

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

FINANCIAL STATEMENTS  
EXAMINATION REPORT  
OF

SANITARY DISTRICT  
CITY OF HAMMOND  
LAKE COUNTY, INDIANA

January 1, 2014 to December 31, 2015



**FILED**  
01/06/2017



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## SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Robert Lendi, CPA (Vacant) Heather Garay	01-01-14 to 04-30-14 05-01-14 to 05-14-14 05-15-14 to 12-31-16
Mayor	Thomas McDermott, Jr.	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	Robert Lendi, CPA Edward Krusa Stanley J. Dostatni	01-01-14 to 05-07-14 05-08-14 to 10-28-15 10-29-15 to 12-31-16
President of the Common Council	Michael Opinker Janet Venecz	01-01-14 to 07-28-16 07-29-16 to 12-31-16
Sanitary District Manager	Marty J. Wielgos	01-01-14 to 12-31-16
Business Manager	Rachel Montes	01-01-14 to 12-31-16
President of the Sanitary District Board of Commissioners	Stanley J. Dostatni Dean Button	01-01-14 to 12-31-15 01-01-16 to 12-31-16



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE SANITARY DISTRICT, CITY OF HAMMOND, LAKE COUNTY, INDIANA

We have examined the accompanying financial statements of the Sanitary District (District), a department of the City of Hammond (City), as of and for the years ended December 31, 2014 and 2015. The financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on the 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 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 District are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the District of the City that is attributable to the transactions of the District. They do not purport to, and do not, present fairly the financial position of the City as of December 31, 2014 and 2015, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

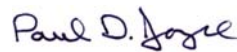
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2014 and 2015, and the respective changes in financial position and cash flows, where applicable, thereof and for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note II.I to the financial statements, the District adopted new accounting guidance, GASB Statement 68 *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

INDEPENDENT ACCOUNTANT'S REPORT  
(Continued)

Accounting principles generally accepted in the United States of America require that the Schedule of Funding Progress, Schedule of the Proportionate Share of the Net Pension Liability, and Schedule of Contributions, as listed in the Table of Contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our examination of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis and Schedules of Changes in the Net Pension Liability and Related Ratios that accounting principles generally accepted in the United States of America, requires to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

  
Paul D. Joyce, CPA  
State Examiner

November 3, 2016

## FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

The financial statements and accompanying notes were prepared by management of the District. The financial statements and notes are presented as intended by the District.

SANITARY DISTRICT  
CITY OF HAMMOND  
STATEMENT OF NET POSITION  
December 31, 2014

	2014			
	Sanitary District	Storm Water Utility	Sanitation Utility	Recycling Utility
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 3,451,343	\$ 1,617,360	\$ -	\$ -
Cash with fiscal agent	87,429	6,616	-	-
Accounts receivable (net of allowance)	1,826,227	27,626	-	-
Accounts receivable - customer communities	910,413	-	-	-
Intergovernmental receivable	64,267	-	-	-
Loan to City	1,000,000	-	-	-
Inventories	863,615	-	-	-
Prepaid items	457,877	-	-	-
Total current assets	8,661,171	1,651,602	-	-
Noncurrent assets:				
Restricted cash, cash equivalents and investments:				
Bond and interest cash and investments	3,374,867	-	-	-
Cash with fiscal agent - construction	18,100,584	-	-	-
Taxes, intergovernmental, and accounts receivable (net of allowance)	693,343	-	-	-
Total restricted assets	22,168,794	-	-	-
Capital assets:				
Land and construction in progress	1,519,495	-	-	-
Other capital assets (net of accumulated depreciation)	177,083,002	256,420	-	-
Total capital assets	178,602,497	256,420	-	-
Total noncurrent assets	200,771,291	256,420	-	-
Total assets	209,432,462	1,908,022	-	-
Deferred Outflow of Resources	338,597	-	-	-
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	6,269,979	-	-	-
Accrued payroll and withholdings payable	357,252	-	-	-
Current liabilities payable from restricted assets:				
Accounts payable	321,525	-	-	-
Loans payable	2,540,000	-	-	-
Bonds payable	2,675,000	-	-	-
Capital lease payable	71,131	86,960	-	-
Bond anticipation note payable	5,000,000	-	-	-
Accrued interest payable	1,529,386	2,004	-	-
Total current liabilities	18,764,273	88,964	-	-
Noncurrent liabilities:				
Loans payable	66,870,000	-	-	-
Bonds payable (net of unamortized discounts)	30,878,984	-	-	-
Capital lease payable	-	178,302	-	-
Other postemployment benefits	1,665,646	-	-	-
Compensated absences	310,371	-	-	-
Total noncurrent liabilities	99,725,001	178,302	-	-
Total liabilities	118,489,274	267,266	-	-
<u>Net Position</u>				
Net investment in capital assets	68,716,471	(8,842)	-	-
Restricted for debt service	4,068,210	-	-	-
Restricted for capital improvements	18,100,584	-	-	-
Unrestricted	396,520	1,649,598	-	-
Total net position	\$ 91,281,785	\$ 1,640,756	\$ -	\$ -

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

SANITARY DISTRICT  
CITY OF HAMMOND  
STATEMENT OF NET POSITION  
December 31, 2015

	2015	
	Sanitary District	Storm Water Utility
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 488,472	\$ 2,265,093
Cash with fiscal agent	69,030	23
Accounts receivable (net of allowance)	1,464,449	256,953
Accounts receivable - customer communities	1,099,751	-
Intergovernmental receivable	71,472	-
Inventories	860,960	-
Prepaid items	285,676	-
Total current assets	4,339,810	2,522,069
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Bond and interest cash and investments	3,776,785	-
Cash with fiscal agent - construction	16,389,065	-
Taxes, intergovernmental, and accounts receivable (net of allowance)	765,010	-
Total restricted assets	20,930,860	-
Capital assets:		
Land and construction in progress	1,119,738	-
Other capital assets (net of accumulated depreciation)	172,086,015	238,736
Total capital assets	173,205,753	238,736
Total noncurrent assets	194,136,613	238,736
Total assets	198,476,423	2,760,805
Deferred Outflow of Resources:		
Deferred pensions	1,384,866	-
Deferred bond issuance cost	212,971	-
Total deferred outflow of resources	1,597,837	-
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	3,729,391	-
Accrued payroll and withholdings payable	105,041	-
Current liabilities payable from restricted assets:		
Accounts payable	29,202	-
Loans payable	3,340,000	-
Bonds payable	2,275,000	-
Capital lease payable	-	88,366
Accrued interest payable	1,488,596	1,413
Total current liabilities	10,967,230	89,779
Noncurrent liabilities:		
Loans payable	63,530,000	-
Bonds payable (net of unamortized discounts)	34,022,695	-
Capital lease payable	-	89,936
Compensated absences	310,187	-
Other postemployment benefits	2,301,028	-
Net pension liability	3,743,404	-
Total noncurrent liabilities	103,907,314	89,936
Total liabilities	114,874,544	179,715
Deferred Inflow of Resources - deferred pensions	1,155,743	-
<u>Net Position</u>		
Net investment in capital assets	68,520,260	59,021
Restricted for debt service	4,541,795	-
Restricted for capital improvements	16,389,065	-
Unrestricted	(5,407,147)	2,522,069
Total net position	\$ 84,043,973	\$ 2,581,090

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

SANITARY DISTRICT  
CITY OF HAMMOND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
As of and for the Year Ended December 31, 2014

