

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

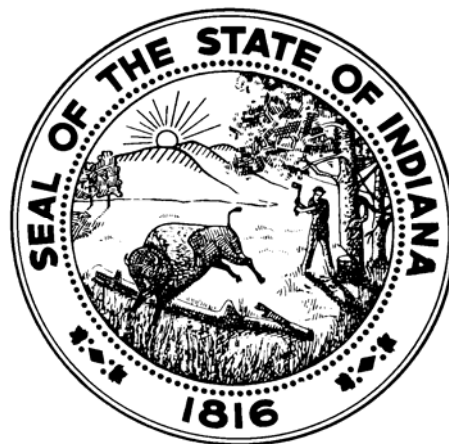
EXAMINATION REPORT

OF

CITY OF CROWN POINT

LAKE COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED
07/05/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Patti Olson	01-01-04 to 12-31-07
Mayor	Daniel M. Klein	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Daniel M. Klein	01-01-04 to 12-31-07
President of the Common Council	Paul Bremer	01-01-06 to 12-31-07
Public Works Director	Jay Olson	01-01-06 to 12-31-07
Plant Superintendent	Ron Henley	01-01-06 to 12-31-07
Superintendent of Utilities	Kent Swinehart	01-01-06 to 12-31-07
City Judge	Kent A. Jeffirs	01-01-04 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF CROWN POINT, LAKE COUNTY, INDIANA

We have examined the financial information presented herein of the City of Crown Point (City), for the period of January 1, 2006 to December 31, 2006. 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, 2006, 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 a required part 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

June 5, 2007

CITY OF CROWN POINT
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETY AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 2,871,352	\$ 35,534,150	\$ 35,931,408	\$ 2,474,094
Motor Vehicle Highway	289,088	4,022,787	3,725,108	586,767
Local Road and Street	67,851	240,723	297,187	11,387
Law Enforcement Continuing Education	11,714	18,612	10,508	19,818
Riverboat	191,467	212,869	382,588	21,748
Police Donations Escrow	12,890	9,797	5,873	16,814
Cumulative Capital Improvement	36,059	100,406	81,757	54,708
Cumulative Capital Development	290,651	242,156	74,614	458,193
Cumulative Sewer	674,606	401,987	37,291	1,039,302
Cumulative Fire	341,524	482,224	420,119	403,629
Cumulative Capital II (EMS)	163,047	32,385	-	195,432
DUI Grant Fund	4,000	-	-	4,000
Big City/County Seatbelt Enforcement	433	14,021	12,084	2,370
Economic Development Nonreverting Fund	26,338	4,500	650	30,188
General Improvement	26,915	13,444	13,621	26,738
Lease Rental, EMS Building	42,134	310,908	310,000	43,042
Barrett Law	38,374	-	-	38,374
Tourism	4,974	5,400	4,799	5,575
Crown Point Redevelopment Fund	1,562,545	14,341,468	14,767,439	1,136,574
Recycling and Solid Waste Grant	106	283,010	13,686	269,430
Firefighter's Grant Fund	4,903	244	-	5,147
Nonreverting Park	62,717	83,380	53,627	92,470
Nonreverting Special Events Fund	2,683	25,981	20,794	7,870
Crown Point Beautification	1,000	-	-	1,000
Deferral Program Fund	36,372	36,808	6,982	66,198
Adult Probation Service Fund	-	43,778	9,384	34,394
Dog Supply and Maintenance	1,584	6,000	675	6,909
Court Record Perpetuation	17,542	10,939	4,000	24,481
Park Department Nonreverting	1,404	1,305	900	1,809
DARE Fund	7,974	7,515	4,847	10,642
Fire Department Donations	927	19,362	18,538	1,751
Police Federal Nonreverting Seizure	5,696	446	3,504	2,638
Mayor's Roundtable Escrow	320	-	-	320
Police State Nonreverting Seizure	1,034	-	-	1,034
GREAT Program	1	-	-	1
Hazmat Nonreverting Fund	672	-	-	672
Grimmer Retainage Fund	-	18,800	-	18,800
Civil Defense Escrow	16,999	8,850	10,026	15,823
LCDD Task Force	43,467	170,750	214,217	-
Economic Development Corporation Escrow	1,489	-	-	1,489
Homestead Restoration Fund	12,214	-	12,114	100
Major Moves Construction Fund	-	470,974	-	470,974
High Meadows Escrow	25,163	-	1,503	23,660
Tank Improvement Escrow	144	-	-	144
Park and Playground Escrow	2,800	-	-	2,800
Community of Character Nonreverting	-	8,500	5,524	2,976
Cemetery Nonreverting Fund	-	29,320	-	29,320

