

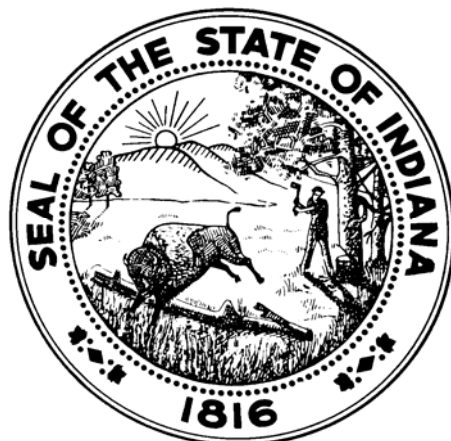
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

ANNUAL FINANCIAL REPORT

2005

CITY OF HAMMOND

LAKE COUNTY, INDIANA



FILED

08/04/2006

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Barbara Cardwell	01-01-05 to 12-31-06
Mayor	Thomas McDermott, Jr.	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	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 of Water Utility	Richard Mercer	01-01-05 to 12-31-06
Sanitary District Manager	Michael T. Unger, PhD.	01-01-05 to 12-31-06
Director of the Port Authority	Milan Kruszynski	01-01-05 to 12-31-06



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hammond (City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash balances of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2005, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated June 22, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities and Budgetary Comparison Schedules, as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted 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.

The City 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules as listed in the table of contents; Schedule of Investments; Schedule of Capital Assets; and Schedule of Long-Term Debt are presented for additional analysis and are not a required part of the basic financial statements. The Combining Schedules as listed in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Investments, Schedule of Capital Assets, and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

June 22, 2006



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the City of Hammond (City), as of and for the year ended December 31, 2005, and have issued our report thereon dated June 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

We noted certain immaterial instances of noncompliance that we have discussed with the management of the City on June 22, 2006. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item Finding 2005-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe none of the reportable conditions described above is a material weakness.

We noted other matters involving the internal control over financial reporting that we have discussed with the management of the City on June 22, 2006. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

This report is intended solely for the information and use of the City's management and federal awarding agencies and pass-through entities 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

June 22, 2006

CITY OF HAMMOND
STATEMENT OF CASH ACTIVITIES AND NET ASSETS - CASH BASIS
For The Year Ended December 31, 2005

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets			Component Unit Hammond Port Authority
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 43,955,005	\$ 3,441,980	\$ 6,007,946	\$ 256,725	\$ (34,248,354)	\$ -	\$ (34,248,354)	\$ -
Public safety	30,331,456	1,140,453	1,174,003	159,769	(27,857,231)	-	(27,857,231)	-
Highways and streets	21,961,211	-	2,696,133	26,951,544	7,686,466	-	7,686,466	-
Sanitation	3,903,456	1,675,369	265,015	-	(1,963,072)	-	(1,963,072)	-
Health and welfare	1,326,488	332,716	217,843	7,378	(768,551)	-	(768,551)	-
Economic development	1,255,567	-	-	-	(1,255,567)	-	(1,255,567)	-
Culture and recreation	21,800,363	895,996	16,020	-	(20,888,347)	-	(20,888,347)	-
Urban redevelopment and housing	4,797,430	-	6,397,300	-	1,599,870	-	1,599,870	-
Principal and interest on long-term debt	6,442,518	-	-	-	(6,442,518)	-	(6,442,518)	-
Total governmental activities	135,773,494	7,486,514	16,774,260	27,375,416	(84,137,304)	-	(84,137,304)	-
Business-type activities:								
Water	8,004,014	8,649,431	-	-	-	645,417	645,417	-
Sanitary District	26,815,278	15,515,436	-	1,985,666	-	(9,314,176)	(9,314,176)	-
Total business-type activities	34,819,292	24,164,867	-	1,985,666	-	(8,668,759)	(8,668,759)	-
Total primary government	\$ 170,592,786	\$ 31,651,381	\$ 16,774,260	\$ 29,361,082	(84,137,304)	(8,668,759)	(92,806,063)	-
Component unit:								
Hammond Port Authority	\$ 10,078,147	\$ 5,409,558	\$ -	\$ -	-	-	-	(4,668,589)
General receipts:								
Property taxes					58,836,195	5,953,983	64,790,178	-
Other local sources					18,344,354	351,212	18,695,566	-
Bonds and loans					21,745,700	4,608,470	26,354,170	-
Grants and contributions not restricted to specific programs					-	-	-	5,361,214
Unrestricted investment earnings					512,501	-	512,501	39,591
Transfers					1,293,282	(1,293,282)	-	-
Total general receipts and transfers					100,732,032	9,620,383	110,352,415	5,400,805
Change in net assets					16,594,728	951,624	17,546,352	732,216
Net assets - beginning					22,039,005	14,127,785	36,166,790	3,295,550
Prior period adjustment (see note III.C.)					(57,181)	-	-	-
Net assets - restated					21,981,824	14,127,785	36,109,609	3,295,550
Net assets - ending					\$ 38,576,552	\$ 15,079,409	\$ 53,655,961	\$ 4,027,766
Assets								
Cash and investments					\$ 17,907,627	\$ 10,595,136	\$ 28,502,763	\$ 3,147,615
Cash with fiscal agent					-	142,938	142,938	-
Restricted assets:								
Cash and cash investments					20,668,925	4,341,335	25,010,260	880,151
Total assets					\$ 38,576,552	\$ 15,079,409	\$ 53,655,961	\$ 4,027,766
Net Assets								
Restricted for:								
Debt service					\$ 11,922,386	\$ 2,288,436	\$ 14,210,822	\$ -
Capital projects					4,561,343	-	4,561,343	-
Other purposes					5,540,933	2,052,899	7,593,832	880,151
Unrestricted					16,505,284	10,738,074	27,243,358	3,147,615
Total net assets					\$ 38,529,946	\$ 15,079,409	\$ 53,609,355	\$ 4,027,766

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

CITY OF HAMMOND
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND
CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2005