	2014			
	Sanitary District	Storm Water Utility	Sanitation Utility	Recycling Utility
Operating Revenues:				
Residential sales	\$ 7,409,600	\$ 307,445	\$ 26,317	\$ -
Commercial and industrial sales	4,407,520	-	-	-
Municipal sales	2,300,544	-	-	-
Other charges for services	1,047,900	-	-	4,145
Local tax distributions for sewer maintenance	2,400,867	-	-	-
Sales of materials	339,766	-	-	-
Other	21,967	-	-	-
Total operating revenues	<u>17,928,164</u>	<u>307,445</u>	<u>26,317</u>	<u>4,145</u>
Operating expenses:				
Plant maintenance & operations:				
Salaries and wages	2,877,018	-	600	148
Employee pensions and benefits	1,853,265	-	2,493	271
Materials and supplies	326,960	-	-	860
Repairs and maintenance	890,480	-	18,281	-
Contractual services	3,666,190	-	49,118	-
Fuel purchased	97,828	-	-	-
Utilities	2,086,705	-	-	-
Sludge disposal	574,547	-	-	-
Insurance	365,700	-	-	1,377
Miscellaneous	70,123	-	27	48
Depreciation	2,025,920	-	-	-
Collection system:				
Salaries and wages	577,864	-	-	-
Employee pensions and benefits	391,525	-	-	-
Materials and supplies	53	-	-	-
Repairs and maintenance	1,623	-	-	-
Contractual services	3,562	-	-	-
Fuel purchased	26,538	-	-	-
Utilities	831,496	-	-	-
Insurance	179,077	-	-	-
Miscellaneous	3,836	-	-	-
Depreciation	2,727,391	-	-	-
Administration and general:				
Salaries and wages	1,060,529	-	-	-
Employee pensions and benefits	1,384,293	-	-	-
Materials and supplies	180,749	-	-	-
Repairs and maintenance	244	-	-	-
Contractual services	3,308,454	400,163	-	-
Fuel purchased	10,505	-	-	-
Utilities	114,984	-	-	-
Insurance	80,950	-	-	-
Payments in lieu of taxes	1,206,165	-	-	-
Miscellaneous	307,006	34,366	-	-
Bad debt expense	153,677	-	-	-
Depreciation	127,267	8,842	-	-
Total operating expenses	<u>27,512,524</u>	<u>443,371</u>	<u>70,519</u>	<u>2,704</u>
Operating income (loss)	<u>(9,584,360)</u>	<u>(135,926)</u>	<u>(44,202)</u>	<u>1,441</u>
Nonoperating revenues (expenses):				
Local tax distributions	8,280,063	-	-	-
Interest earned on debt proceeds	219,798	224	-	-
Bond issuance cost	(412,154)	-	-	-
Amortization of bond issuance cost	(153,409)	-	-	-
Proceeds from grants	-	-	-	215,133
Interest expense and fiscal agent fees	(3,085,597)	(2,004)	-	-
Total nonoperating revenues (expenses)	<u>4,848,701</u>	<u>(1,780)</u>	<u>-</u>	<u>215,133</u>
Income (loss) before contributions and transfers	<u>(4,735,659)</u>	<u>(137,706)</u>	<u>(44,202)</u>	<u>216,574</u>
Contributions and transfers:				
Capital contributions	329,300	-	-	-
Transfer of equity to City	-	-	(731,833)	(272,830)
Transfers In/Out	(1,483,856)	-	663,435	820,421
Total contributions and transfers	<u>(1,154,556)</u>	<u>-</u>	<u>(68,398)</u>	<u>547,591</u>
Change in net position	<u>(5,890,215)</u>	<u>(137,706)</u>	<u>(112,600)</u>	<u>764,165</u>
Restated total net position - beginning	<u>97,172,000</u>	<u>1,778,462</u>	<u>112,600</u>	<u>(764,165)</u>
Total net position - ending	<u>\$ 91,281,785</u>	<u>\$ 1,640,756</u>	<u>\$ -</u>	<u>\$ -</u>

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

SANITARY DISTRICT  
CITY OF HAMMOND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
As of and for the Year Ended December 31, 2015

	2015	
	Sanitary District	Storm Water Utility
Operating Revenues:		
Residential sales	\$ 7,281,725	\$ 2,342,448
Commercial and industrial sales	5,063,391	-
Municipal sales	2,407,330	-
Other charges for services	1,119,968	-
Local tax distributions for sewer maintenance	2,417,151	-
Other	523,643	266,505
Total operating revenues	18,813,208	2,608,953
Operating expenses:		
Plant maintenance & operations:		
Salaries and wages	2,940,939	-
Employee pensions and benefits	2,023,150	-
Materials and supplies	436,329	-
Repairs and maintenance	670,319	-
Contractual services	3,790,944	-
Fuel purchased	63,969	-
Utilities	2,155,053	-
Sludge disposal	559,762	-
Insurance	296,998	-
Miscellaneous	151,237	-
Depreciation	2,591,510	-
Collection system:		
Salaries and wages	534,750	-
Employee pensions and benefits	485,260	-
Materials and supplies	26	-
Repairs and maintenance	2,675	-
Contractual services	1,393	-
Fuel purchased	6,443	-
Utilities	838,133	-
Insurance	140,092	-
Miscellaneous	4,258	-
Depreciation	2,647,026	-
Administration and general:		
Salaries and wages	1,098,132	-
Employee pensions and benefits	866,312	-
Materials and supplies	142,956	1,780
Repairs and maintenance	920	-
Contractual services	1,607,019	104,089
Fuel purchased	2,759	-
Utilities	121,479	-
Insurance	96,159	-
Miscellaneous	139,738	182,653
Bad debt expense	192,230	-
Depreciation	94,594	17,684
Total operating expenses	24,702,564	306,206
Operating income (loss)	(5,889,356)	2,302,747
Nonoperating revenues (expenses):		
Local tax distributions	7,604,093	-
Interest earned on debt proceeds	9,483	711
Bond issuance cost	(61,395)	-
Amortization of bond issuance cost	(36,316)	-
Loss on change in capital asset threshold	(2,521,134)	-
Gain on sale of capital assets	38,603	-
Interest expense and fiscal agent fees	(3,648,071)	(4,204)
Total nonoperating revenues (expenses)	1,385,263	(3,493)
Income (loss) before contributions and transfers	(4,504,093)	2,299,254
Contributions and transfers:		
Capital contributions	989,604	-
Transfers to City and Town of Munster - PILOT	(700,000)	-
Transfers In/Out	1,358,920	(1,358,920)
Total contributions and transfers	1,648,524	(1,358,920)
Change in net position	(2,855,569)	940,334
Restated total net position - beginning	86,899,542	1,640,756
Total net position - ending	\$ 84,043,973	\$ 2,581,090

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

SANITARY DISTRICT  
CITY OF HAMMOND  
STATEMENT OF CASH FLOWS  
As Of And For The Year Ended December 31, 2014

