

B27586

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

ANNUAL FINANCIAL REPORT

2005

WATER UTILITY
CITY OF HAMMOND
LAKE COUNTY, INDIANA



FILED
08/10/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Barbara Cardwell	01-01-04 to 12-31-07
Mayor	Thomas M. McDermott, Jr.	01-01-04 to 12-31-07
President of the Board of Public Works	William J. O'Connor	01-01-05 to 12-31-06
President of the Common Council	Daniel Repay Alfonso Salinas	01-01-05 to 12-31-05 01-01-06 to 12-31-06
Superintendent	Richard Mercer	01-01-05 to 12-31-06
President of the Utility Board of Directors	Francis Lennon Edward Krusa	01-01-05 to 07-15-05 07-16-05 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE WATER UTILITY, CITY OF HAMMOND, LAKE COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Water Utility, a department of the City of Hammond, as of and for the year ended December 31, 2005. These financial statements are the responsibility of the Utility's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I, the financial statements of the Water Utility, City of Hammond, are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Utility. They do not purport to, and do not, present fairly the financial position of the City of Hammond as of December 31, 2005, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities for the Water Utility, as of December 31, 2005, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Schedule of Funding Progress as listed in the table of contents is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted of principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

STATE BOARD OF ACCOUNTS

March 26, 2006

WATER UTILITY
CITY OF HAMMOND
STATEMENT OF NET ASSETS
December 31, 2005

Assets

Current assets:	
Cash and cash equivalents	\$ 10,049,832
Accounts receivable	303,210
Inventories	238,999
Prepaid items	106,008
Due from state government	8,654
Due from federal government	<u>9,457</u>
 Total current assets	 <u>10,716,160</u>
Noncurrent assets:	
Restricted cash, cash equivalents and investments:	
Customer deposits	<u>757,979</u>
Capital assets:	
Land and construction in progress	799,357
Other capital assets (net of accumulated depreciation)	<u>24,605,786</u>
 Total capital assets	 <u>25,405,143</u>
 Total noncurrent assets	 <u>26,163,122</u>
 Total assets	 <u>36,879,282</u>

Liabilities

Current liabilities:	
Accounts payable	121,677
Accrued payroll and withholding payable	118,674
Taxes payable	15,091
PERF payable	43,542
Due to City	51,943
Current liabilities payable from restricted assets:	
Customer deposits	<u>752,597</u>
 Total liabilities	 <u>1,103,524</u>

Net Assets

Invested in capital assets, net of related debt	25,405,143
Restricted for debt service	752,597
Unrestricted	<u>9,618,018</u>
 Total net assets	 <u>\$ 35,775,758</u>

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

WATER UTILITY
CITY OF HAMMOND
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2005

Operating revenues:	
Unmetered water revenue	\$ 176,415
Metered water revenue:	
Residential	1,854,418
Commercial	6,318,378
Other water revenue	<u>277,242</u>
Total operating revenues	<u>8,626,453</u>
Operating expenses:	
Water treatment:	
Salaries and wages	816,275
Employee pensions and benefits	67,252
Purchased power	982,386
Chemicals	566,557
Materials and supplies	107,201
Contractual services	429,235
Insurance	341,298
Miscellaneous	24,313
Transmission and distribution:	
Salaries and wages	747,148
Employee pensions and benefits	57,034
Materials and supplies	396,709
Contractual services	70,919
Transportation expense	37,237
Insurance	473,620
Miscellaneous	2,086
Customer accounts:	
Salaries and wages	407,132
Employee pensions and benefits	33,603
Contractual services	189,629
Transportation expense	7,027
Insurance	244,026
Bad debt expense	5,584
Miscellaneous	5,631
Administrative and general:	
Salaries and wages	556,445
Employee pensions and benefits	29,189
Materials and supplies	120,027
Insurance	284,462
Taxes	243,156
Depreciation	1,350,242
Miscellaneous expenses	<u>83,198</u>
Total operating expenses	<u>8,678,621</u>
Operating loss	<u>(52,168)</u>
Nonoperating revenues (expenses):	
Interest and investment revenue	348,028
Loss on disposal of capital assets	<u>(11,524)</u>
Total nonoperating revenues	<u>336,504</u>
Income before contributions and transfers	284,336
Capital contributions	961,400
Transfers to City	<u>(791,415)</u>
Change in net assets	454,321
Total net assets - beginning	<u>35,321,437</u>
Total net assets - ending	<u>\$ 35,775,758</u>