	General	Gaming Revenues	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 47,858,626	\$ -	\$ 13,711,610	\$ 61,570,236
Licenses and permits	963,485	-	235,570	1,199,055
Intergovernmental	2,816,899	37,170,610	9,788,585	49,776,094
Charges for services	3,313,998	-	2,480,994	5,794,992
Fines and forfeits	287,555	-	13,960	301,515
Other	433,981	80,443	4,544,959	5,059,383
	<u>55,674,544</u>	<u>37,251,053</u>	<u>30,775,678</u>	<u>123,701,275</u>
Disbursements:				
General government	11,421,885	7,852,730	3,730,603	23,005,218
Public safety	32,672,182	200,000	2,160,262	35,032,444
Highways and streets	-	18,418,682	3,855,737	22,274,419
Sanitation	4,095,409	-	486,175	4,581,584
Health and welfare	787,198	-	549,910	1,337,108
Economic development	-	1,236,908	18,659	1,255,567
Culture and recreation	-	-	4,313,206	4,313,206
Urban redevelopment and housing	-	-	5,158,335	5,158,335
Debt service:				
Principal	-	-	4,330,000	4,330,000
Interest	-	-	2,112,518	2,112,518
Capital outlay	-	-	18,055,946	18,055,946
	<u>48,976,674</u>	<u>27,708,320</u>	<u>44,771,351</u>	<u>121,456,345</u>
Excess (deficiency) of revenue over (under) disbursements	<u>6,697,870</u>	<u>9,542,733</u>	<u>(13,995,673)</u>	<u>2,244,930</u>
Other financing sources (uses)				
Tax anticipation warrants received	10,000,000	-	-	10,000,000
Tax anticipation warrants paid	(18,492,642)	-	-	(18,492,642)
Bond proceeds	-	-	21,745,700	21,745,700
Transfers in	4,440,082	-	7,282,658	11,722,740
Transfers out	(634,067)	(5,300,753)	(4,494,638)	(10,429,458)
	<u>(4,686,627)</u>	<u>(5,300,753)</u>	<u>24,533,720</u>	<u>14,546,340</u>
Excess of receipts and other financing sources over disbursements and other financing uses	2,011,243	4,241,980	10,538,047	16,791,270
Cash basis fund balance - beginning	(12,303,642)	24,975,209	9,067,109	21,738,676
Cash basis fund balance - ending	<u>\$ (10,292,399)</u>	<u>\$ 29,217,189</u>	<u>\$ 19,605,156</u>	<u>\$ 38,529,946</u>
Amounts reported for governmental activities in the Statement of Net Assets are different because:				
Internal services funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.				46,606
Net assets of governmental activities				<u>\$ 38,576,552</u>
Cash Basis Assets - December 31				
Cash and investments	\$ (10,292,399)	\$ 29,217,189	\$ (2,419,506)	\$ 16,505,284
Restricted assets:				
Cash and investments	-	-	22,024,662	22,024,662
Total cash basis assets - December 31	<u>\$ (10,292,399)</u>	<u>\$ 29,217,189</u>	<u>\$ 19,605,156</u>	<u>\$ 38,529,946</u>
Cash Basis Fund Balance - December 31				
Restricted for:				
Debt service	\$ -	\$ -	\$ 11,922,386	\$ 11,922,386
Capital outlay	-	-	4,561,343	4,561,343
Other purposes	-	-	5,540,933	5,540,933
Unrestricted	(10,292,399)	29,217,189	(2,419,506)	16,505,284
Total cash basis fund balance - December 31	<u>\$ (10,292,399)</u>	<u>\$ 29,217,189</u>	<u>\$ 19,605,156</u>	<u>\$ 38,529,946</u>

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

CITY OF HAMMOND
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND
CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2005

	Water Utility	Sanitary District	Total	Internal Service Funds
Operating receipts:				
Receipts from customers and users	\$ 8,649,431	\$ 15,515,436	\$ 24,164,867	\$ -
Charges for services - internal	-	-	-	10,843,137
Charges for services - other	-	-	-	3,126,758
Other	-	-	-	2,280,156
	<u>8,649,431</u>	<u>15,515,436</u>	<u>24,164,867</u>	<u>16,250,051</u>
Total operating receipts				
Operating disbursements:				
Payments to suppliers and contractors	5,503,306	11,722,157	17,225,463	-
Payments to employees	2,500,708	5,128,986	7,629,694	-
Administration and general	-	-	-	1,997,690
Insurance claims and premiums	-	-	-	14,452,943
	<u>8,004,014</u>	<u>16,851,143</u>	<u>24,855,157</u>	<u>16,450,633</u>
Total operating disbursements				
Excess (deficiency) of receipts over (under) disbursements	<u>645,417</u>	<u>(1,335,707)</u>	<u>(690,290)</u>	<u>(200,582)</u>
Nonoperating receipts (disbursements):				
Local tax distributions	-	5,953,983	5,953,983	-
Proceeds from capital debt	-	1,985,666	1,985,666	-
Proceeds from tax anticipation warrants	-	4,608,470	4,608,470	-
Interest and investment receipts	351,212	-	351,212	4,040
Debt service of principal	-	(8,592,722)	(8,592,722)	-
Interest and investment disbursement	-	(1,371,413)	(1,371,413)	-
	<u>351,212</u>	<u>2,583,984</u>	<u>2,935,196</u>	<u>4,040</u>
Total nonoperating receipts (disbursements)				
Excess (deficiency) of receipts over (under) disbursements and nonoperating receipts (disbursements)	996,629	1,248,277	2,244,906	(196,542)
Transfers out	<u>(791,415)</u>	<u>(501,867)</u>	<u>(1,293,282)</u>	<u>-</u>
Excess (deficiency) of receipts, contributions and transfers in over (under) disbursements and transfers out	205,214	746,410	951,624	(196,542)
Cash basis fund balance - beginning	10,602,597	3,525,188	14,127,785	300,329
Prior period adjustment (see note III.C.)	-	-	-	(57,181)
Net assets - restated	<u>10,602,597</u>	<u>3,525,188</u>	<u>14,127,785</u>	<u>243,148</u>
Cash basis fund balance - ending	<u>\$ 10,807,811</u>	<u>\$ 4,271,598</u>	<u>\$ 15,079,409</u>	<u>\$ 46,606</u>
<u>Cash Basis Assets - December 31</u>				
Cash and investments	\$ 10,049,832	\$ 545,304	\$ 10,595,136	\$ 46,606
Cash with fiscal agent	-	142,938	142,938	-
Restricted assets:				
Cash and investments	<u>757,979</u>	<u>3,583,356</u>	<u>4,341,335</u>	<u>-</u>
Total cash basis assets - December 31	<u>\$ 10,807,811</u>	<u>\$ 4,271,598</u>	<u>\$ 15,079,409</u>	<u>\$ 46,606</u>
<u>Cash Basis Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 757,979	\$ 1,530,457	\$ 2,288,436	\$ -
Other purposes	-	2,052,899	2,052,899	-
Unrestricted	<u>10,049,832</u>	<u>688,242</u>	<u>10,738,074</u>	<u>46,606</u>
Total cash basis fund balance - December 31	<u>\$ 10,807,811</u>	<u>\$ 4,271,598</u>	<u>\$ 15,079,409</u>	<u>\$ 46,606</u>

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

CITY OF HAMMOND
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2005

	Pension Trust Funds	Agency Funds
Additions:		
Contributions:		
Employer	\$ 10,132,907	\$ -
Plan members	43,244	-
Total contributions	10,176,151	-
Investment earnings:		
Interest	9,425	-
Agency fund additions	-	16,265,833
Total additions	10,185,576	16,265,833
Deductions:		
Benefits	9,172,560	-
Administrative and general	143,836	-
Agency fund deductions	-	16,363,628
Total deductions	9,316,396	16,363,628
Excess (deficiency) of total additions over (under) total deductions	869,180	(97,795)
Cash and investments - beginning	(2,173,969)	1,803,674
Cash and investments - ending	\$ (1,304,789)	\$ 1,705,879

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

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, and urban redevelopment and housing.