The accompanying notes are an integral part of the schedule.

CITY OF CROWN POINT
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETY AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2006
(Continued)

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds (continued):				
Proprietary Funds:				
Water Utility - Operating	649,275	7,724,014	7,815,460	557,829
Water Utility - Bond and Interest	295,076	1,250,741	1,244,565	301,252
Water Utility - Depreciation	1,886,373	18,299,814	17,762,000	2,424,187
Water Utility - Customer Deposit	12,615	5,175	5,200	12,590
Water Utility - Construction	276,142	33,060	253,566	55,636
Water Utility - Cash Reserve	494,825	3,855,200	3,855,200	494,825
Water Utility - Petty Cash	600	-	-	600
Wastewater Utility - Operating	552,652	5,621,058	5,673,308	500,402
Wastewater Utility - Bond and Interest	486,298	7,784,767	7,677,825	593,240
Wastewater Utility - Improvement Other	1,722,568	13,683,362	14,651,459	754,471
Wastewater Utility - Debt Service	762,940	6,514,704	6,230,639	1,047,005
Wastewater Utility - Construction	-	3,612,819	43,039	3,569,780
Wastewater Utility - Improvement (Replacement)	823,740	6,696,868	6,847,178	673,430
Wastewater Utility - Petty Cash	800	-	-	800
Nonreverting Employee Health	623,448	2,580,632	2,625,138	578,942
Retirees' Nonreverting Insurance	433,200	3,553,086	3,447,000	539,286
Fiduciary Funds:				
Police Officers' Pension	490,072	4,411,515	4,344,187	557,400
Firefighters' Pension	217,638	1,937,184	1,920,025	234,797
User Fee Fund	-	39,196	39,196	-
PERF Escrow	26,388	122,641	120,102	28,927
Voluntary PERF Deduction	1,252	5,680	5,621	1,311
Special Insurance Escrow	94	-	-	94
Miscellaneous Refunds	24,009	6,175	30,184	-
Fire Pension II	13,092	54,404	53,890	13,606
Indiana State Income Tax	21,805	271,748	271,040	22,513
Police Pension Indiana Gross	897	10,973	10,962	908
Fire Pension Indiana Gross	114	982	1,018	78
Police Pension II	21,883	92,882	90,852	23,913
Colonial Life and Accident	371	276	276	371
St. Jude Grant Fund	-	63,600	63,600	-
Greenview Recovery Agreement	9,600	-	-	9,600
Municipal Insurance	142	1,233	1,026	349
Miscellaneous Sales Tax	218	3,850	3,934	134
Court Cost County	4,400	31,825	35,314	911
Prepaid Legal Escrow	19	5,525	5,443	101
Vision Insurance Escrow	1,185	11,687	11,270	1,602
AFLAC Escrow	273	60,999	60,497	775
American Bankers Insurance Escrow	158	-	-	158
Dental Insurance Escrow	441	-	441	-
Account Police Car Escrow	151	-	-	151
Perpetual Building Improvement Fund Escrow	266,000	340,120	292,000	314,120
City of Crown Point Court (Supplemental)	346,941	927,940	835,232	439,649
Totals	<u>\$ 17,370,868</u>	<u>\$ 146,829,534</u>	<u>\$ 142,783,054</u>	<u>\$ 21,417,348</u>

The accompanying notes are an integral part of the schedule.