	2014			
	Sanitary District	Storm Water Utility	Sanitation Utility	Recycling Utility
Cash flows from operating activities:				
Receipts from customers and users	\$ 16,110,376	\$ 301,800	\$ 26,317	\$ 4,145
Payments to suppliers	(10,938,153)	(434,529)	(153,422)	(6,017)
Payments to employees and benefits	(7,350,994)	-	(118,028)	(38,261)
Other receipts	21,967	-	-	-
Net cash provided by operating activities	(2,156,804)	(132,729)	(245,133)	(40,133)
Cash flows from noncapital financing activities:				
Proceeds from tax anticipation warrants	1,598,300	-	-	-
Principal paid on tax anticipation warrants	(1,598,300)	-	-	-
Interest paid on tax anticipation warrants	(15,461)	-	-	-
Loan to City	(1,000,000)	-	-	-
Grant proceeds	-	-	-	215,133
Interfund loans repaid for deficit cash balance	1,413,724	-	(418,302)	(995,422)
Transfers In/Out	(1,483,856)	-	663,435	820,421
Net cash provided (used) by noncapital financing activities	(1,085,593)	-	245,133	40,132
Cash flows from capital and related financing activities:				
State/Local tax distributions/community customers debt service	7,586,720	-	-	-
Proceeds from bond	24,705,000	-	-	-
Acquisition and construction of capital assets	(24,153,815)	-	-	-
Bond issuance costs paid on capital debt	(412,154)	-	-	-
Principal paid on capital debt	(15,830,000)	-	-	-
Principal paid on Capital Lease	(56,930)	-	-	-
Interest paid on capital debt	(2,859,816)	-	-	-
Net cash provided (used) by capital and related financing activities	(11,020,995)	-	-	-
Cash flows from investing activities:				
Interest received	219,798	224	-	-
Net cash provided (used) by investing activities	219,798	224	-	-
Net increase in cash and cash equivalents	(14,043,594)	(132,505)	-	-
Cash and cash equivalents, January 1	39,057,817	\$ 1,756,481	-	-
Cash and cash equivalents, December 31	\$ 25,014,223	\$ 1,623,976	\$ -	\$ -
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (9,584,360)	\$ (135,926)	\$ (44,202)	\$ 1,441
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	4,880,578	8,842	-	-
Bad debt expense	153,677	-	-	-
(Increase) decrease in assets:				
Accounts receivable	(1,554,831)	(5,645)	-	-
Intergovernmental receivable	(64,267)	-	-	-
Inventories	36,494	-	-	-
Prepaid items	(70,987)	-	31,564	12,167
(Increase) decrease in deferred outflow of resources:				
Deferred outflow of resources	(176,723)	-	-	-
Increase (decrease) in liabilities:				
Accounts payable	3,430,115	-	(117,560)	(15,899)
Accrued payroll and withholdings payable	134,156	-	(114,935)	(37,842)
Deferred revenue	-	-	-	-
Other post employment benefits	642,477	-	-	-
Compensated absences payable	16,867	-	-	-
Total adjustments	7,427,556	3,197	(200,931)	(41,574)
Net cash provided by operating activities	\$ (2,156,804)	\$ (132,729)	\$ (245,133)	\$ (40,133)
Noncash investing, capital and financing activities:				
Contributions of capital assets from government	\$ 329,300	\$ -	\$ -	\$ -
Transfer of completed construction in progress projects	43,879,079	-	-	-

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

SANITARY DISTRICT  
CITY OF HAMMOND  
STATEMENT OF CASH FLOWS  
As Of And For The Year Ended December 31, 2015

	2015	
	Sanitary District	Storm Water Utility
Cash flows from operating activities:		
Receipts from customers and users	\$ 17,936,172	\$ 2,113,121
Payments to suppliers	(13,886,716)	(288,522)
Payments to employees and benefits	(8,134,626)	-
Other receipts	523,643	266,505
Net cash provided by operating activities	(3,561,527)	2,091,104
Cash flows from noncapital financing activities:		
Proceeds from tax anticipation warrants	1,723,000	-
Principal paid on tax anticipation warrants	(1,723,000)	-
Interest paid on tax anticipation warrants	(16,666)	-
Loan to City repaid	1,000,000	-
Transfers Out to City and Town of Munster - PILOT	(700,000)	-
Transfers In/Out	1,358,920	(1,358,920)
Net cash provided (used) by noncapital financing activities	1,642,254	(1,358,920)
Cash flows from capital and related financing activities:		
State/Local tax distributions/community customers debt service	7,532,426	-
Proceeds from bond	5,410,000	-
Acquisition and construction of capital assets	(1,312,496)	-
Bond issuance costs paid on capital debt	(61,395)	-
Principal paid on capital debt	(10,215,000)	-
Principal paid on capital lease	(71,131)	(86,960)
Interest paid on capital debt	(3,663,485)	(4,795)
Net cash provided (used) by capital and related financing activities	(2,381,081)	(91,755)
Cash flows from investing activities:		
Interest received	9,483	711
Net cash provided (used) by investing activities	9,483	711
Net increase in cash and cash equivalents	(4,290,871)	641,140
Cash and cash equivalents, January 1	25,014,223	\$ 1,623,976
Cash and cash equivalents, December 31	\$ 20,723,352	\$ 2,265,116
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (5,889,356)	\$ 2,302,747
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	5,333,130	17,684
Bad debt expense	192,230	-
(Increase) decrease in assets:		
Accounts receivable	(346,188)	(229,327)
Intergovernmental receivable	(7,205)	-
Inventories	2,655	-
Prepaid items	172,201	-
(Increase) decrease in deferred outflow of resources:		
Deferred outflow of resources	(1,449,186)	-
Increase (decrease) in liabilities:		
Accounts payable	(2,832,911)	-
Accrued payroll and withholdings payable	(252,211)	-
Compensated absences payable	(184)	-
Other post employment benefits	635,382	-
Net pension liability	741,514	-
Increase (decrease) in deferred in of resources:		
Deferred inflow of resources	138,602	-
Total adjustments	2,327,829	(211,643)
Net cash provided by operating activities	\$ (3,561,527)	\$ 2,091,104
Noncash investing, capital and financing activities:		
Contributions of capital assets from government	\$ 989,604	\$ -
Transfer of completed construction in progress projects	1,697,094	-

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

SANITARY DISTRICT  
CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the Sanitary District, a department of the City of Hammond, and are not intended to present fairly the position of the City of Hammond (City), and the results of its operations and cash flows of its enterprise funds. The Sanitary District, whose operations are controlled by the City, represents a substantial portion of the City's enterprise funds. The Sanitary District comprises the Sanitary District, Storm Water Utility, Sanitation Utility and Recycling Utility. As of January 1, 2014, control of the Sanitation and Recycling Utilities were transferred back to the City of Hammond.

The accompanying financial statements present the activities of the Sanitary District and its significant component unit. The component unit discussed below is included in the Sanitary District's reporting entity because of the significance of its operational or financial relationship with the Sanitary District. The blended component unit, although a legally separate entity, is in substance, part of the Sanitary District's operations and exists solely to provide services for the Sanitary District; data from the unit is combined with data of the Sanitary District.

Blended Component Unit

The Hammond Sanitary Building Corporation is a significant blended component unit of the Sanitary District. The Mayor appoints a voting majority of the Hammond Sanitary Building Corporation's board and a financial benefit/burden relationship exists between the Sanitary District and the Hammond Sanitary Building Corporation. Although it is legally separate from the Sanitary District, the Hammond Sanitary Building Corporation is reported as if it were a part of the Sanitary District because it provides services entirely to the Sanitary District. The Hammond Sanitary Building Corporation's sole purpose was to finance continued improvements to the Sanitary District. The Hammond Sanitary Building Corporation does not issue a separate financial statement.

B. Fund Financial Statements

Major enterprise fund financial statements consist of the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Fund Net Position; and the Statement of Cash Flows. Major enterprise funds 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 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 Sanitary District's policy is to use restricted resources first, then unrestricted resources as they are needed.

#### D. Assets, Liabilities and Net Position or Equity

##### 1. Deposits and Investments

The Sanitary District'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 Sanitary District 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.

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Debt securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency.

Open-end mutual funds are reported at fair value.

Money market investments that mature within one year or less at the date of their acquisition are reported at amortized cost. Other money market investments are reported at fair value.

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

##### 2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Sanitary District in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

##### 3. Inventories, Prepaid Items, and Deferred Outflow of Resources

All inventories are valued at cost using the first in/first out (FIFO) method.

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

The unamortized balance of bond issuance costs is reported as a deferred outflow of resources.

#### 4. Restricted Assets

Certain proceeds of the enterprise fund general obligation bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position because their use is limited based upon the bond indenture, grant agreements, and tax rate budgetary restrictions.

The financial statements report restricted assets of \$22,168,794 and \$20,930,860 at December 31, 2014 and 2015, respectively.