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

WATER UTILITY
CITY OF HAMMOND
STATEMENT OF CASH FLOWS
As Of And For The Year Ended December 31, 2005

Cash flows from operating activities:	
Receipts from customers and users	\$ 8,649,431
Payments to suppliers and contractors	(4,743,366)
Payments to employees	<u>(2,526,191)</u>
Net cash provided by operating activities	<u>1,379,874</u>
Cash flows from noncapital financing activities:	
Transfers to city	<u>(791,415)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	<u>(734,457)</u>
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	52,352,773
Purchase of investments	(52,352,773)
Interest received	<u>351,212</u>
Net cash provided by investing activities	<u>351,212</u>
Net increase in cash and cash equivalents	205,214
Cash and cash equivalents, January 1	<u>10,602,597</u>
Cash and cash equivalents, December 31	<u>\$ 10,807,811</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	<u>\$ (52,168)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	1,350,242
Bad debt expense	5,584
Decrease in assets:	
Accounts receivable	21,726
Due from state government	1,252
Inventories	15,094
Prepaid items	1,332
Increase (decrease) in liabilities:	
Accounts payable	(31,174)
Accrued wages payable	809
Taxes payable	5,437
PERF payable	(5,256)
Due to City	51,943
Customer deposits	<u>15,053</u>
Total adjustments	<u>1,432,042</u>
Net cash provided by operating activities	<u>\$ 1,379,874</u>
Noncash investing, capital and financing activities:	
Contributions of capital assets from government	\$ 961,400
Purchase of equipment on account	25,483
Deletion of obsolete capital assets	170,004
Payments made on previously reported contracts payable	164,213

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

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

B. Fund Financial Statements

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

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

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

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The 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

Materials and supplies purchased throughout the year for repair and maintenance of the Utility are charged to expense accounts at the time of purchase. At year end, physical counts of significant inventories are made and are valued at cost using the first in/first out (FIFO) method. Appropriate entries are then made to adjust inventory and expense accounts.

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

3. Restricted Assets

Customer deposits are classified as restricted assets on the statement of net assets balance sheet because the assets on hand are refundable to the customer upon termination of services.

4. Capital Assets

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

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Source and supply	\$ 5,000	Straight-line	15 years
Distribution lines	5,000	Straight-line	15 years
Pumping equipment	5,000	Straight-line	5 to 10 years
Treatment equipment	5,000	Straight-line	5 to 10 years
General building	15,000	Straight-line	20 to 50 years
General equipment	2,000	Straight-line	5 years

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

5. Compensated Absences

- a. Sick Leave – Utility employees earn sick leave at the rate of ¼ of a day per month. Unused sick leave may be accumulated to a maximum of 75 days. Accumulated sick leave is not paid to employees upon separation from employment.
- b. Vacation Leave – Utility employees earn vacation leave at rates from 5 to 30 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year. However, unused vacation leave is paid to employees through cash payments upon separation from employment.
- c. Personal Leave – Utility employees earn personal leave at the rate of ¼ of a day per month. Personal leave does not accumulate from year to year. Unused personal leave is added to accumulated sick leave to a maximum of 75 days. Unused personal leave is not paid to employees upon separation from employment.

No liability is reported for vacation, sick, or personal leave.