CITY OF CROWN POINT
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 (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, and urban re-development.

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 CROWN POINT
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

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.

Note 7. Tax Levies and Rates

Property tax rates and levies for 2004 taxes payable in 2005 were not established by February 15, 2004, as required by state statute due to the delay in the completion of the reassessment of Lake County. The 2005 property tax rates and levies were not established until October 2004; thus, the property taxes were not billed or collected timely. The final settlement of the 2004 taxes payable in 2005 was distributed to the various governmental entities in March 2006.

Property tax rates and levies for 2005 taxes payable in 2006 were not established by February 15, 2005, as required by state statute due to the delay in the completion of the reassessment of Lake County. The tax bills were mailed to Lake County residents in August 2006. They were due in two installments on August 29, 2006 and November 14, 2006. The final settlement of the 2005 taxes payable in 2006 was distributed to the various governmental entities on January 4, 2007.

CITY OF CROWN POINT
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 8. Circuit Breaker Agreement

In 2004, the State of Indiana provided to Lake County, for the benefit of various taxing units, a circuit breaker loan. The loan was to cover tax bill amounts in excess of 2% of the property's assessed valuation, subject to the property having a homestead exemption on file. On January 11, 2005, the County entered into an agreement with the City of Crown Point and other taxing units receiving gaming tax distributions from Lake County for repayment of the loan. The City will have its gaming distribution reduced by \$54,371 for the first quarter of 2005 and \$36,797 for each quarter thereafter until December 31, 2009.

Note 9. Subsequent Event

Property tax rates and levies for 2006 taxes payable in 2007 were not established by February 15, 2006, as required by state statute due to the delay in the completion of the reassessment of Lake County. Currently, tax bills have not been mailed for the spring installment, normally due May 10.

CITY OF CROWN POINT
EXAMINATION RESULTS AND COMMENTS

OLD OUTSTANDING CHECKS

The City Court bank reconciliements as of 12-31-06 revealed checks outstanding in excess of two years that have not been voided.

Indiana Code 5-11-10.5-2 states, in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void.

CASH BONDS

As noted in the prior report, the cash bond register contains bonds held by the Court since 1969. These older bonds have not been ordered forfeited by the court as required by statute.

Indiana Code 35-33-8-7 states that, if a defendant;

- (1) was admitted to bail under Indiana Code 35-33-8-3.2(a)(2); and
- (2) has failed to appear before the court as ordered; the court shall issue a warrant for the defendant's arrest.

In a criminal case, if the court having jurisdiction over the criminal case receives written notice of a pending civil action or unsatisfied judgment against the criminal defendant arising out of the same transaction or occurrence forming the basis of the criminal case, funds deposited with the Clerk of the court under Indiana Code 35-33-8-3.2(a)(2) may not be declared forfeited by the court, and the court shall order the deposited funds to be held by the Clerk. If there is an entry of final judgment in favor of the plaintiff in the civil action, and if the deposit and the bond are subject to forfeiture, the criminal court shall order payment of all or any part of the deposit to the plaintiff in the action, as is necessary to satisfy the judgment. The court shall then order the remainder of the deposit, if any, and the bond forfeited.

Any proceedings concerning the bond, or its forfeiture, judgment, or execution of judgment, shall be held in the court that admitted the defendant to bail.

After a bond has been forfeited, the Clerk shall mail notice of forfeiture to the defendant. In addition, unless the court finds that there was justification for the defendant's failure to appear, the court shall immediately enter judgment, without pleadings and without change of judge or change of venue, against the defendant for the amount of the bail bond, and the Clerk shall record the judgment.

CITY OF CROWN POINT
EXAMINATION RESULTS AND COMMENTS
(Continued)

If a bond is forfeited and the court has entered a judgment, the Clerk shall transfer to the state common school fund:

- (1) Any amount remaining on deposit with the court (less the fees retained by the Clerk); and (2) Any amount collected in satisfaction of the judgment.