#### 5. 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.

The capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) were increased from \$5,000 to \$25,000 per Resolution 45-2015 and went into effect as of January 1, 2015. Capitalization thresholds, depreciation methods and estimated useful lives of capital assets are as follows:

	<u>2014</u>	<u>2015</u>		
	<u>Capitalization</u>	<u>Capitalization</u>	<u>Depreciation</u>	<u>Estimated</u>
	<u>Threshold</u>	<u>Threshold</u>	<u>Method</u>	<u>Useful Life</u>
Land improvements	\$ 5,000	\$ 25,000	Straight-line	25-60 years
Buildings	5,000	25,000	Straight-line	60 years
Buildings improvements	5,000	25,000	Straight-line	60 years
Major Equipment	5,000	25,000	Straight-line	10 to 40 years
Minor Equipment	5,000	25,000	Straight-line	3 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

#### 6. Compensated Absences

- a. Sick Leave – Sanitary District employees earn sick leave at the rate of 1 day per month. Sick leave may be accumulated up to a maximum of 75 days. For each 5 days earned in excess of the maximum accumulation, the Sanitary District converts those 5 excess days for 1 day of vacation leave. All employees eligible for retirement, or upon separation of employment with at least 10 years of full-time service for Local 399 Union members and Local 142 Union members and 15 years of full-time service for non-Union, will be reimbursed one day's pay for each 2 (depending upon length of service) of unused sick leave up to the accumulation of 75 days.

- b. Vacation Leave – Sanitary District employees earn vacation leave at rates from 10 days to 30 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.
- c. Personal Leave – Sanitary District employees earn personal leave at the rate of 3 days per year for Union employees and 4 days per year for non-Union employees. Personal leave does not accumulate from year to year.

Sick leave is accrued when earned.

No liability is reported for vacation and personal leave.

#### 7. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. 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 outflow of resources and amortized over the term of the related debt.

#### 8. Accounts Receivable

Based upon agreements between user cities/towns and the Sanitary District, a set rate is paid for services. Annually, a study is performed to determine if the user cities/towns have underpaid or overpaid. The Sanitary District has been in negotiations with the customer cities since 2012. The Accounts Receivable – customer communities represents the amount owed to the Sanitary District based upon studies performed for 2012, 2013, and 2014. The Sanitary District has settled with the City of Whiting for \$350,000 on July 9, 2015, which was paid in full on that date. Negotiations continue with the other customer communities. The amounts owed to the Sanitary District by Customer Cities are as follows:

<u>Customer City/Town</u>	<u>December 31, 2014</u>	<u>December 31, 2015</u>
Town of Griffith	\$ 367,522	\$ 518,428
Town of Highland	386,708	581,323
City of Whiting	<u>156,183</u>	<u>-</u>
Total	<u>\$ 910,413</u>	<u>\$ 1,099,751</u>

#### 9. Net Position Restricted by Enabling Legislation

The Sanitary District's 2014 Statement of Net Position reports \$22,168,794 of restricted net position, of which \$4,068,210 is restricted by enabling legislation. The Sanitary District's 2015 Statement of Net Position reports \$20,933,860 of restricted net position, of which \$4,541,795 is restricted by enabling legislation.

## II. Detailed Notes on All Funds

### A. 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 Sanitary District does not have a deposit policy for custodial credit risk. At December 31, 2014 and 2015, the Sanitary District had deposit balances in the amount of \$24,590,192 and 21,945,656 respectively.

#### 2014

♦ General Operating Account	\$ 6,245,359
♦ Payroll Account	380,237
♦ General Operating Money Market Account	4,001,357
♦ Bond 2010/BAN 2013 Account	1,419,241
♦ Bond 2010 Market Account	4,034,397
♦ SRF 7 Construction Account	8,509,601

#### 2015

♦ General Operating Account	\$ 7,040,207
♦ Payroll Account	245,804
♦ General Operating Money Market Account	1,002,324
♦ Bond 2010/BAN 2013 Account	2,486,005
♦ Bond 2010 Market Account	2,535,784
♦ SRF 6 Construction Account	1,000,476
♦ SRF 7 Construction Account	7,635,056

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 years ended December 31, 2014 and December 31, 2015, were as follows:

2014						
	Beginning Balance	Prior Year Adjustment	Restated Balance	Increases	Decreases	Ending Balance
Sanitary District:						
Capital assets, not being depreciated:						
Land	\$ 507,419	\$ -	\$ 507,419	\$ -	\$ -	\$ 507,419
Construction in progress	20,737,777	2	20,737,779	24,153,376	43,879,079	1,012,076
Total capital assets, not being depreciated	21,245,196	2	21,245,198	24,153,376	43,879,079	1,519,495
Capital assets, being depreciated:						
Land improvements	133,878,818	-	133,878,818	43,461,453	-	177,340,271
Buildings	49,674,275	(107,882)	49,566,393	-	438	49,565,955
Buildings improvements	8,475,090	(8,541)	8,466,549	-	-	8,466,549
Major Equipment	50,773,202	(40,175)	50,733,027	728,261	-	51,461,288
Minor Equipment	4,499,186	50,352	4,549,538	19,104	-	4,568,642
Totals	247,300,571	(106,246)	247,194,325	44,208,818	438	291,402,705
Less accumulated depreciation for:						
Land improvements	50,055,203	271,391	50,326,594	2,387,291	-	52,713,885
Buildings	22,544,597	77,535	22,622,132	811,814	-	23,433,946
Buildings improvements	5,130,471	(236)	5,130,235	164,623	-	5,294,858
Major Equipment	28,277,488	81,477	28,358,965	1,283,921	-	29,642,886
Minor Equipment	2,973,971	27,228	3,001,199	232,929	-	3,234,128
Totals	108,981,730	457,395	109,439,125	4,880,578	-	114,319,703
Total capital assets, being depreciated, net	138,318,841	(563,641)	137,755,200	39,328,240	438	177,083,002
Total capital assets, net	\$ 159,564,037	\$ (563,639)	\$ 159,000,398	\$ 63,481,616	\$ 43,879,517	\$ 178,602,497
2014						
	Beginning Balance	Prior Year Adjustment	Restated Balance	Increases	Decreases	Ending Balance
Storm Water Utility:						
Capital assets, being depreciated:						
Major Equipment	\$ -	\$ -	\$ -	\$ 265,262	\$ -	\$ 265,262
Less accumulated depreciation for:						
Major Equipment	-	-	-	8,842	-	8,842
Total capital assets, being depreciated, net	\$ -	\$ -	\$ -	\$ 256,420	\$ -	\$ 256,420
2014						
	Beginning Balance	Prior Year Adjustment	Restated Balance	Increases	Decreases	Ending Balance
Sanitation Utility:						
Capital assets, being depreciated:						
Major Equipment	\$ 1,433,286	\$ -	\$ 1,433,286	\$ -	\$ 1,433,286	\$ -
Minor Equipment	9,106	-	9,106	-	9,106	-
Totals	1,442,392	-	1,442,392	-	1,442,392	-
Less accumulated depreciation for:						
Major Equipment	1,000,729	-	1,000,729	-	1,000,729	-
Minor Equipment	707	-	707	-	707	-
Totals	1,001,436	-	1,001,436	-	1,001,436	-
Total capital assets, being depreciated, net	\$ 440,956	\$ -	\$ 440,956	\$ -	\$ 440,956	\$ -
2014						
	Beginning Balance	Prior Year Adjustment	Restated Balance	Increases	Decreases	Ending Balance
Recycling Utility						
Capital assets, being depreciated:						
Major Equipment	\$ 33,137	\$ -	\$ 33,137	\$ -	\$ 33,137	\$ -
Minor Equipment	702,162	-	702,162	-	702,162	-
Totals	735,299	-	735,299	-	735,299	-
Less accumulated depreciation for:						
Major Equipment	83,951	-	83,951	-	83,951	-
Minor Equipment	365,081	-	365,081	-	365,081	-
Totals	449,032	-	449,032	-	449,032	-
Total capital assets, being depreciated, net	\$ 286,267	\$ -	\$ 286,267	\$ -	\$ 286,267	\$ -