The City's financial reporting entity is composed of the following:

Primary Government:	City of Hammond, Hammond Water Utility, Hammond Sanitary District
Blended Component Unit:	Hammond Redevelopment Authority
Discretely Presented Component Unit:	Hammond Port Authority

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Blended Component Units

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the City's governing body or the component unit provides services entirely to the City. The component unit's funds are blended into those of the City by appropriate fund type to constitute the primary government presentation. The blended component unit is presented below:

<u>Component Unit</u>	<u>Description/Inclusion Criteria</u>	<u>Fund Included In</u>
Hammond Redevelopment Authority	The primary government appoints a voting majority of the Hammond Redevelopment Authority's board and a financial benefit/burden relationship exists between the City and the Hammond Redevelopment Authority. Although it is legally separate from the City, the Hammond Redevelopment Authority is reported as if it were a part of the City because it provides services entirely or almost entirely to the City.	Nonmajor Fund Governmental Activities

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The component unit that is discretely presented in the City's report is presented below:

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Component Unit</u>	<u>Description/Inclusion Criteria</u>
Hammond Port Authority	The Hammond Port Authority is a significant discretely presented component unit of the City. The primary government appoints a voting majority of the Hammond Port Authority's board and a financial benefit/burden relationship exists between the City and the Hammond Port Authority.

Joint Venture

The City is a participant with several other governmental entities in Lake, Porter, and LaPorte Counties in a joint venture to operate Northwestern Indiana Regional Planning Commission (NIRPC) which was created as a multipurpose area wide planning agency. NIRPC assists with planning economic development, transportation, environmental protection, and comprehensive planning. NIRPC enabling legislation, Indiana Code 36-7-7, provides that participating counties must provide an annual appropriation at a minimum level of thirty cents per capita. NIRPC applies for federal transportation grant funds, which are then passed on to the City. Complete financial statements for NIRPC can be obtained from the Northwestern Regional Planning Commission office at 6100 Southport Road, Portage, Indiana, 46368.

Related Organizations

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City appoints the board members of the Hammond Housing Authority, and the Hammond Development Corporation.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash Basis display information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its net assets, receipts and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The gaming revenues fund is a special revenue fund. It accounts for the financial resources received from the State of Indiana as gaming admissions and resources received directly from the gaming boat based upon an agreement between the government and the gaming boat. The resources, which are locally appropriated, may be used for debt retirement, infrastructure and improvements, economic development, and general government.

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The sanitary district fund accounts for the operation of the wastewater treatment plant, pumping stations and collection systems.

Additionally, the City reports the following fund types:

The internal service funds account for a central telephone communications system, unemployment, group health insurance, workman's compensation, general liability, and diesel fuel taxes provided to other departments on a cost-reimbursement basis.

The pension trust funds account for the activities of the 1925 police officers' and 1937 firefighters' pension funds which accumulate resources for pension benefit payments.

Agency funds account for assets held by the City as an agent for federal, state, and other local governmental and nongovernmental entities.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges among the City, the water utility and sanitary district. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government.

D. Assets and Cash Fund Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair market value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments (2) law through constitutional provisions or enabling legislations.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds).

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.
2. Primary government and component unit activity and balances – Resource flows between the primary government and the discretely-presented component unit are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

On or before August 31, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2005, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2005
Special revenue funds:	
Parks and Recreation (204)	\$ 37,250
Water Hydrant Rental (246)	60,067
Debt service fund:	
Park Debt Service (312)	1,155
Total	\$ 98,472

These disbursements were funded by available fund balances.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Cash Balance Deficits

At December 31, 2005, the following funds reported deficits in cash, which are violations of State statute:

Fund	2005
General Fund (101)	\$ 10,292,399
Special revenue funds:	
Parks and Recreation (204)	724,188
Redevelopment Commission General Operating (228)	50,694
Recycling (238)	275,402
Public Safety (239)	42,406
Enhanced Vapor (243)	25,937
Asbestos Program (245)	1,238
EPA Air Pollution Grant (250)	21,940
Transit (Transportation) (252)	274,598
Police Grant (259)	15,657
Youth Golf Academy (278)	387,729
Debt service fund:	
Park Debt Service (312)	179,931
Capital projects fund:	
Golf Course (461)	1,112,272
Internal service fund:	
Diesel Fuel Tax (6)	8,761
Pension trust funds:	
1925 Police Pension (703)	834,662
1937 Firefighters' Pension (702)	470,127

Cash deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements, and due to the delay in distribution of property taxes; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Cash and Investments

Investment Policies

Indiana Code 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise; or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City'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. At December 31, 2005, the bank balance held at JPMorgan in the amount of \$2,200,000 was collateralized with securities held by the pledging financial institution. The remaining 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.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City must follow state statute and limit the stated final maturities of the investments to no more than two years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below.

City's Investments		
Standard and Poor's Rating	Moody's Rating	Corporate Issues
AAA	Aaa	<u>\$ 2,200,000</u>

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2005, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2005</u>
General Fund	Nonmajor governmental	\$ 634,067
Gaming Fund	General Fund	2,000,000
	Nonmajor governmental	3,300,753
Nonmajor governmental	General Fund	1,323,215
	Nonmajor governmental	3,171,423
Business-type	General Fund	1,116,867
	Nonmajor governmental	<u>176,415</u>
Total		<u>\$ 11,722,740</u>

The City typically uses transfers to fund ongoing operating subsidies and to transfer the portion of state-shared revenues from the General Fund to the debt service fund for current-year debt service requirements.

C. Restatements and Reclassifications

For the year ended December 31, 2005, certain changes have been made to the financial statements to more appropriately reflect financial activity of the City. The following schedule presents a summary of restated beginning balances by opinion unit. Prior period adjustments represent the elimination presenting a blended component unit as in internal service fund, which has subsequently been determined not to be a component unit of the City.

<u>Opinion Unit</u>	<u>Balance as Reported December 31, 2004</u>	<u>Prior Period Adjustments</u>	<u>Balance as Restated January 1, 2005</u>
Governmental activities - internal service funds	<u>\$ 22,039,005</u>	<u>\$ (57,181)</u>	<u>\$ 21,981,824</u>

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

The City 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 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.

Job Related Illnesses or Injuries, Medical Benefits, and Loss Related to Torts

The City has chosen to establish a risk financing fund for risks associated with job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding post-employment benefits); and loss related to torts. The risk financing fund is accounted for in the 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 \$150,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. For medical benefits, the premium charged to each fund is based upon the percentage of payroll expense that fund incurs. The premium for job related illness or injuries, is based upon the actual amount incurred and paid on behalf of each fund, and the premium for loss related to torts is charged and paid only by the general fund. Interfund premiums are reported as quasi-external interfund transactions.

Unemployment Compensation

The government has chosen to establish a risk financing fund for risks associated with unemployment compensation claims. The risk financing fund is accounted for in the Unemployment Compensation Fund, an internal service fund, where assets are set aside for claim settlements. 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 or unusual claims.