The Clerk shall return a deposit, less the administrative fee, made under Indiana Code 35-33-8-3.2(a)(2) to the defendant, if the defendant appeared at trial and the other critical stages of the legal proceedings.

UNCLAIMED TRUST FUNDS

As noted in the prior five reports, the City Court has Trust Funds with balances on hand that date back to 1985. Trust funds on hand in excess of five years totaled \$10,605 at December 31, 2006. During 2006, the court started to disburse some of these trust fund balances.

All items that can be legally disbursed should be paid immediately to the person or persons entitled thereto. All fees and funds ten or more years old, including old outstanding checks, should be scheduled on forms provided by the Attorney General and paid over to him as required by IC 32-9-8. They should not be allowed to accumulate beyond the five year anniversary date of issue. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

DISTRIBUTIONS OF FEES COLLECTED

The City Court collects various fees that are to be distributed to the county auditor and the city fiscal officer on a monthly basis. Since converging with Lake County Court's computer system in October of 2006 the City Court was up to three months behind in distributing these fees.

Overweight Vehicle Fines, State User Fees, Special Death Benefit Fees, Marijuana Eradication Fees, and Jury Fees are to be sent to the county auditor by the court on a monthly basis. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 1)

The county's and city's/town's share of court costs, any city/town fines, document fees, administrative fees, facsimile fees, document storage fees, late payment fees, probation fees, credit card service fees, user fees or other items shall be remitted to the city/town fiscal officer on a monthly basis. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 1)

CITY OF CROWN POINT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2006

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 are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated 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	\$ 1,775,824
Fixtures	9,124
Sewer System	32,470
Infrastructure	23,744,446
Furniture	115,002
Buildings	4,856,604
Improvements other than buildings	3,228,846
Vehicles	3,553,157
Machinery and equipment	<u>2,722,897</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 40,038,369</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 237,959
Storage Tank	2,779,391
Vehicles	533,813
Construction in progress	2,872,144
Distribution	12,074,328
Buildings	2,613,419
Machinery and equipment	<u>686,180</u>
Total Water Utility capital assets	<u>\$ 21,797,234</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Intercept. Sewer	\$ 3,020,255
Land	6,464,349
Vehicles	135,073
Infrastructure	178,087
Construction in progress	5,964,299
Improvements other than buildings	230,428
Sewer Systems	17,710,459
Buildings	15,008
Machinery and equipment	<u>2,423,760</u>
Total Wastewater Utility capital assets	<u>\$ 36,141,719</u>
Total business-type activities capital assets	<u>\$ 57,938,953</u>

CITY OF CROWN POINT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
EMS Building	\$ 1,240,000	\$ 310,000
Notes and loans payable	<u>1,041,071</u>	<u>21,229</u>
Total governmental activities long-term debt	<u>\$ 2,281,071</u>	<u>\$ 331,229</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
1998 Revenue bonds	\$ 5,891,721	\$ 487,962
2002 Revenue bonds	<u>3,582,510</u>	<u>203,519</u>
Total Water Utility	<u>9,474,231</u>	<u>691,481</u>
Wastewater Utility		
Capital leases:		
Bulldozer	11,031	11,031
Revenue bonds:		
2006 Revenue bonds	3,625,000	-
SRF Loan	<u>6,996,350</u>	<u>766,300</u>
Total Wastewater Utility	<u>10,632,381</u>	<u>777,331</u>
Total business-type activities long-term debt	<u>\$ 20,106,612</u>	<u>\$ 1,468,812</u>

CITY OF CROWN POINT
EXIT CONFERENCE

The contents of this report were discussed on June 5, 2007, with Daniel M. Klein, Mayor; Patti Olson, Clerk-Treasurer; and Linda Abraham, Chief Deputy.

The contents of this report were discussed on June 4, 2007, with Kent Jeffirs, City Judge; Sally Baran, Clerk; and Lori Mauk, Clerk.