systems          | <u>(28,602)</u>      | <u>(914)</u>     | -           | <u>(29,516)</u>   |
| Totals                                       | <u>(804,510)</u>     | <u>(23,054)</u>  | -           | <u>(827,564)</u>  |
| Total capital assets, being depreciated, net | <u>469,003</u>       | <u>59,539</u>    | -           | <u>528,542</u>    |
| Total capital assets, net                    | <u>\$ 469,003</u>    | <u>\$ 59,539</u> | <u>\$ -</u> | <u>\$ 528,542</u> |
| <u>2009</u>                                  |                      |                  |             |                   |
| Capital assets, being depreciated:           |                      |                  |             |                   |
| Buildings                                    | \$ 588,014           | \$ -             | \$ -        | \$ 588,014        |
| Improvements other than buildings            | 671,165              | 25,690           | -           | 696,855           |
| Machinery and equipment                      | 43,177               | -                | -           | 43,177            |
| Distribution and collection systems          | <u>53,750</u>        | <u>-</u>         | <u>-</u>    | <u>53,750</u>     |
| Totals                                       | <u>1,356,106</u>     | <u>25,690</u>    | -           | <u>1,381,796</u>  |
| Less accumulated depreciation for:           |                      |                  |             |                   |
| Buildings                                    | (466,876)            | (9,996)          | -           | (476,872)         |
| Improvements other than buildings            | (298,936)            | (11,847)         | -           | (310,783)         |
| Machinery and equipment                      | (32,236)             | (734)            | -           | (32,970)          |
| Distribution and collection systems          | <u>(29,516)</u>      | <u>(914)</u>     | -           | <u>(30,430)</u>   |
| Totals                                       | <u>(827,564)</u>     | <u>(23,491)</u>  | -           | <u>(851,055)</u>  |
| Total capital assets, being depreciated, net | <u>528,542</u>       | <u>2,199</u>     | -           | <u>530,741</u>    |
| Total capital assets, net                    | <u>\$ 528,542</u>    | <u>\$ 2,199</u>  | <u>\$ -</u> | <u>\$ 530,741</u> |

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

III. Other Information

Rate Structure

Water Utility

The current rate structure was approved by the Utility on May 7, 2007. The Utility has 650 customers.

WATER UTILITY  
TOWN OF OGDEN DUNES  
EXIT CONFERENCE

The contents of this report were discussed on December 1, 2010, with Donna Smith, Clerk-Treasurer; James Kopp, Water Manager; and Bill Gregory, President of the Town Council. Our audit disclosed no material items that warrant comment at this time.