	2015					
	Beginning Balance	Prior Year Adjustment	Restated Balance	Increases	Decreases	Ending Balance
Sanitary District:						
Capital assets, not being depreciated:						
Land	\$ 507,419	\$ -	\$ 507,419			\$ 507,419
Construction in progress	1,012,076	(63,952)	948,124	1,361,289	1,697,094	612,319
Total capital assets, not being depreciated	1,519,495	(63,952)	1,455,543	1,361,289	1,697,094	1,119,738
Capital assets, being depreciated:						
Land improvements	177,340,271	-	177,340,271	1,048,231	653,694	177,734,808
Buildings	49,565,955	-	49,565,955	717,002	1,615,523	48,667,434
Buildings improvements	8,466,549	23,926	8,490,475	97,760	931,207	7,657,028
Major Equipment	51,461,288	-	51,461,288	747,406	5,780,574	46,428,120
Minor Equipment	4,568,642	10,977	4,579,619	27,506	974,743	3,632,382
Totals	291,402,705	34,903	291,437,608	2,637,905	9,955,741	284,119,772
Less accumulated depreciation for:						
Land improvements	52,713,885	(14,108)	52,699,777	3,059,684	540,189	55,219,272
Buildings	23,433,946	(25,304)	23,408,642	788,227	1,203,367	22,993,502
Buildings improvements	5,294,858	(27,899)	5,266,959	140,097	590,506	4,816,550
Major Equipment	29,642,886	(113,019)	29,529,867	1,143,230	4,379,350	26,293,747
Minor Equipment	3,234,128	(4,135)	3,229,993	201,892	721,200	2,710,685
Totals	114,319,703	(184,465)	114,135,238	5,333,130	7,434,611	112,033,757
Total capital assets, being depreciated, net	177,083,002	219,368	177,302,370	(2,695,225)	2,521,130	172,086,015
Total capital assets, net	\$ 178,602,497	\$ 155,416	\$ 178,757,913	\$ (1,333,936)	\$ 4,218,224	\$ 173,205,753

	2015					
	Beginning Balance	Prior Year Adjustment	Restated Balance	Increases	Decreases	Ending Balance
Storm Water Utility:						
Capital assets, being depreciated:						
Major Equipment	\$ 265,262	\$ -	\$ 265,262	\$ -	\$ -	\$ 265,262
Less accumulated depreciation for:						
Major Equipment	\$ 8,842	\$ -	\$ 8,842	\$ 17,684	\$ -	\$ 26,526
Total capital assets, being depreciated, net	\$ 256,420	\$ -	\$ 256,420	\$ (17,684)	\$ -	\$ 238,736

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

	2014	2014
Sanitary District	\$4,880,578	\$5,333,130
Storm Water Utility	8,842	17,684
Total depreciation expense	<u>\$4,889,420</u>	<u>\$5,350,814</u>

### C. Construction Commitments

Construction in progress is composed of the following as of December 31, 2014 and 2015:

Sanitary District Projects	2014		
	Expended to December 31, 2014	Authorized	Committed
Aeration Diffusers	\$ 216,785	\$ 650,000	\$ 433,215
H Machinery	63,952	63,952	-
Michigan & Magoun	598,327	747,210	148,883
Dewatering Pumps Sohl Ave	81,232	347,362	266,130
Old Admin Building Repair	51,780	150,000	98,220
Totals	<u>\$ 1,012,076</u>	<u>\$ 1,958,524</u>	<u>\$ 946,448</u>

Sanitary District Projects	2015		
	Expended to December 31, 2015	Authorized	Committed
CSO (Combined Sewer Overflow) Storage Basin	\$ 216,020	\$ 637,127	\$ 421,107
Aeration Diffusers	218,868	1,910,275	1,691,407
H Machinery	154,577	154,577	-
Generator Hook-ups Empress	22,854	22,854	-
Totals	<u>\$ 612,319</u>	<u>\$ 2,724,833</u>	<u>\$ 2,112,514</u>

### D. Leases

#### Capital Leases

The Sanitary District and Storm Water Utility entered into capital leases for a vector truck and a TV Truck. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of December 31, 2014 and December 31, 2015, are as follows:

	2014	
	Sanitary District	Storm Water Utility
Total minimum lease payments	\$ 74,324	\$ 275,152
Less amount representing interest	<u>3,193</u>	<u>9,890</u>
Present value of net minimum lease payments	<u>\$ 71,131</u>	<u>\$ 265,262</u>

	2015	
	Sanitary District	Storm Water Utility
Total minimum lease payments	\$ -	\$ 183,397
Less amount representing interest	<u>-</u>	<u>5,095</u>
Present value of net minimum lease payments	<u>\$ -</u>	<u>\$ 178,302</u>

The vactor truck and TV truck are included as major equipment at a cost of \$341,029 and \$265,262 in the Sanitary District and Storm Water Utility, respectively. Accumulated Depreciation on the vactor truck and TV truck as of December 31, 2014 was \$136,728 and \$8,842, respectively. As of December 31, 2015, the TV truck had an accumulated depreciation of \$17,684.

#### E. Short-Term Liabilities

The Sanitary District may use short-term notes and loans to finance operations due to a delay in the receipt of property tax revenues. All short-term notes and loans totaling \$1,598,300 and \$1,723,000 were repaid as of December 31, 2014 and December 31, 2015, respectively.

#### F. Long-Term Liabilities

##### 1. Bonds

The Sanitary District issues bonds to provide funds for the acquisition and construction of major capital facilities. Bonds are direct obligations and pledge the full faith and credit of the Sanitary District. Bonds currently outstanding at year end are as follows:

2014		
Purpose	Interest Rates	Amount
2007A Special Taxing District Bonds	4.50%	\$ 710,000
2010 Special Taxing District Bonds	2.50% - 4.75%	8,250,000
2014 Special Taxing District Refunding Bonds	2.50%	12,150,000
2014 Taxable Ad Valorem First Mortgage Bonds	2.5% to 6.1%	12,555,000
Total		<u>\$ 33,665,000</u>
2015		
Purpose	Interest Rates	Amount
2010 Special Taxing District Bonds	2.50% - 4.75%	\$ 7,845,000
2014 Special Taxing District Refunding Bonds	2.50%	10,590,000
2014 Taxable Ad Valorem First Mortgage Bonds	2.5% to 6.1%	12,555,000
2015 Special Taxing District Bonds	*VARIES	5,410,000
Total		<u>\$ 36,400,000</u>

\*Interest is based on one-month Libor plus 350 basis points

Bonds debt service requirements to maturity are as follows:

2014			2015		
Sanitary District	Principal	Interest	Sanitary District	Principal	Interest
2015	\$ 2,675,000	\$ 1,236,354	2016	\$ 2,275,000	\$ 1,295,780
2016	2,050,000	1,196,236	2017	3,090,000	1,326,132
2017	2,625,000	1,139,555	2018	3,170,000	1,240,878
2018	2,685,000	1,071,598	2019	3,055,000	1,152,226
2019	2,550,000	1,000,978	2020	2,845,000	1,063,928
2020-2024	9,620,000	3,949,609	2021-2025	11,465,000	3,982,753
2025-2029	7,080,000	2,339,793	2026-2030	7,395,000	1,978,903
2030-2034	4,380,000	574,996	2031-2035	3,105,000	337,823
Totals	<u>\$ 33,665,000</u>	<u>\$ 12,509,119</u>	Totals	<u>\$ 36,400,000</u>	<u>\$ 12,378,421</u>

