

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

FINANCIAL STATEMENTS EXAMINATION REPORT
OF

WATER UTILITY
CITY OF HAMMOND
LAKE COUNTY, INDIANA

January 1, 2011 to December 31, 2011



FILED
01/14/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Robert Lendi, CPA	01-01-11 to 12-31-12
Mayor	Thomas M. McDermott, Jr.	01-01-08 to 12-31-15
President of the Board of Public Works and Safety	William J. O'Connor	01-01-11 to 12-31-12
President of the Common Council	Anthony Higgs Michael Opinker	01-01-11 to 12-31-11 01-01-12 to 12-31-12
Office Manager	Deborah Van Meter	01-01-11 to 12-31-12
Chief Executive Operator of the Water Utility	Edward Krusa	01-01-11 to 12-31-12
President of the Utility Service Board	Sharon Daniels	01-01-11 to 12-31-12



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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statements of the Water Utility (Utility), a department of the City of Hammond, for the year ended December 31, 2011. The financial statements are the responsibility of the Utility'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 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, 2011, 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 financial position of the business-type activities for the Water Utility, as of December 31, 2011, 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 Water Utility has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

This report is intended solely for the information and use of the Water Utility's management, Water Utility Service Board, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 8, 2012

WATER UTILITY
CITY OF HAMMOND
STATEMENT OF NET ASSETS
December 31, 2011

Assets

Current assets:	
Cash and cash equivalents	\$ 1,611,149
Accounts receivable	722,552
Inventories	431,487
Prepaid items	113,775
Due from state	<u>118</u>
 Total current assets	 <u>2,879,081</u>
Noncurrent assets:	
Restricted cash, cash equivalents and investments:	
Customer deposits	791,799
Capital improvement	<u>265,249</u>
Total restricted cash, cash equivalents and investments	<u>1,057,048</u>
Capital assets:	
Land, land rights, and construction in progress	188,165
Other capital assets (net of accumulated depreciation)	<u>40,816,641</u>
 Total capital assets	 <u>41,004,806</u>
 Total noncurrent assets	 <u>42,061,854</u>
 Total assets	 <u>44,940,935</u>

Liabilities

Current liabilities:	
Accounts payable	13,477
Accrued payroll and withholding payable	52,047
Taxes payable	16,457
PERF payable	87,266
Redevelopment loan payable	852,314
Current liabilities payable from restricted assets:	
Customer deposits	<u>793,329</u>
 Total current liabilities	 <u>1,814,890</u>
Noncurrent liabilities:	
Compensated absences	<u>127,608</u>
 Total liabilities	 <u>1,942,498</u>

Net Assets

Invested in capital assets	40,152,492
Restricted for customer deposits	791,799
Restricted for capital improvements	265,249
Unrestricted	<u>1,788,897</u>
 Total net assets	 <u>\$ 42,998,437</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, 2011

Operating revenues:	
Metered water revenue:	
Residential	\$ 1,618,990
Commercial	7,233,099
Other water revenue	<u>431,929</u>
 Total operating revenues	 <u>9,284,018</u>
Operating expenses:	
Water Treatment:	
Salaries and wages	864,838
Employee pensions and benefits	90,816
Purchased power	1,128,383
Chemicals	951,934
Materials and supplies	215,967
Contractual services	664,838
Insurance	359,423
Miscellaneous	1,763
Transmission and Distribution:	
Salaries and wages	971,654
Employee pensions and benefits	112,276
Materials and supplies	548,531
Contractual services	174,372
Transportation expense	69,622
Insurance	576,317
Miscellaneous	6,918
Customer Accounts:	
Salaries and wages	644,874
Employee pensions and benefits	72,414
Contractual services	205,446
Transportation expense	9,677
Insurance	241,591
Bad debt expense	7,964
Miscellaneous	967
Administrative and General:	
Salaries and wages	667,209
Employee pensions and benefits	48,738
Materials and supplies	164,553
Insurance	345,479
Taxes	282,997
Depreciation	1,933,786
Miscellaneous	<u>16,508</u>
 Total operating expenses	 <u>11,379,855</u>
 Operating loss	 <u>(2,095,837)</u>
Nonoperating revenues:	
Interest and investment revenue	<u>7,718</u>
 Income (loss) before contributions and transfers	 (2,088,119)
Capital contributions	1,701,184
Transfers to City	<u>(615,000)</u>
 Change in net assets	 (1,001,935)
Total net assets - beginning	<u>44,000,372</u>
Total net assets - ending	<u>\$ 42,998,437</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, 2011

