

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

EXAMINATION REPORT

OF

CITY OF WHITING

LAKE COUNTY, INDIANA

January 1, 2007 to December 31, 2007



FILED
11/06/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedule of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5-8
Supplementary Information:	
Schedule of Capital Assets.....	9
Schedule of Long-Term Debt	10
Examination Result and Comment:	
Emergency Medical Services Billing Reconcilements.....	11
Exit Conference.....	12

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Margaret Drewniak Mark S. Adam	01-01-04 to 12-31-07 01-01-08 to 12-31-11
Mayor	Joseph Stahura	01-01-04 to 12-31-11
President of the City Council	Chris Sarvanidis	01-01-07 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF WHITING, LAKE COUNTY, INDIANA

We have examined the financial information presented herein of the City of Whiting (City), for the period of January 1, 2007 to December 31, 2007. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 29, 2008

CITY OF WHITING
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 1,804,503	\$ 6,661,181	\$ 7,920,599	\$ 545,085
Special Revenue Funds:				
Motor Vehicle Highway	283,320	188,412	186,520	285,212
Local Road and Street	491,792	52,682	247,497	296,977
Tennis in the Parks Grant	33	-	33	-
Park and Recreation	25,617	1,408,831	1,232,758	201,690
Park Nonreverting Operating	13,461	30,519	24,160	19,820
Park Donation	4,809	2,396	1,562	5,643
Park Shoreline Improvement	186,152	-	-	186,152
Local Supplement Probation	8,624	8,020	9,466	7,178
Local Law Enforcement Continuing Education	12,371	3,387	-	15,758
Court Donation	5,243	5,125	3,295	7,073
Clerk Record Perpetuation	4,176	920	-	5,096
Economic Development Project Innkeepers Tax	70,381	5,400	-	75,781
Economic Development Commission	21,500	-	20,152	1,348
Animal Control	24,202	3,531	2,688	25,045
Street Light	189,555	109,101	272,040	26,616
Redevelopment Commission Operating	241,659	78,925	205,245	115,339
Riverboat	53,017	49,550	50,000	52,567
Lakefront Commons Allocation	23,763	24,000	-	47,763
New York Avenue Allocation	6,000	-	-	6,000
Tax Increment Financing (TIF) Allocation No. 1	2,446,515	102,892	1,766,756	782,651
FEMA Fire Assistance Grant	-	44,330	44,330	-
BP Settlement (City)	-	1,686,785	1,329,270	357,515
Debt Service Funds:				
Whiting Bond	81,691	45,329	121,849	5,171
Redevelopment District Tax Increment Financing (TIF) Revenue Bond and Interest	-	500,595	236,177	264,418
Capital Projects Funds:				
Park Nonreverting Capital	327,539	33,771	231,028	130,282
Cumulative Capital Improvement	79,304	18,043	-	97,347
Cumulative Capital Development	124,192	26,824	125,000	26,016
Major Moves Construction	122,154	-	122,154	-
Redevelopment Standard Avenue Construction	6,631,977	226,789	5,179,397	1,679,369
Economic Development Initiative Special Projects Grant	-	264,616	264,616	-
Proprietary Funds:				
Water Utility Operating	608,099	641,857	790,921	459,035
Wastewater Utility:				
Sanitary District General	1,449,679	1,305,556	2,604,000	151,235
Solid Waste Recycling Grant	153,762	17,303	-	171,065
Basin/Sewer Users	622,355	1,008,428	1,050,671	580,112
BP Settlement (Sanitary District)	-	747,676	198,300	549,376
Sanitary District Bond	561,826	937,725	1,423,427	76,124
Internal Service Fund:				
Hospitalization	93,620	1,137,794	1,134,769	96,645
Fiduciary Funds:				
Fire Pension	111,290	417,905	437,611	91,584
Police Pension	353,132	440,176	621,331	171,977
Public Employees Retirement Fund	-	107,126	79,087	28,039
IN Police and Fire Pension	439	80,112	60,028	20,523
Town Court	69,046	213,915	208,719	74,242
Tax Fund	-	1,554,821	1,554,821	-
Payroll Fund	-	6,264,090	6,264,090	-
Child Support Fund	-	34,706	34,706	-
Totals	<u>\$ 17,306,798</u>	<u>\$ 26,491,144</u>	<u>\$ 36,059,073</u>	<u>\$ 7,738,869</u>

The accompanying notes are an integral part of the financial information.