## 2. Loans Payable

The Sanitary District has entered into various loans with the State Revolving Loan Fund (SRF). Under the terms of the loans, revenue bonds issued by the Sanitary District have been purchased by the Indiana Bond Bank. The proceeds are set aside to finance the Sanitary District improvements. Funds are loaned to the Sanitary District as costs are incurred to the maximum allowed. The Sanitary District has drawn down all of the funds, except for the 2013A Loan Program Funds of \$52,850,000. The State placed the proceeds into a trust account in the Sanitary District's name. Cash drawdowns are made from this account after approval is given by the State. The December 31, 2014 and 2015 cash balance not yet drawn down, reported as part of the Cash with Fiscal Agent - Construction is \$18,100,584 and \$16,389,065, respectively. Annual debt service requirements to maturity for the loans for 2014 and 2015 are as follows:

2014			2015		
Sanitary District:	Principal	Interest	Sanitary District:	Principal	Interest
2015	\$ 2,540,000	\$ 2,069,958	2016	\$ 3,340,000	\$ 1,990,410
2016	3,340,000	1,990,410	2017	3,450,000	1,885,759
2017	3,450,000	1,885,759	2018	3,555,000	1,777,446
2018	3,555,000	1,777,446	2019	3,680,000	1,665,403
2019	3,680,000	1,665,403	2020	3,805,000	1,549,470
2020-2024	20,280,000	6,504,893	2021-2025	20,940,000	5,862,229
2025-2029	20,765,000	3,140,306	2026-2030	19,560,000	2,523,638
2030-2034	11,800,000	631,356	2031-2035	8,540,000	341,220
Totals	<u>\$ 69,410,000</u>	<u>\$ 19,665,531</u>	Totals	<u>\$ 66,870,000</u>	<u>\$ 17,595,575</u>

## 3. Bond Anticipation Note Payable

In July of 2012 the Sanitary District issued \$7,000,000 of Bond Anticipation Bonds, for flood control and sewer separation, due on or before March 31, 2013. In April 2013, the Sanitary District issued \$52,850,000 through the State Revolving Loan Fund as part of the \$77,000,000 bond approval. The Sanitary District renewed the Bond Anticipation Note in the amount of \$5,000,000 for projects not covered in the 2013 SRF loan in 2014. As of December 31, 2014, the Bond Anticipation Note had not been repaid.

Due to the impact of the property tax caps, the Sanitary District decided not to bond for the balance of the \$77,000,000 approved bond at this time. Therefore, in 2015 the Sanitary District's board approved the issuance of \$5,410,000 of bonds, Bond Series 2015C, for the repayment of the 2013 Bond Anticipation Note. As of December 31, 2015, the Bond Anticipation Note had been repaid.

#### 4. Changes in Long-Term Liabilities

Long-term liability activity for the years ended December 31, 2014 and 2015 was as follows:

	2014				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Sanitary District:					
Bonds payable	\$ 10,040,000	\$ 24,705,000	\$ 1,080,000	\$ 33,665,000	\$ 2,675,000
Less bond discount	(121,172)	-	(10,156)	(111,016)	-
Total bonds payable	9,918,828	24,705,000	1,069,844	33,553,984	2,675,000
Loans payable	84,160,000	-	14,750,000	69,410,000	2,540,000
Bond Anticipation Note Payable	5,000,000	-	-	5,000,000	5,000,000
Capital Lease	128,061	-	56,930	71,131	-
Other Post Employment Benefits	1,023,169	642,477	-	1,665,646	-
Compensated absences	293,505	19,742	2,875	310,371	-
Total Long-term liabilities	<u>\$ 100,523,562</u>	<u>\$ 25,367,219</u>	<u>\$ 15,879,649</u>	<u>\$ 110,011,132</u>	<u>\$ 10,215,000</u>
Stormwater Utility:					
Capital Lease	<u>\$ -</u>	<u>\$ 265,262</u>	<u>\$ -</u>	<u>\$ 265,262</u>	<u>\$ 86,960</u>
Sanitation Utility:					
Compensated absences	<u>\$ 26,858</u>	<u>\$ -</u>	<u>\$ 26,858</u>	<u>\$ -</u>	<u>\$ -</u>
Recycling Utility:					
Compensated absences	<u>\$ 13,437</u>	<u>\$ -</u>	<u>\$ 13,437</u>	<u>\$ -</u>	<u>\$ -</u>
	2015				
	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Sanitary District:					
Bonds payable	\$ 33,665,000	\$ 5,410,000	\$ 2,675,000	\$ 36,400,000	\$ 2,275,000
Less bond discount	(111,016)	-	(8,711)	(102,305)	-
Total bonds payable	33,553,984	5,410,000	2,666,289	36,297,695	2,275,000
Loans payable	69,410,000	-	2,540,000	66,870,000	3,340,000
Bond Anticipation Note Payable	5,000,000	-	5,000,000	-	-
Capital Lease	71,131	-	71,131	-	-
Other Post Employment Benefits	1,665,646	635,382	-	2,301,028	-
Net Pension Liability	3,001,890	741,514	-	3,743,404	-
Compensated absences	310,371	2,392	2,577	310,186	-
Total Long-term liabilities	<u>\$ 113,013,022</u>	<u>\$ 6,789,288</u>	<u>\$ 10,279,997</u>	<u>\$ 109,522,313</u>	<u>\$ 5,615,000</u>
Storm Water Utility:					
Capital Lease	<u>\$ 265,262</u>	<u>\$ -</u>	<u>\$ 86,960</u>	<u>\$ 178,302</u>	<u>\$ 88,366</u>

#### G. Restricted Assets

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

	<u>2014</u>	<u>2015</u>
Bond and interest cash and cash equivalents	\$ 3,374,867	\$ 3,776,785
Cash with fiscal agent - construction	18,100,584	16,389,065
Taxes, intergovernmental and accounts receivable	<u>693,343</u>	<u>765,010</u>
Total restricted assets	<u>\$ 22,168,794</u>	<u>\$ 20,930,860</u>

#### H. Transfers

##### Transfer of Equity to the City

The Sanitary District approved to relinquish control of the Sanitation and Recycling Utilities back to the City of Hammond effective as of January 1, 2014. The transfer of equity to the City represents the amount of Net Position that was transferred to the City after the completion of the transfer of assets and liabilities.

##### Transfers to City and Town of Munster – PILOT

In 2014, the Sanitary District accrued \$1,206,165 of Payments in Lieu of Taxes to the City of Hammond. The Sanitary District remitted the payments to the City in 2015.

In 2015, the Sanitary District transferred \$580,872 to the City of Hammond and \$119,128 to the Town of Munster for Payments in Lieu of Taxes (PILOT) since both communities are included in the Sanitary District's taxing district.

#### I. Restatement of Net Position

For the fiscal years ended December 31, 2014 and 2015, certain changes have been made to the financial statements to more appropriately reflect financial activity. The prior period adjustments include adjustments to capital assets and accounts receivable amounts for accurate reporting. In addition, the 2015 prior period adjustment reflects the implementation of GASB 68 to recognize the liability associated with reporting the change of the Public Employees' Retirement Fund (PERF) to a cost-sharing multiple-employer defined benefit pension plan. The prior period adjustment is reflected in the beginning net position on the Statement of Revenues, Expenses, and Changes in Net Position for the net pension obligation in the amount of \$3,001,890 and Deferred Inflow of Resources of \$1,017,141. The following schedule represents a summary of restated beginning balances:

<u>Restatement</u>	<u>Sanitary District 2014</u>
Balance as Reported, December 31, 2013	\$ 97,735,639
Restatements:	
Capital assets adjusted for accurate activity	<u>(563,639)</u>
Restated Total Net Position - January 1, 2014	<u>\$ 97,172,000</u>

<u>Restatement</u>	<u>Sanitary District 2015</u>
Balance as Reported, December 31, 2014	\$ 91,281,785
Restatements:	
Capital assets adjusted for accurate activity	155,416
GASB 68 PERF reporting change	(4,019,031)
Accounts receivable adjusted to agree with detail	<u>(518,628)</u>
Restated Total Net Position - January 1, 2015	<u>\$ 86,899,542</u>

III. Other Information

A. Risk Management

The Sanitary District 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.