B. Cash Held in Trust

To facilitate construction of a marina on Lake Michigan, the Hammond Port Authority entered into lease/leaseback agreements with DMS of Hammond, Inc. (DMS). Under the terms of the agreements, the Port Authority leased to DMS the land to be used for the Marina. The ground lease term is from June 30, 1989, until May 31, 2029. DMS, in turn, is to finance the major portion of the construction of the marina and lease it to the Port Authority until November 30, 2014, at which time the Port Authority will assume full ownership. The amount financed by DMS is \$16,745,000 at an interest rate of 9.65%. Under the terms of the lease agreement, the Port Authority has an option to purchase DMS's interest in the Marina on any payment date on or after May 1, 1999, for an amount equal to the purchase price for such payment date.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

On May 13, 1999, the Port Authority exercised its option to purchase the Hammond Marina from DMS, and simultaneously conveyed the Hammond Marina to the Redevelopment Authority. The Redevelopment Authority then leased the Hammond Marina to the Redevelopment Commission, and the Redevelopment Commission entered into an operating agreement with the Port Authority providing for the Port Authority to operate and maintain the Hammond Marina and pledge all net revenues to the Redevelopment Commission.

In the event that the Port Authority's net revenues are insufficient to make timely lease rental payments, the Redevelopment Commission has agreed in the lease to levy an unlimited *ad valorem* tax on all property within the Redevelopment District sufficient to pay the lease rental payments when due.

Pursuant to the Lease, the Redevelopment Commission has pledged to the payment of lease rental payments all net revenues of the Hammond Marina received from the Port Authority pursuant to an operating agreement dated as of April 15, 1999, between the Redevelopment Commission and the Port Authority. Net Revenues consist of all regular fees and charges collected by the Port Authority (less payment of operating and maintenance expenses), plus all passenger payments (Embarkation Fees) received from the gaming casino. Net revenues will be deposited and held pursuant to a trust agreement dated as of April 15, 1999, by and among the Redevelopment Commission, the Port Authority and Bank One Trust Company, the trustee. On the last business day of each month, the Port Authority will transfer to the trustee all net revenues into a "Net Revenue" trust account. Distributions are then made by the trustee to the Redevelopment Commission trust accounts as follows:

1. To the "Lease Payment" account an amount equal to the amount required to be paid by the Redevelopment Commission to the Redevelopment Authority under the lease, after taking into account funds then on deposit in the marina project account, on the lease payment date. On or before each July 15 and January 15, the Trustee will use monies in the lease payment account to make the semiannual rental payments to the Redevelopment Authority.
2. To the "Lease Reserve" account commencing February 1, 2000, an amount not less than one-sixtieth (1/60) of the lease payment reserve requirement. The lease payment reserve requirement will be the maximum sum of any two consecutive semiannual lease rental payments.
3. To the "Repair/Replacement Reserve" account an amount equal to \$25,000 each month to accumulate a balance of not less than \$500,000 by January 1, 2002.
4. To the "Reinstallation" account for the purpose of maintaining a custody account for the reinstallation of 155 slips that were removed to make room for the riverboat.
5. To the "Custody Rental" account for the purpose of maintaining a custody account for the accumulation of two years of slip rental lost on the slips removed to accommodate the riverboat.

The Redevelopment Authority accounts created under the Indenture of Trust are as follows:

1. The "Bond Expense Fund" to pay the costs of issuance of the bonds. No later than six months after the issuance of the bonds, the trustee will transfer to the sinking fund any monies allocable to the bonds on deposit in the bond expense Fund. This account was closed by the Trustee on September 13, 2000.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Transfer to the "Sinking Fund" account an amount equal to the lesser of (a) all of such lease rental payments; or (b) an amount which, when added to the amount in the sinking fund on the deposit date, equals the sum of the unpaid principal and interest on the bonds due on the next interest payment date and the unpaid mandatory sinking fund requirement due on the next mandatory sinking fund redemption date from the "Lease Payment" account.
3. The "Debt Service Reserve Fund" account required that on the date of issuance of the bonds, an amount will be on deposit which equals the least of (a) maximum annual debt service, (b) 10% of the original amount of the bonds, or (c) 125% of average annual debt service. The debt service reserve fund may be applied for the purpose of paying principal of and interest on the bonds if any deficiencies occur in the sinking fund established for such purpose. The Redevelopment Authority initially funded the debt service reserve requirement by depositing \$1,444,452.20 released from the lien of the 1989 Indenture.
4. The "Redemption Fund" accounts for insurance and condemnation proceeds and used to redeem bonds.
5. The "Rebate Fund" can be established pursuant to written instructions of the Redevelopment Authority to make yield reduction payments.

In addition, to facilitate construction of a golf course, the City sold Redevelopment District Revenue Bonds of 2001 for \$7,500,000. Per the registrar and paying agent agreement, Bank One Trust Company agreed to keep and maintain a bond principal and interest account and a reserve account for the repayment of the bonds. Pursuant to the first supplemental operating agreement dated as of August 1, 2001, the Hammond Port Authority agreed to transfer net revenues to the bond principal and interest account to the aggregate amount of the principal and interest due during that bond year.

To continue the construction of a golf course, the City sold Redevelopment District Tax Increment Revenue Bonds of 2002 for \$6,000,000. Per the registrar and paying agent agreement, Bank One Trust Company agreed to keep and maintain a bond principal and interest account and a reserve account for the repayment of the bonds. The bonds are payable from the property taxes on incremental increases in assessed value of all real and certain personal property located within the tax increment area. To the extent that tax increment revenue is not sufficient to pay principal and interest, gaming embarkation fees received by the Hammond Port Authority and available to the Redevelopment Commission, pursuant to a second supplemental operating agreement dated May 1, 2002, were pledged to pay principal and interest on the bonds.

Furthermore, for the property acquisition, redevelopment, and economic development in or serving of a certain allocation area, the City sold Redevelopment District Taxable Tax Increment Revenue Bonds of 2002, Series C (Unilever Project) for \$2,500,000. Per the trust indenture, U.S. Bank National Association agreed to keep and maintain a bond principal and interest account, a debt service reserve account, an excess fund, and a capital fund. As of December 31, 2003, only the Unilever TIF capital fund had been established.

To continue the construction of a golf course, the City sold Redevelopment District Revenue Bonds of 2003 for \$2,950,000. Per the registrar and paying agent agreement, Bank One Trust Company agreed to keep and maintain a bond principal and interest account and a reserve account for the repayment of the bonds. Pursuant to the third supplemental operating agreement dated May 1, 2003, the Hammond Port Authority agreed, to the extent available, to transfer net revenues to the bond principal and interest account to the aggregate amount of the principal and interest due during that bond year.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Holding Corporation

The City has entered into a capital lease with Hammond Criminal Justice Facility Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the City. The lessor has been determined to be a related party of the City. Lease payments during the year totaled \$1,992,988.

D. Subsequent Events

Judgment General Obligation Bonds

On January 30, 2006, the City issued general obligation bonds in the amount of \$3,115,000. The proceeds from the sale of the bonds will be used to finance the costs of two judgments entered against the City and to pay capitalized interest and other incidental expenses in connection therewith and on account of the issuance of the bonds.