Cash flows from operating activities:	
Receipts from customers and users	\$ 8,906,996
Payments to suppliers and contractors	(6,016,015)
Payments to employees	(3,148,560)
Payments for employee pension and benefits	(325,900)
Receipts from other sources	<u>431,929</u>
Net cash provided (used) by operating activities	<u>(151,550)</u>
Cash flows from noncapital financing activities:	
Transfers to City	<u>(615,000)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(696,380)
Repayment of principal on loan from Redevelopment Commission	<u>(562,839)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,259,219)</u>
Cash flows from investing activities:	
Interest received	<u>7,718</u>
Net increase in cash and cash equivalents	(2,018,051)
Cash and cash equivalents, January 1	<u>4,686,248</u>
Cash and cash equivalents, December 31	<u>\$ 2,668,197</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ <u>(2,095,837)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	1,933,786
Bad debt expense	7,964
(Increase) decrease in assets:	
Accounts receivable	38,820
Inventories	(53,633)
Prepaid items	12,330
Due from state	159
Increase (decrease) in liabilities:	
Accounts payable	(499)
Accrued payroll and withholding payable	(8,635)
PERF payable	5,276
Taxes payable	(15)
Customer deposits payable	7,031
Compensated absences	<u>1,703</u>
Total adjustments	<u>1,944,287</u>
Net cash provided (used) by operating activities	<u>\$ (151,550)</u>
Noncash investing, capital and financing activities:	
Contributions of capital assets from government	\$ 1,701,184
Transfer of completed construction in progress projects	4,942,133
Deletion of obsolete capital assets	449,441

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.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Utility has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, the Utility's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

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

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

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

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. Inventories and Prepaid Items

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.

3. Restricted Assets

Assets totaling \$265,249 of the Water Utility are classified as restricted assets on the Statement of Net Assets because these assets are restricted for capital improvements for the Calumet Avenue and High Lift Projects.

The financial statements report \$791,799 of restricted net assets for customer deposits. Customer deposits are assets on hand that are refundable upon termination of customer 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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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.

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

5. Compensated Absences

- a. Sick Leave – Eligible Utility employees earn sick leave at the rate of 1 day per month. Unused sick leave may be accumulated to a maximum of 75 days. Upon separation of employment, accumulated sick leave is paid to employees that have been employed at least 10 years at the rate of one day's pay for every four unused accumulated sick days or after 15 years of employment at the rate of one day's pay for every two unused accumulated sick days.
- b. Vacation Leave – Utility employees earn vacation leave at rates from 5 days 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 of employment.
- c. Personal Leave – Full time utility employees employed on January 1st are entitled to 3 personal days during the calendar year. New employees hired after January 1st will not be entitled to personal days until January of the following year. There shall be no carryover of personal business day from year to year and there shall be no payment for personal days at the end of any calendar year or in the event of termination of the employment relationship for any reason.

No liability is reported for vacation and personal leave.

II. Detailed Notes on All Funds

A. Deposits and Investments

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Utility does not have a deposit policy for custodial credit risk. At December 31, 2011, the Utility had deposit balances in the amount of \$2,668,197.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 134,466	\$ -	\$ -	\$ 134,466
Construction in progress	4,179,245	816,587	4,942,133	53,699
Total capital assets, not being depreciated	<u>4,313,711</u>	<u>816,587</u>	<u>4,942,133</u>	<u>188,165</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Source and supply	7,072,549	-	-	7,072,549
Distribution lines	43,294,579	1,669,797	283,002	44,681,374
Pumping equipment	9,657,402	4,850,318	162,439	14,345,281
Treatment equipment	11,156,524	-	-	11,156,524
General building	656,835	-	-	656,835
General equipment	1,372,740	2,995	4,000	1,371,735
Totals	73,210,629	6,523,110	449,441	79,284,298
Less accumulated depreciation for:				
Source and supply	1,616,688	12,652	-	1,629,340
Distribution lines	20,586,071	664,014	283,002	20,967,083
Pumping equipment	4,925,746	1,069,942	162,439	5,833,249
Treatment equipment	8,332,580	115,410	-	8,447,990
General building	377,711	-	-	377,711
General equipment	1,144,517	71,767	4,000	1,212,284
Totals	36,983,313	1,933,785	449,441	38,467,657
Total capital assets, being depreciated, net	36,227,316	4,589,325	-	40,816,641
Total capital assets, net	<u>\$ 40,541,027</u>	<u>\$ 5,405,912</u>	<u>\$ 4,942,133</u>	<u>\$ 41,004,806</u>

C. Construction Commitments

Construction work in progress is composed of the following:

Project	2011		
	Total Project Authorized	Expended to December 31,	Committed
Calumet Avenue	\$ 283,734	\$ 39,699	\$ 244,035
High Lift	14,000	14,000	-
Totals	<u>\$ 297,734</u>	<u>\$ 53,699</u>	<u>\$ 244,035</u>

D. Short-Term Liabilities

The Utility may use short-term notes and loans to finance a variety of public projects, including a loan from the Hammond Redevelopment Commission for the Filtration Plant Envelope Repair Project.