The risks of 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 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.

Unemployment Compensation

The Sanitary District has chosen to establish a risk financing fund for risks associated with unemployment compensation claims. The risk financing fund is accounted for in the Sanitary District Fund, whereby a separate account has been established (Unemployment Compensation Account). The Sanitary District sets aside assets in this account for claim settlements. Provisions are also made for unexpected and unusual claims.

Claim expenditures and liabilities of the account are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amounts of payouts, and other economic and social factors.

Changes in the balance of claim liabilities during the past two years are as follows:

	2013	2014
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Incurred claims and changes in estimates	4,281	-
Claim payments	(4,281)	-
Unpaid claims, end of fiscal year	\$ -	\$ -

#### B. Subsequent Events

##### Wastewater Service Rate Increase:

On October 25, 2016, the Sanitary District Board of Commissioners approved a rate increase as follows:

Residential and Industrial customers	
increase of monthly flow charge per 1,000 gallons	Phase I -\$1.08 Phase II- \$1.40
Increase of bi-monthly admin charge	Phase I - \$7.78 Phase II- \$10.07
Commercial Customers	
increase of monthly flow charge per 1,000 gallons	Phase I- \$2.28 Phase II-\$2.94
Increase of bi-monthly admin charge	Phase I- \$7.78 Phase II-\$10.06
Industrial Customers per lb.	
increase Carbonaceous Oxygen Demand (COD)	Phase I-\$0.05 Phase II- \$0.01
Increase Suspended Solids (SS)	Phase I -\$0.13 Phase II - \$0.02
Increase Total Kjeldahl Nitrogen (TKN)	Phase I -\$0.26 Phase II- \$0.06

The Common Council, as well as the Munster Town Council, will still have to approve the rates before they become effective.

### Capital Acquisitions

The Sanitary District is in the process of acquiring 25 to 30 properties in the area of 175<sup>th</sup> Street and Columbia Avenue. The properties acquired will be demolished for the purpose of constructing a 1.36 MG storm water storage basin with appurtenant structures. The estimated completion date is April 30, 2018.

The estimated cost is \$4.5M and will be allocated as follows:

- Property Acquisition \$2,114,000
- Storm Basin and Appurtenances \$2,164,824
- Engineering, Legal, and Administration \$216,482

### Plant Expansions

In February 2016, the Sanitary District Board of Commissioners approved the Secondary Expansion Project and awarded the project to Morrison Construction. The project will consist of constructing two new secondary clarifiers, appurtenant equipment, and new piping. The estimated completion date is December 31, 2017. The estimated cost is \$5.3 million.

#### C. Contingent Liabilities

Other than the Clean Water Act allegations discussed (below) the Sanitary District has no pending or threatened litigation seeking money damages that would not be covered by existing public liability insurance. Claims against the Sanitary District in current litigation with customer communities seek non-monetary relief.

#### D. Noncompliance – Legal/Contractual Provisions

In April of 1999, Hammond Sanitary District (HSD) and the United States, through the Environmental Protection Agency (USEPA) and the State of Indiana, through the Indiana Department of Environmental Management (IDEM) reached a settlement regarding alleged violations of the Clean Water Act, 33 U.S.C. Sec. 1251 et seq., which was documented in a consent decree entered by the United States District Court in cause number 2:93-CV-225-JM. Among other things, the Consent Decree prohibited HSD from violating the effluent limitations in its National Pollutant Discharge Elimination System (“NPDES”) permit, discharging dry weather flows through any Combined Sewer Overflows (“CSO”), and required that HSD design and construct facilities as needed to eliminate the use of the Columbia Ave., Sohl Ave., and Johnson Ave. CSOs according to a schedule contained in Article V.c of the Consent Decree. After a timely submission of a schedule for the design and construction of “CSO improvements”, construction was delayed due in large part to lack of consensus on the size of the CSO retention basin and the terms to be contained in an Amended Consent Decree that would provide for extended deadlines. In June 2011 EPA and IDEM submitted an amended draft Consent Decree that provided for full operation of the basin project by the end of 2013 but the parties failed to agree on the design criteria. Negotiations broke down and on August 15, 2011 the Agencies notified HSD that they were seeking \$2,437,000 in stipulated penalties for failing to complete design and construction of the CSO Control Project, violating the prohibition against dry weather overflows, and violating its NPDES permit effluent limitations.

Thereafter HSD invoked the formal dispute resolution process provided in the 1999 Consent Decree and on November 18, 2011 the Agencies lowered their demand for stipulated penalties to \$1,850,000 and after further proceedings the Water Division Director for Region 5 EPA issued a Final Administrative Decision further reducing the penalty to \$1,416,500.

On July 16, 2012 HSD filed its "Notice of Judicial Appeal" in the United States District Court seeking judicial review of the Final Administrative Decision of the Water Division Director. After initial motion practice and limited discovery, the matter is now pending and has been stayed by the Court since April 9, 2013. Most recently, the parties reported to the Court that negotiations on an amended consent decree between them are ongoing and that a tolling agreement with a present expiration date of December 15, 2015 is in place. HSD continues to dispute a large portion of the penalty assessed by EPA that is the subject of the appeal and has noted to EPA, IDEM and the Court that the major CSO improvements required by the 1999 Consent Decree have now been constructed and are operational.

Negotiations on an amended consent decree are continuing. The current tolling agreement expired on September 30, 2016.

#### E. Other Postemployment Benefits

##### City of Hammond Self-Insured Healthcare Plan

##### Plan Description

Sanitary District Retiree Healthcare Plan is provided by the City of Hammond self-insurance plan. The plan provides post-employment medical, dental, vision, and life insurance benefits to eligible retirees and their spouses. Indiana Code 5-10-8 assigns the authority to establish and amend benefit provisions to the Sanitary District. The Sanitary District Retiree Healthcare Plan information may be obtained by contacting the plan administrator:

City of Hammond  
Controller's Office  
5924 Calumet Avenue  
Hammond, IN 46320

##### Funding Policy

The contribution requirements of plan members for the Sanitary District's Healthcare Plan are established by the Sanitary District's Board. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2014 and December 31, 2015, the Sanitary District contributed \$414,000, and \$558,000, respectively, to the plan.

##### Annual OPEB Cost and Net OPEB Obligation

The Sanitary District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Utility's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Utility's net OPEB obligation to the plan:

	2014	2015
Annual required contribution	\$ 878,837	\$ 878,837
Interest on net OPEB obligation	40,927	66,626
Adjustment to annual required contribution	(40,662)	(66,194)
Annual OPEB cost	879,102	879,269
Contributions made	(236,625)	(243,887)
Increase (decrease) in net OPEB obligation	642,477	635,382
Net OPEB obligation, beginning of year	1,023,169	1,665,646
Net OPEB obligation, end of year	<u>\$ 1,665,646</u>	<u>\$ 2,301,028</u>

The Sanitary District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2015 and the preceding year were as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12-31-13	\$ 430,646	58.7%	\$ 1,023,169
12-31-14	879,102	26.9%	1,665,646
12-31-15	879,269	27.7%	2,301,028

#### Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation dates, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$12,056,934, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,056,934. The covered payroll (annual payroll of active employees covered by the plan) was \$3,595,802, and the ratio of the UAAL to covered payroll was 335%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as required supplementary information following the Notes to 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 liabilities for benefits.

### Actuarial Methods and Assumption

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014 and January 1, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% unfunded discount rate, and a 3% payroll growth. An annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% after 10 years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2014 and January 1, 2015, was 30 years.