CITY OF WHITING
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and 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.

Note 5. 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.

State statute (IC 5-13-9) authorizes the City 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.

CITY OF WHITING
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

A. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

1. Public Employees' Retirement Fund

Plan Description

The City 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 this 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 City 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 members' 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.

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. That 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 the plan members for PERF are established by the Board of Trustees of PERF.

2. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

CITY OF WHITING
NOTES TO FINANCIAL INFORMATION
(Continued)

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

3. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

B. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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:

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

CITY OF WHITING
NOTES TO FINANCIAL INFORMATION
(Continued)

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF.

Note 7. Subsequent Events

Shoreline Development

On March 25, 2008, the City received a grant from Northwest Indiana Regional Development Authority for \$2,563,225 for shoreline and bike path development.

Tax Increment Bonds

On August 2, 2008, the City issued Subordinate Tax Increment Revenue Bonds for \$1,000,000.

Property Tax Rates and Levies

Property tax rates and levies for 2007 taxes payable in 2008 were not established by February 15, 2007, as required by state statute due to the delay in the completion and approval of the trending ratio study used in determining the assessed value of each property within Lake County. Currently, the officials expect to mail in September 2008 the tax bills for the spring installment, normally due May 10.

CITY OF WHITING
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

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.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 2,435,867
Infrastructure	1,249,915
Buildings	4,591,738
Improvements other than buildings	1,364,425
Machinery and equipment	4,786,232
Construction in progress	<u>6,663,138</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 21,091,315</u></u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Infrastructure	\$ 178,676
Buildings	216,704
Improvements other than buildings	-
Machinery and equipment	<u>122,322</u>
 Total Water Utility capital assets	 <u>517,702</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	-
Infrastructure	112,100
Buildings	2,989,094
Improvements other than buildings	330,411
Machinery and equipment	<u>463,577</u>
 Total Wastewater Utility capital assets	 <u>3,895,182</u>
 Total business-type activities capital assets	 <u><u>\$ 4,412,884</u></u>

CITY OF WHITING
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Notes and loans payable		
Wagner Building TIF	\$ 132,809	\$ 10,619
1944 New York Ave TIF	82,333	5,796
2418 Indianapolis Blvd TIF	150,250	11,179
Hammond Sanitary District Debt	179,277	32,179
Bonds payable:		
General obligation bonds:		
2004 General Obligation Refunding Bonds	500,000	99,160
Sanitary District Bond	5,770,000	1,074,354
Redevelopment Tax Increment Bond	7,500,000	643,836
Total governmental activities debt	\$ 14,314,669	\$ 1,877,123

CITY OF WHITING
EXAMINATION RESULT AND COMMENT

EMERGENCY MEDICAL SERVICES BILLING RECONCILEMENTS

The Emergency Medical Service (EMS) contracts with a third party billing service. The third party billing service performs the billings of amounts due based upon run sheets provided by the EMS department. They also receive collections on the billings they perform, which are subsequently remitted to the City.

The City relies solely on the third party's reports that detail what has been collected. The City does not reconcile the billing service's credit detail report to the EMS's run reports or maintain a record of unpaid emergency services billed. The EMS was asked to monitor the billing records and maintain outstanding receivables.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF WHITING
EXIT CONFERENCE

The contents of this report were discussed on September 29, 2008, with Joseph Stahura, Mayor; Mark S. Adam, Clerk-Treasurer; Chris Sarvanidis, President of the City Council; and Denise Sejna, City Attorney. The officials concurred with our finding.