Casino Expansion and Forgiveness of Debt

In February 2006, an agreement became effective among the City, Port Authority, Redevelopment Commission, Redevelopment Authority, and Horseshoe (Horseshoe) Hammond, LLC for casino expansion at the Hammond Marina. Some of the more significant terms of the agreement are as follows:

1. The Port Authority agrees to clear and close all areas of the Hammond Marina by or before 12:00 a.m. on October 1, 2006.
2. The Port Authority shall keep the Hammond Marina closed until the Port Authority and Horseshoe agree in their reasonable discretion that the New Development Project has been completed or substantially completed, and that it is safe to reopen the Hammond Marina.
3. In consideration for closing the Hammond Marina to accommodate the New Development Project, Horseshoe shall pay the Port Authority for the 2007 season the total amount of \$3,500,000, which payment shall be made on or before March 1, 2007.
4. In connection with the New Development Plan, Horseshoe shall permanently remove up to 29 boat slips from the Hammond Marina. This removal in connection with previously removed boat slips means a total anticipated loss of 160 boat slips. Any additional boat slips removed by Horseshoe as part of the New Development Project, Horseshoe shall pay to the Port Authority any slip fees due for any such additional slips removed at the then current slip price.
5. The Port Authority agrees to sell to Horseshoe all right, title and interest in and to the Yacht Club building for the total sum of \$2,750,000. The closing of the sale of the Yacht Club building shall take place on or before October 15, 2006.
6. Horseshoe waives and deems satisfied the 2002 Series B Redevelopment Taxable Revenue Bonds in favor of the City, which has a principal balance outstanding of \$2,700,000, of which \$400,000 was already due, but remains unpaid as of December 31, 2005. The total of forgiven debt, which includes principal and interest through January 31, 2006, is \$3,110,625.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

7. The Port Authority and the City shall ensure the complete repair of the Hammond Marina break wall on or before December 31, 2011. Horseshoe shall make a one-time payment to the Port Authority in the amount of \$750,000 on or before October 1, 2006, to be used for this purpose.
8. Any obligation of Horseshoe to make a payment to the Port Authority based on casino admissions is hereby eliminated. In lieu of such obligations, Horseshoe shall pay to the Port Authority a flat annual fee of \$7,000,000, which shall be paid in equal monthly installments. This payment shall commence as of the date the New Casino is open to the public for gaming.
9. Horseshoe shall advance to the City the amount of \$15,000,000 which shall be memorialized in a written document within 90 days following the effective date. The advance shall bear interest at a commercially reasonable rate to be determined by Horseshoe and the City and shall be satisfied through Horseshoe's deduction of any and all amounts which become due the City from Horseshoe in accordance with Section 5.01 of the Project Agreement, in excess of \$18,266,979 for any calendar year beginning with calendar year 2006.

Matured and Unpaid Debt Obligations

The City has not paid interest due on the City of Hammond Redevelopment District Taxable Increment Revenue Bonds Series 2002 C (Unilever Project) from July 15, 2004 through January 15, 2006, nor has the City paid principal on the debt in the amount of \$145,000, which was due on January 15, 2005. The City has not made the payments due to the delay in receiving tax distributions. The City intends to pay the delinquent principal and interest due in the total amount of \$415,000 by the end of May, 2006.

Tax Increment Financing Districts

The City is financing a large commercial development project. A Cabela's Store (outdoor sportsmen's retailer) is locating in the City of Hammond. The total projected cost of the development is estimated at \$60,000,000, of which the City will issue tax increment financing bonds in the amount of \$25,000,000 to assist the developer with costs associated with infrastructure.

E. Property Taxes

Property tax rates and levies for 2004 taxes payable in 2005 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 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, were just being distributed to the various governmental entities in March 2006. The 2005 pay 2006 tax rates and levies have yet to be established.

On June 28, 2005, the Lake County Council adopted Ordinance 1264I, which establishes a credit for the excessive residential property taxes. The credit will apply to "qualified residential property" in Lake County for 2004 taxes due and payable in 2005. A "qualified residential property" is defined as a property that is eligible for a homestead credit as defined in Indiana Code 6-1.1-20.9-1. The amount of the credit is the amount by which the person's property tax liability attributable to the person's "qualified residential property" for property taxes first due and payable in the calendar years provided in the Ordinance exceeds 2% of the gross assessed value of that same property.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

On August 23, 2005, the County Council adopted Ordinance 1266F, which allows the County Treasurer to borrow money repayable over a term not to exceed five years in an amount sufficient to compensate the political subdivisions located wholly or in part in the County for the reduction of property tax collections due and payable in 2005 that results from the application of the 2% credit authorized by Ordinance 1264I.

On January 24, 2005, the City of Hammond adopted an ordinance to provide emergency tax relief to homeowners with a homestead exemption recorded with the Lake County Auditor and residing in the City of Hammond for the tax years 2004, 2005, and 2006, with relief expiring December 31, 2007. In order to provide for this relief, the City of Hammond will set aside \$2,600,000 in gross river boat revenue annually, and tender the amount to the County Treasurer on qualifying property when the 2004, 2005, and 2006 property tax bills are due and owing.

F. Contingent Liabilities

There are several lawsuits pending which involve the City for which the outcome cannot reasonably be determined and loss cannot be estimated.

G. Noncompliance – Legal/Contractual Provisions

On June 27, 2002, the City issued Redevelopment District Taxable Bonds of 2002, Series B in the amount of \$2,700,000. The bond indenture outlined the repayment schedule for the bonds commencing in January 2003 and continuing semiannually through January 2008.

The City has not made principal and interest payments totaling \$400,000, and \$317,500, respectively, which were due in the years 2004 and 2005. The City has also failed to pay principal and interest due January 15, 2006, in the amounts of \$200,000 and \$57,500, respectively.

H. Conduit Debt Obligation

From time to time, the City has issued industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying notes to the financial statements.

As of December 31, 2005, there were five series of industrial revenue bonds outstanding. The aggregate principal amount payable for the five series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$69,740,000.

I. Postemployment Benefits

In addition to the pension benefits described below, the City provides postemployment medical benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the City on or after attaining age 65 with at least 10 years of service, or who retire from the City at any age, with at least 15 years of service. Currently, 441 retirees meet these eligibility requirements. The City pays \$1,000 per month per retiree with the balance being paid by the retiree of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2005, disbursements of \$5,292,000 were recognized for postemployment benefits.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

J. Rate Structure – Enterprise Funds

Water Utility

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

Wastewater Utility

The current rate structure was approved by the Common Council on January 23, 2006.

K. Pension Plans

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

a. 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 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 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 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.

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 City'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.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

b. 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.

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.

c. 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.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Annual required contribution	\$ 904,017	\$ 8,072,200	\$ 8,088,900
Interest on net pension obligation	(56,638)	1,497,400	1,496,400
Adjustment to annual required contribution	64,543	(2,498,100)	(2,496,500)
Annual pension cost	911,922	7,071,500	7,088,800
Contributions made	920,486	2,466,600	2,576,600
Increase (decrease) in net pension obligation	(8,564)	4,604,900	4,512,200
Net pension obligation, beginning of year	(781,215)	22,183,300	22,168,700
Net pension obligation, end of year	\$ (789,779)	\$ 26,788,200	\$ 26,680,900

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	4.75%	918%	928%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-05	01-01-04	01-01-04
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	40 years	40 years
Amortization period (from date)	07-01-97	12-31-77	12-31-77
Asset valuation method	4 year smoothed market	4 year smoothed market	4 year smoothed market

Actuarial Assumptions

Investment rate of return	7.25%	7%	7%
Projected future salary increases:			
Total	5%	5%	5%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	1%	1%
Cost-of-living adjustments	2%	0%	0%

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

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)
1925 Police Officers' Pension Plan	12-31-01	7,278,700	85%	19,197,100
	12-31-02	7,103,800	58%	22,183,300
	12-31-03	7,071,500	35%	26,788,200
1937 Firefighters' Pension Plan	12-31-01	6,788,100	87%	17,994,400
	12-31-02	6,786,500	38%	22,168,700
	12-31-03	7,088,800	36%	26,680,900

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2005, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retires and beneficiaries currently receiving benefits	188	181
Terminated employees entitled to but not yet receiving benefits	-	-
Current active employees	5	14

2. 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:

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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. The City's contributions to the plan for the years ending December 31, 2005, 2004, and 2003, were \$3,408,367, \$4,134,958, and \$3,811,683, respectively, equal to the required contributions for each year.