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

II. Detailed Notes on All Funds

A. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

B. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 134,466	\$ -	\$ -	\$ 134,466
Construction in progress	<u>146,376</u>	<u>518,515</u>	<u>-</u>	<u>664,891</u>
				-
Total capital assets, not being depreciated	<u>280,842</u>	<u>518,515</u>	<u>-</u>	<u>799,357</u>
Capital assets, being depreciated:				
Source and supply	1,476,275	-	-	1,476,275
Distribution lines	31,535,330	961,400	-	32,496,730
Pumping equipment	8,610,905	5,325	-	8,616,230
Treatment equipment	11,149,249	-	-	11,149,249
General building	306,675	-	-	306,675
General equipment	<u>1,544,596</u>	<u>71,887</u>	<u>170,004</u>	<u>1,446,479</u>
Totals	<u>54,623,030</u>	<u>1,038,612</u>	<u>170,004</u>	<u>55,491,638</u>
Less accumulated depreciation for:				
Source and supply	704,641	100,617	-	805,258
Distribution lines	17,725,911	501,226	-	18,227,137
Pumping equipment	2,288,611	470,358	-	2,758,969
Treatment equipment	7,551,467	181,994	-	7,733,461
General building	291,003	4,745	-	295,748
General equipment	<u>1,132,457</u>	<u>91,302</u>	<u>158,480</u>	<u>1,065,279</u>
Totals	<u>29,694,090</u>	<u>1,350,242</u>	<u>158,480</u>	<u>30,885,852</u>
Total capital assets, being depreciated, net	<u>24,928,940</u>	<u>(311,630)</u>	<u>11,524</u>	<u>24,605,786</u>
Total capital assets, net	<u>\$ 25,209,782</u>	<u>\$ 206,885</u>	<u>\$ 11,524</u>	<u>\$ 25,405,143</u>

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

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2005	Committed	Required Future Funding
Schliecher subdivision phase 1	\$ 74,360	\$ 69,454	\$ 4,906	\$ -
Water plant piping repainting	315,267	195,564	119,703	-
New intake	135,600	128,570	7,030	-
New water storage tanks	35,950	35,845	105	-
Office reconstruction	304,050	235,458	68,592	-
Totals	<u>\$ 865,227</u>	<u>\$ 664,891</u>	<u>\$ 200,336</u>	<u>\$ -</u>

D. Transfers to City and Activity

1. Due to City

The composition of Due to City balances as of December 31, 2005, is as follows:

Due To	Due From Water Utility
General Fund	<u>\$ 51,943</u>

Interfund balances resulted from the time lag between the dates that payments between funds are made.

2. Transfers to City

Interfund transfers at December 31, 2005, were as follows:

Transfer From	Transfer To General Fund
Water Utility	<u>\$ 791,415</u>

The Utility transferred \$615,000 as payment in lieu of taxes and \$176,415 as excess earnings.

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

III. Other Information

A. Risk Management

The Utility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits and Job Related Illnesses or Injuries to Employees and Liability Insurance

The City (including the Utility) has chosen to establish a risk financing fund for risks associated with medical, vision, dental, workers' compensation and liability claims. The risk financing fund is accounted for in the City's Self-Insurance Fund (an internal service fund) where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$125,000 per year. Settled claims resulting from this risk exceeded commercial insurance coverage by \$291,742 in 2004, and \$770,750 in 2003. A premium is charged to each fund that accounts for payroll. The total charge allocated to each of the funds is calculated using trends in actual claims experience. Provisions are also made for unexpected and unusual claims.

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

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

	2005	2004
Unpaid claims, beginning of fiscal year	\$ 6,109,216	\$ 2,581,946
Incurred claims and changes in estimates	15,220,283	18,794,037
Claim payments	13,931,426	15,266,767
Unpaid claims, end of fiscal year	\$ 7,398,073	\$ 6,109,216

Water Utility Unemployment Compensation

The City (including the Utility) has chosen to establish a risk financing fund for risks associated with unemployment compensation claims. The risk financing fund is accounted for in the City's Unemployment Compensation Fund (an internal service fund of the City) where assets are set aside for claim settlements and the Utility reimburses the City from the Utility's Unemployment Compensation Account. The total charge allocated to each of the funds is based on each fund's actual number of employees which have had claims. Provisions are also made for unexpected and unusual claims.