Short-term debt activity for the year ended December 31, 2011, was as follows:

2011	Beginning Balance	Issued/ Draws	Redeemed Repayments	Ending Balance
Redevelopment loan payable	<u>\$ 1,415,153</u>	<u>\$ -</u>	<u>\$ 562,839</u>	<u>\$ 852,314</u>

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

E. Restricted Assets

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

	2011
Customer deposits	\$ 791,799
Capital improvement	265,249
Total restricted assets	\$ 1,057,048

F. Transfers to the City

Interfund transfers at December 31, 2011 were as follows:

Transfer From	Transfer To	2011
Water Utility	City General Fund	\$ 615,000

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. Risk financing is not utilized for the other risks of loss.

Medical Benefits

The City (including the Utility) has chosen to establish a risk financing fund for risks associated with medical, vision, dental, and life insurance. The risk financing fund is accounted for in the City's Self-Insurance Fund (an internal service fund of the City) where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$125,000 per year. 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.

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

Effective February 1, 2011, the Utility began participating in the City's self-insurance plan.

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. 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.

B. Other Postemployment Benefits

Single-Employer Defined Benefit Healthcare Plan

Plan Description

The Utility provides postemployment benefits (medical, dental, vision and life insurance) to eligible retirees and their spouses.

Funding Policy

The contribution requirements of plan members for the Seniors Choice Healthcare Plan are established by the Utility's Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the governing board. For the year ended December 31, 2011, the Utility contributed \$116,565, to the plan. Plan members receiving benefits contributed \$13,040, or approximately 11 percent of the total premiums, through their required contribution of \$20 to \$104 per month.

Annual OPEB Cost and Net OPEB Obligation

The Utility'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:

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

Annual required contribution	\$	1,057,968
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
		-
Annual OPEB cost		1,057,968
Contributions made		250,902
		250,902
Increase (decrease) in net OPEB obligation		807,066
Net OPEB obligation, beginning of year		-
		-
Net OPEB obligation, end of year	\$	807,066

The Utility's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12-31-10	\$ 1,057,968	24%	\$ 807,065

The preceding two years' information was not available.

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$11,222,076, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,222,076. The covered payroll (annual payroll of active employees covered by the plan) was \$0, and the ratio of the UAAL to covered payroll was 0 percent.

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.

Schedule of Funding Progress, Required Supplementary Information

The Schedule of Funding Progress, required supplementary information, 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. Only one year of information is available at this time.

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

Required Supplementary Information
Schedule of Funding Progress
Postemployment 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)
07-01-2009	\$ -	\$ 11,222,076	\$ (11,222,076)	0%	N/A	N/A

N/A = All retirees, no covered payroll

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 July 1, 2009, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 3.50 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10percent initially, reduced by decrements to an ultimate rate of 5 percent after 10 years. Both rates included a 3 percent inflation assumption. 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 July 1, 2009, was 30 years.

C. Rate Structure

The current rate structure was approved by the Indiana Regulatory Commission on June 18, 1985. The Utility has approximately 26,000 customers.

D. Agent Services

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

E. Customer Cities

The Utility sells water to eleven neighboring cities and towns. Revenues attributable to these cities and towns for 2011 are as follows:

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

City or Town	Metered Revenue
Burnham	\$ 186,268
Calumet City	1,302,458
Chicago Heights	1,660,036
Ford Heights	73,445
Griffith	304,038
Highland	675,175
Lansing	1,245,300
Lynwood	37,735
Munster	638,813
South Holland	23,223
Whiting	174,378
	\$ 6,320,869
Total	\$ 6,320,869

F. Filtration Plant Exterior Envelope Repair Project Financing

In 2008, the Utility started the Filtration Plant Envelope Repair Project, with an estimated total cost of \$3,558,607. To assist in the financing of the filtration plant upgrade, on April 27, 2009, the Hammond Redevelopment Commission gave the Utility a \$1,500,000 interest free loan that has an open ended maturity date. In 2011, the Utility made \$562,839 in payments to the Redevelopment Commission. The amount the Utility still owes the Hammond Redevelopment Commission at December 31, 2011, is \$852,314.

G. 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 Indiana Public Retirement System (INPRS) 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.

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. The report may be obtained by contacting:

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

PERF members are required to contribute three percent (3percent) of their annual covered salary. The Utility is required to contribute at an actuarially determined rate; the current rate is seven and one half percent (7.5percent) of annual covered payroll. The contribution requirements of plan members and the Utility are established and may be amended by the INPRS Board.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available. Net Pension Obligation/Asset is a liability/asset of the City and not the Utility. For 2011, the Utility's annual pension cost was \$317,266.

WATER UTILITY
CITY OF HAMMOND
EXIT CONFERENCE

The contents of this report were discussed on August 9, 2012, with Edward Krusa, Chief Executive Operator of the Water Utility; Robert Lendi, CPA, Controller; Sharon Daniels, President of the Utility Service Board; and Deborah Van Meter, Office Manager. Our examination disclosed no material items that warrant comment at this time.