CITY OF HAMMOND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES 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%)

1925 Police Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-99	\$ 273,370	\$ 75,909,900	\$(75,636,530)	0%	\$ 1,361,600	(5,555%)
01-01-00	199,521	77,863,600	(77,664,079)	0%	1,190,900	(6,521%)
01-01-01	415,928	76,341,300	(75,925,372)	1%	1,037,200	(7,320%)
01-01-02	2,390,395	73,303,900	(70,913,505)	3%	947,500	(7,484%)
01-01-03	2,730,103	72,341,600	(69,611,497)	4%	1,280,300	(5,437%)
01-01-04	799,472	73,785,600	(72,986,128)	1%	879,300	(8,300%)

1937 Fire Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-99	\$ 240,716	\$ 72,545,100	\$(72,304,384)	0%	\$ 1,421,400	(5,087%)
01-01-00	346,255	73,462,100	(73,115,845)	0%	1,331,600	(5,491%)
01-01-01	506,107	70,979,100	(70,472,993)	1%	1,141,400	(6,174%)
01-01-02	2,263,340	69,894,600	(67,631,260)	3%	938,600	(7,206%)
01-01-03	851,044	70,184,000	(69,332,956)	1%	1,432,600	(4,840%)
01-01-04	(351,397)	74,162,500	(74,513,897)	0%	872,000	(8,545%)

CITY OF HAMMOND
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2005

	General Fund				Major Special Revenue Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final			Original	Final		
Revenues:								
Taxes:								
Property	\$ 34,469,908	\$ 34,469,908	\$ 47,858,626	\$ 13,388,718	\$ -	\$ -	\$ -	\$ -
Licenses and permits	1,590,000	1,590,000	963,485	(626,515)	-	-	-	-
Intergovernmental	2,561,813	2,561,813	2,816,899	255,086	-	35,000,000	37,170,610	2,170,610
Charges for services	2,702,000	2,702,000	3,313,998	611,998	-	-	-	-
Fines and forfeits	235,000	235,000	287,555	52,555	-	-	-	-
Other	433,000	433,000	433,981	981	-	-	80,443	80,443
Total revenues	41,991,721	41,991,721	55,674,544	13,682,823	-	35,000,000	37,251,053	2,251,053
Expenditures:								
Current:								
General government:								
Mayor	223,290	223,583	219,694	3,889	7,065,448	10,814,748	7,852,730	2,962,018
Controller	661,742	666,300	574,541	91,759	-	-	-	-
Code Enforcement	480,971	477,429	469,744	7,685	-	-	-	-
City Clerk	985,698	983,417	911,610	71,807	-	-	-	-
City Judge	807,362	807,687	794,466	13,221	-	-	-	-
Building Department	288,006	287,772	281,516	6,256	-	-	-	-
Common Council	487,441	473,651	417,860	55,791	-	-	-	-
Law Office	267,241	269,071	247,354	21,717	-	-	-	-
Board of Works	4,929,806	6,857,321	6,126,236	731,085	-	-	-	-
Human Relations	139,658	135,565	133,013	2,552	-	-	-	-
Personnel	-	1,121	1,117	4	-	-	-	-
Engineering	891,852	856,630	824,522	32,108	-	-	-	-
Animal Control	243,740	247,341	239,324	8,017	-	-	-	-
Planning	183,721	181,923	180,888	1,035	-	-	-	-
Economic Development	-	53	-	53	-	-	-	-
Total general government	10,590,528	12,468,864	11,421,885	1,046,979	7,065,448	10,814,748	7,852,730	2,962,018
Public safety:								
Police Department	19,037,303	18,990,919	18,821,593	169,326	562,449	860,915	200,000	660,915
Fire Department	13,771,289	13,791,883	13,768,005	23,878	-	-	-	-
Emergency Management	85,297	90,212	82,584	7,628	-	-	-	-
Total public safety	32,893,889	32,873,014	32,672,182	200,832	562,449	860,915	200,000	660,915
Highways and streets:								
Common Council	-	-	-	-	15,101,423	23,115,034	18,418,682	4,696,352
Sanitation:								
Sanitation Department	3,972,024	3,913,932	3,828,351	85,581	-	-	-	-
Recycling Department	280,578	280,578	267,058	13,520	-	-	-	-
Total sanitation	4,252,602	4,194,510	4,095,409	99,101	-	-	-	-
Health and welfare:								
Health Department	644,760	655,991	613,832	42,159	-	-	-	-
Environmental Management	188,164	188,164	173,366	14,798	-	-	-	-
Total health and welfare	832,924	844,155	787,198	56,957	-	-	-	-
Culture and recreation:								
Parks and Recreation	-	-	-	-	1,055,132	1,615,041	1,236,908	378,133
Total expenditures	48,569,943	50,380,543	48,976,674	1,403,869	23,784,452	36,405,738	27,708,320	8,697,418
Other financing sources (uses):								
Operating transfers in	-	-	4,440,082	4,440,082	-	-	-	-
Operating transfers out	-	-	(634,067)	(634,067)	-	-	(5,300,753)	(5,300,753)
Tax anticipation warrants received	-	-	10,000,000	10,000,000	-	-	-	-
Tax anticipation warrants repaid	-	-	(18,492,642)	(18,492,642)	-	-	-	-
Total other financing sources (uses)	-	-	(4,686,627)	(4,686,627)	-	-	(5,300,753)	(5,300,753)
Net change in fund balances	(6,578,222)	(8,388,822)	2,011,243	10,400,065	(23,784,452)	(1,405,738)	4,241,980	5,647,718
Fund balances - beginning	(12,303,642)	(12,303,642)	(12,303,642)	-	24,975,209	24,975,209	24,975,209	-
Fund balances - December 31	\$(18,881,864)	\$(20,692,464)	\$(10,292,399)	\$ 10,400,065	\$ 1,190,757	\$ 23,569,471	\$ 29,217,189	\$ 5,647,718

CITY OF HAMMOND
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS - NONMAJOR FUNDS BY FUND TYPE
 For The Year Ended December 31, 2005