### F. Rate Structure

#### Wastewater Utility (Sanitary District)

The current rate structure was approved by the Indiana Utility Regulatory Commission on January 4, 2008. The Utility has 34,575 customers.

#### Storm Water Utility

The current rate structure was approved by the City Common Council on September 22, 2014.

### G. Delinquent Obligations

The Sanitary District was delinquent in the payment of NIPSCO (gas and electric services) invoices of \$3,207,429 and \$2,126,497 as of December 31, 2014, and December 31, 2015, respectively.

### H. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan - Public Employees' Retirement Fund

#### Plan Description

The Sanitary District contributes to the Public Employees' Retirement Fund (PERF), a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS). PERF as part of the implementation of GASB Statement No. 67 changed from an agent to a cost-sharing, multiple-employer defined benefit plan effective July 1, 2013 based on 35 IAC 21-1-1, 35 IAC 21-1-2 and amended IC 5-10.2-2-11(b).

The Indiana Code, Title 5, Articles 10.2 and 10.3, amended only by the Indiana General Assembly, identifies the benefit provisions and establishes the authority under which members and employers are obligated to contribute to the Plan.

All full-time employees are eligible to participate in the cost-sharing multiple-employer defined benefit plan. State statutes (Indiana Code 5-10.2 and 5-10.3) provide the Sanitary District authority to contribution to the plan and govern, through the INPRS Board, most requirements of the system. 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 (3%) of compensation, plus the interest credited to the member's account. Under state statute, the employer may elect to make the contributions on behalf of the member.

INPRS 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. That report may be obtained by contacting:

The Sanitary District contributes to the 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 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:

Indiana Public Retirement System  
1 North Capitol Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687  
[www.inprs.in.gov](http://www.inprs.in.gov)

### Benefits Provided

The plan provides retirement, disability, and survivor benefits. Retirement benefits are determined by age, years of service, average of annual compensation (Final Average Salary) based on 20 quarters, with a multiplier of 1.1 percent (.011). Employees with 10 years of PERF service are vested. An employee who leaves service may withdraw his or her Annuity Savings Account contributions, plus any accumulated interest.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are granted by the Indiana General Assembly on an ad hoc basis.

### Contributions

PERF members are required to contribute three percent of their annual covered salary. The Sanitary District approved Resolution 95-1991 to pay the employees' required three percent contribution. The Sanitary District contractually required contribution rates for the years' ended December 31, 2014 and 2015 were 11.2 percent of the annual covered payroll, actuarially determined as an amount that, when combined with the employee contributions, is expected to finance the cost of benefits earned by employees during the year, with and additional amount to finance any unfunded accrued liability. For 2014, the Sanitary District's annual pension cost of \$628,762 for PERF was equal to the Sanitary District's required and actual contributions. For 2015, the Sanitary District contributions to the pension plan were \$407,516.

### Pensions Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, the Sanitary District reported a liability of \$3,743,404 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Sanitary District's proportion of the net pension liability was based on a projection of the Sanitary District's long-term share of contributions to the pension plan relative to the projected contributions of all participants, actuarially determined. At June 30, 2015, the Sanitary District's proportion was .0009191 percent, which was a decrease of .0002232 from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Sanitary District recognized pension expense of \$264,149 in accordance with PERF's fiscal year of June 30, 2015. At December 31, 2015, the Sanitary District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources - Debit	Deferred Inflows of Resources - Credit
Differences Between Expected and Actual Experience	\$ 160,684	\$ 7,742
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	631,185	352,053
Changes of Assumptions	316,443	-
Changes in Proportion and Differences Between District's Contributions and Proportionate Share of Contributions	699	795,948
District Contributions Subsequent to the Measurement Date	275,855	-
Totals	<u>\$ 1,384,866</u>	<u>\$ 1,155,743</u>

\$275,855 reported as deferred outflow of resources related to pensions resulting from Sanitary District's contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as flows:

	Year Ended December 31,
2016	\$ (90,230)
2017	(90,230)
2018	(24,067)
2019	157,795
2020	-
Thereafter	-
Total	<u>\$ (46,732)</u>

#### Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

#### Valuation Date:

Assets	June 30, 2014
Liabilities	June 30, 2014
Actuarial Cost Method (Accounting)	Entry Age Normal (Level Percent of Payroll)

#### Actuarial Assumptions:

Experience Study Date	Period of 4 years ended June 30, 2014
Inflation	2.25%
Future Salary Increases, including Inflation	2.50% - 4.25%
Investment Rate of Return	6.75%, net of investment expense, including inflation
Mortality rates	RP-2014 Total Data Set Mortality Tables projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the four years ended June 30, 2014. The Study was performed in April 2015. As a result of the study inflation decreased from 3.00% to 2.25%, future salary rates decreased from a table range of 3.25% to 4.50% to a table ranging from 2.50% to 4.25%. The mortality rates changed from the 2013 IRS Static Mortality projected five years with Scale AA to the process referenced above. Each of these assumption changes were made to more closely reflect actual experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Geometric Basis
		Long-Term Expected Real Rate of Return
Public Equity	22.5%	5.3%
Private Equity	10.0%	5.6%
Fixed Income - Ex Inflation-Linked	22.0%	2.1%
Fixed Income - Inflation-Linked	10.0%	70.0%
Commodities	8.0%	2.0%
Real Estate	7.5%	3.0%
Absolute Return	10.0%	3.9%
Risk Parity	10.0%	5.0%

#### Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that the employee contributions will be made at the current contribution rate and that contributions from participants will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### Sensitivity of the Sanitary District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Sanitary District's proportionate share of the net pension liability calculated using the discount rate of 6.75 percent, as well as what the Sanitary District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current (6.75%)	1% Increase (7.75%)
District's proportionate share of the net pension liability	\$ 5,521,842	\$ 3,743,404	\$ 2,266,976

### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued INPRS Comprehensive Annual Financial Report (CAFR) and Actuarial Valuations. These reports can be found at:

<http://www.in.gov/inprs/files/2015INPRSCAFRBook.pdf>

<http://www.in.gov/inprs/files/2015PERFActuarialValuationReport.pdf>

The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

#### REQUIRED SUPPLEMENTARY INFORMATION

The Required Supplementary Information presented was prepared by management of the District. It is presented as intended by the District.

SANITARY DISTRICT  
CITY OF HAMMOND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS

Other Postemployment Benefits - Single-Employer Defined Benefit Healthcare 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)
01-01-12	\$ -	\$ 7,387,762	\$ (7,387,762)	0%	\$ 6,382,197	(116%)
01-01-13	-	7,306,518	(7,306,518)	0%	3,287,143	(222%)
01-01-14	-	12,056,934	(12,056,934)	0%	3,595,802	(335%)

SANITARY DISTRICT  
CITY OF HAMMOND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Public Employees' Retirement Fund  
Last 10 Fiscal Years

	2015	2014
District's proportion of the net pension liability (asset)	0.0009191	0.0011423
District's proportionate share of the net pension liability (asset)	\$ 3,743,404	\$ 3,001,890
District's covered-employee payroll	\$ 4,402,222	\$ 5,576,857
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	85.0%	53.8%
Plan fiduciary net position as a percentage of the total pension liability	77.3%	84.3%

Information is not available prior to 2014.  
Additional years will be added until 10 years of historical data are shown.

SANITARY DISTRICT  
CITY OF HAMMOND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
Public Employees' Retirement Fund  
Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 493,044
Contributions in relation to the contractually required contribution	(493,044)
Contribution deficiency (excess)	-
District's covered-employee payroll	4,402,222
Contributions as a percentage of covered-employee payroll	11.2%

Information is not available prior to 2015.  
Additional years will be added until 10 years of historical data are shown.

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the District. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.