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

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

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

	2005	2004
Unpaid claims, beginning of fiscal year	\$ 3,042	\$ -
Incurred claims and changes in estimates	1,352	3,042
Claim payments	4,394	-
Unpaid claims, end of fiscal year	\$ -	\$ 3,042

B. Intergovernmental Agreement

The Port Authority and the Hammond Water Utility entered into an Intergovernmental Agreement dated June 20, 1996, to which the Port Authority agreed to distribute embarkation fees to the Water Utility. The Port Authority agreed to distribute the lesser of (a) one-third of the amount of the embarkation fee received by the Port Authority in the most recent ended prior calendar quarter, or (b) \$375,000 quarterly, to a maximum of \$12,000,000. As of December 31, 2003, the Port Authority had distributed a total of \$7,300,000 to the Water Utility which resulted in a balance of \$4,700,000 due to the Water Utility. The two parties entered into an amendment to the agreement in February 2005 to suspend payments for the 2005 year. The distributions are to resume in 2006.

C. Subsequent Events

On January 25, 2006, the Utility approved payments of \$1,912,821.82 toward the ecosystem restoration project at the City's Wolf Lake. Of this amount, \$407,690.84 was paid to the Hammond Port Authority to reimburse it for the costs that were previously paid, and the balance of \$1,505,130.98 was paid to the United States Army Corp of Engineers.

The Utility is in the preliminary design phase of constructing two 6,000,000 gallon water storage tanks. These two tanks are estimated to cost a total of \$4,000,000. These costs will be paid from current cash balances of the Improvement Fund.

D. Postemployment Benefits

In addition to the pension benefits described below, the Utility provides postemployment medical benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the Utility on or after attaining age 50 with at least 15 years of service. Currently, 13 retirees meet these eligibility requirements. The Utility provides \$1,000 per month per retiree and the retiree remits the balance of the premium to the City Controller. Expenditures for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2005, expenditures of \$156,000 were recognized for postemployment benefits.

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

E. Rate Structure

The current rate structure was approved by the Indiana Utility Regulatory Commission on June 18, 1985.

F. Agent Services

The Utility provides billing and collection services for the City and Sanitary District of Hammond, and as such, acts as their agent.

G. Customer Cities

The Utility sells water to nine neighboring cities and towns. Revenues attributable to these cities and towns for 2005 are as follows:

	Metered Revenue
Burnham	\$ 81,662
Calumet City	1,040,154
Chicago Heights	1,424,634
Ford Heights	6,663
Griffith	331,472
Highland	716,127
Lansing	822,580
Munster	775,832
South Holland	86,465
Total	\$ 5,285,589

H. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City, including the Utility, contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Utility authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Utility's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the City as a whole (and is presented in the governmental activities of the financial statements and is not presented as an asset/liability of the proprietary funds).

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 904,017
Interest on net pension obligation	(56,638)
Adjustment to annual required contribution	64,543
Annual pension cost	911,922
Contributions made	920,486
Decrease in net pension obligation	(8,564)
Net pension obligation, beginning of year	(781,215)
Net pension obligation, end of year	\$ (789,779)
Contribution rates:	
Utility	4.75%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

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

Actuarial Assumptions	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 866,712	90%	\$ (649,056)
	06-30-04	734,971	118%	(781,215)
	06-30-05	911,922	125%	(789,779)

WATER UTILITY
CITY OF HAMMOND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 18,586,612	\$ 17,901,034	\$ 685,578	104%	\$ 17,270,930	4%
07-01-04	18,797,977	19,498,861	(700,884)	96%	18,447,579	(4%)
07-01-05	19,522,708	22,345,580	(2,822,872)	87%	19,211,969	(15%)

WATER UTILITY
CITY OF HAMMOND
EXIT CONFERENCE

The contents of this report were discussed on April 10, 2006, with Richard Mercer, Superintendent; Deborah VanMeter, Office Supervisor; C. Jerome Smith, Attorney; and Edward Krusa, President of the Utility Board of Directors. Our audit disclosed no material items that warrant comment at this time.