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Funds
Receipts:				
Taxes	\$ 10,809,611	\$ 2,363,975	\$ 538,024	\$ 13,711,610
Licenses and permits	235,570	-	-	235,570
Intergovernmental	9,440,251	63,299	285,035	9,788,585
Charges for services	2,480,994	-	-	2,480,994
Fines and forfeits	13,960	-	-	13,960
Other	965,861	3,505,354	73,744	4,544,959
	<u>23,946,247</u>	<u>5,932,628</u>	<u>896,803</u>	<u>30,775,678</u>
Total receipts				
Disbursements:				
General government	3,730,603	-	-	3,730,603
Public safety	2,160,262	-	-	2,160,262
Highways and streets	3,855,737	-	-	3,855,737
Sanitation	486,175	-	-	486,175
Health and welfare	549,910	-	-	549,910
Economic development	18,659	-	-	18,659
Culture and recreation	4,313,206	-	-	4,313,206
Urban redevelopment and housing	5,158,335	-	-	5,158,335
Debt service:				
Principal	-	4,330,000	-	4,330,000
Interest	-	2,112,518	-	2,112,518
Capital outlay	-	-	18,055,946	18,055,946
	<u>20,272,887</u>	<u>6,442,518</u>	<u>18,055,946</u>	<u>44,771,351</u>
Total disbursements				
Excess (deficiency) of revenue over (under) disbursements	<u>3,673,360</u>	<u>(509,890)</u>	<u>(17,159,143)</u>	<u>(13,995,673)</u>
Other financing sources (uses)				
Bond proceeds	-	2,889,606	18,856,094	21,745,700
Transfers in	2,697,217	4,385,441	200,000	7,282,658
Transfers out	<u>(2,589,913)</u>	<u>(1,648,000)</u>	<u>(256,725)</u>	<u>(4,494,638)</u>
	<u>107,304</u>	<u>5,627,047</u>	<u>18,799,369</u>	<u>24,533,720</u>
Total other financing sources (uses)				
Excess of receipts and other financing sources over disbursements and other financing uses	3,780,664	5,117,157	1,640,226	10,538,047
Cash basis fund balance - beginning	<u>632,966</u>	<u>6,625,298</u>	<u>1,808,845</u>	<u>9,067,109</u>
Cash basis fund balance - ending	<u>\$ 4,413,630</u>	<u>\$ 11,742,455</u>	<u>\$ 3,449,071</u>	<u>\$ 19,605,156</u>
Cash Basis Assets - December 31				
Cash and investments	\$ (1,127,303)	\$ (179,931)	\$ (1,112,272)	\$ (2,419,506)
Restricted assets:				
Cash and investments	<u>5,540,933</u>	<u>11,922,386</u>	<u>4,561,343</u>	<u>22,024,662</u>
Total cash basis assets - December 31	<u>\$ 4,413,630</u>	<u>\$ 11,742,455</u>	<u>\$ 3,449,071</u>	<u>\$ 19,605,156</u>
Cash Basis Fund Balance - December 31				
Restricted for:				
Debt service	\$ -	\$ 11,922,386	\$ -	\$ 11,922,386
Capital projects	-	-	4,561,343	4,561,343
Other purposes	5,540,933	-	-	5,540,933
Unrestricted	<u>(1,127,303)</u>	<u>(179,931)</u>	<u>(1,112,272)</u>	<u>(2,419,506)</u>
Total cash basis fund balance - December 31	<u>\$ 4,413,630</u>	<u>\$ 11,742,455</u>	<u>\$ 3,449,071</u>	<u>\$ 19,605,156</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2005

	River Park Apartments	Motor Vehicle Highway	Local Road and Street	Haz-Mat	Parks and Recreation	Crime Victim Assistance	Project Safe	Federally Forfeited Property
Receipts:								
Taxes	\$ -	\$ 2,707,221	\$ -	\$ -	\$ 3,347,201	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	917,729	-	141,852	59,892	5,000	40,947
Charges for services	-	-	-	1,530	346,608	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Other	7,866	316,097	-	2,500	24,466	-	-	335
Total receipts	7,866	3,023,318	917,729	4,030	3,860,127	59,892	5,000	41,282
Disbursements:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	2,294	-	59,892	-	62,010
Highways and streets	-	2,935,059	869,828	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	3,231,715	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-	-
Total disbursements	-	2,935,059	869,828	2,294	3,231,715	59,892	-	62,010
Excess (deficiency) of revenue over (under) disbursements	7,866	88,259	47,901	1,736	628,412	-	5,000	(20,728)
Other financing sources (uses)								
Transfers in	-	-	-	12,530	500,139	-	-	-
Transfers out	-	-	-	(2,000)	-	-	-	-
Total other financing sources (uses)	-	-	-	10,530	500,139	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	7,866	88,259	47,901	12,266	1,128,551	-	5,000	(20,728)
Cash basis fund balance - beginning	-	236,012	692,775	12,278	(1,852,739)	-	-	21,592
Cash basis fund balance - ending	<u>\$ 7,866</u>	<u>\$ 324,271</u>	<u>\$ 740,676</u>	<u>\$ 24,544</u>	<u>\$ (724,188)</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 864</u>
Cash Basis Assets - December 31								
Cash and investments	\$ 7,866	\$ -	\$ -	\$ 24,544	\$ (724,188)	\$ -	\$ -	\$ -
Restricted assets:								
Cash and investments	-	324,271	740,676	-	-	-	5,000	864
Total cash basis assets - December 31	<u>\$ 7,866</u>	<u>\$ 324,271</u>	<u>\$ 740,676</u>	<u>\$ 24,544</u>	<u>\$ (724,188)</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 864</u>
Cash Basis Fund Balance - December 31								
Restricted for:								
Other purposes	\$ -	\$ 324,271	\$ 740,676	\$ -	\$ -	\$ -	\$ 5,000	\$ 864
Unrestricted	7,866	-	-	24,544	(724,188)	-	-	-
Total cash basis fund balance - December 31	<u>\$ 7,866</u>	<u>\$ 324,271</u>	<u>\$ 740,676</u>	<u>\$ 24,544</u>	<u>\$ (724,188)</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 864</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Fire FEMA Grant	UEA Police Grant	Fire Equipment	Police Donations	Park Activities - Nonreverting	Background Checks	Civil Defense Donations
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	6,750	-	-	-	-	-
Charges for services	-	-	-	-	68,905	350	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	-	8,797	310	-	1,800
Total receipts	-	6,750	-	8,797	69,215	350	1,800
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	18,853	-	-	1,990
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	44,777	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Total disbursements	-	-	-	18,853	44,777	-	1,990
Excess (deficiency) of revenue over (under) disbursements	-	6,750	-	(10,056)	24,438	350	(190)
Other financing sources (uses)							
Transfers in	-	-	-	-	-	-	-
Transfers out	(1,022)	-	(12,530)	-	-	-	-
Total other financing sources (uses)	(1,022)	-	(12,530)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,022)	6,750	(12,530)	(10,056)	24,438	350	(190)
Cash basis fund balance - beginning	1,022	-	12,530	18,812	10,410	-	2,398
Cash basis fund balance - ending	<u>\$ -</u>	<u>\$ 6,750</u>	<u>\$ -</u>	<u>\$ 8,756</u>	<u>\$ 34,848</u>	<u>\$ 350</u>	<u>\$ 2,208</u>
Cash Basis Assets - December 31							
Cash and investments	\$ -	\$ -	\$ -	\$ 8,756	\$ 34,848	\$ 350	\$ 2,208
Restricted assets:							
Cash and investments	-	6,750	-	-	-	-	-
Total cash basis assets - December 31	<u>\$ -</u>	<u>\$ 6,750</u>	<u>\$ -</u>	<u>\$ 8,756</u>	<u>\$ 34,848</u>	<u>\$ 350</u>	<u>\$ 2,208</u>
Cash Basis Fund Balance - December 31							
Restricted for:							
Other purposes	\$ -	\$ 6,750	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	-	8,756	34,848	350	2,208
Total cash basis fund balance - December 31	<u>\$ -</u>	<u>\$ 6,750</u>	<u>\$ -</u>	<u>\$ 8,756</u>	<u>\$ 34,848</u>	<u>\$ 350</u>	<u>\$ 2,208</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Lake County Police Grant	Recycling Grant	State Forfeiture	Clerk's Perpetuation	Federal Prisoners	Garbage Bins	Seatbelt Enforcement	Impaired Driving
Receipts:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	34,925	-	-	-	-	55,060
Charges for services	-	-	-	17,761	123,136	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Other	-	-	270	-	-	11,083	-	-
Total receipts	-	-	35,195	17,761	123,136	11,083	-	55,060
Disbursements:								
General government	-	-	-	-	-	-	-	-
Public safety	5,840	-	36,360	-	137,699	-	475	48,378
Highways and streets	-	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	13,110	-	-
Health and welfare	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-	-
Total disbursements	5,840	-	36,360	-	137,699	13,110	475	48,378
Excess (deficiency) of revenue over (under) disbursements	(5,840)	-	(1,165)	17,761	(14,563)	(2,027)	(475)	6,682
Other financing sources (uses)								
Transfers in	-	68,100	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	68,100	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(5,840)	68,100	(1,165)	17,761	(14,563)	(2,027)	(475)	6,682
Cash basis fund balance - beginning	5,840	-	9,538	63,622	59,491	9,406	475	591
Cash basis fund balance - ending	\$ -	\$ 68,100	\$ 8,373	\$ 81,383	\$ 44,928	\$ 7,379	\$ -	\$ 7,273
Cash Basis Assets - December 31								
Cash and investments	\$ -	\$ -	\$ 8,373	\$ -	\$ 44,928	\$ 7,379	\$ -	\$ -
Restricted assets:								
Cash and investments	-	68,100	-	81,383	-	-	-	7,273
Total cash basis assets - December 31	\$ -	\$ 68,100	\$ 8,373	\$ 81,383	\$ 44,928	\$ 7,379	\$ -	\$ 7,273
Cash Basis Fund Balance - December 31								
Restricted for:								
Other purposes	\$ -	\$ 68,100	\$ -	\$ 81,383	\$ -	\$ -	\$ -	\$ 7,273
Unrestricted	-	-	8,373	-	44,928	7,379	-	-
Total cash basis fund balance - December 31	\$ -	\$ 68,100	\$ 8,373	\$ 81,383	\$ 44,928	\$ 7,379	\$ -	\$ 7,273

CITY OF HAMMOND
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Redevelopment Commission General Operating	TIF Allocation Northend Project	TIF Allocation Columbia Project	TIF Allocation Lear	Park Tourism	Economic Development Tourism	TIF Allocation Downtown	West Point (UEA)
Receipts:								
Taxes	\$ 699,733	\$ 3,029,265	\$ 248,805	\$ 391,019	\$ 16,020	\$ 10,800	\$ 183,959	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	43,409	-	-	-	-	-	-	85,175
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Other	98	-	-	-	-	114	-	-
Total receipts	743,240	3,029,265	248,805	391,019	16,020	10,914	183,959	85,175
Disbursements:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	18,659	-	-
Culture and recreation	-	-	-	-	13,953	-	-	-
Urban redevelopment and housing	473,237	49,836	64,749	445,643	-	-	-	-
Total disbursements	473,237	49,836	64,749	445,643	13,953	18,659	-	-
Excess (deficiency) of revenue over (under) disbursements	270,003	2,979,429	184,056	(54,624)	2,067	(7,745)	183,959	85,175
Other financing sources (uses)								
Transfers in	-	-	293,415	130,067	-	-	-	-
Transfers out	-	(1,230,856)	(130,067)	-	-	-	-	-
Total other financing sources (uses)	-	(1,230,856)	163,348	130,067	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	270,003	1,748,573	347,404	75,443	2,067	(7,745)	183,959	85,175
Cash basis fund balance - beginning	(320,697)	(519,824)	(135,218)	316,953	26,776	10,283	-	69,384
Cash basis fund balance - ending	<u>\$ (50,694)</u>	<u>\$ 1,228,749</u>	<u>\$ 212,186</u>	<u>\$ 392,396</u>	<u>\$ 28,843</u>	<u>\$ 2,538</u>	<u>\$ 183,959</u>	<u>\$ 154,559</u>
Cash Basis Assets - December 31								
Cash and investments	\$ (50,694)	\$ -	\$ -	\$ -	\$ 28,843	\$ -	\$ -	\$ -
Restricted assets:								
Cash and investments	-	1,228,749	212,186	392,396	-	2,538	183,959	154,559
Total cash basis assets - December 31	<u>\$ (50,694)</u>	<u>\$ 1,228,749</u>	<u>\$ 212,186</u>	<u>\$ 392,396</u>	<u>\$ 28,843</u>	<u>\$ 2,538</u>	<u>\$ 183,959</u>	<u>\$ 154,559</u>
Cash Basis Fund Balance - December 31								
Restricted for:								
Other purposes	\$ -	\$ 1,228,749	\$ 212,186	\$ 392,396	\$ -	\$ 2,538	\$ 183,959	\$ 154,559
Unrestricted	(50,694)	-	-	-	28,843	-	-	-
Total cash basis fund balance - December 31	<u>\$ (50,694)</u>	<u>\$ 1,228,749</u>	<u>\$ 212,186</u>	<u>\$ 392,396</u>	<u>\$ 28,843</u>	<u>\$ 2,538</u>	<u>\$ 183,959</u>	<u>\$ 154,559</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Redevelopment	Human Relations	Recycling	Public Safety	Local Law Enforcement VIII	Great Grant	Enhanced Vapor	Brownfield
Receipts:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	265,015	823,626	599	-	-	40,640
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Other	-	3,000	-	1,807	-	-	-	-
Total receipts	-	3,000	265,015	825,433	599	-	-	40,640
Disbursements:								
General government	-	2,654	-	-	-	-	-	-
Public safety	-	-	-	669,839	16,652	3,890	31,129	-
Highways and streets	-	-	-	-	-	-	-	-
Sanitation	-	-	473,065	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	40,640
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-	-
Total disbursements	-	2,654	473,065	669,839	16,652	3,890	31,129	40,640
Excess (deficiency) of revenue over (under) disbursements	-	346	(208,050)	155,594	(16,053)	(3,890)	(31,129)	-
Other financing sources (uses)								
Transfers in	-	-	-	-	16,053	-	-	-
Transfers out	(90,626)	-	-	(198,000)	-	-	-	-
Total other financing sources (uses)	(90,626)	-	-	(198,000)	16,053	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(90,626)	346	(208,050)	(42,406)	-	(3,890)	(31,129)	-
Cash basis fund balance - beginning	90,626	3,659	(67,352)	-	-	3,890	5,192	-
Cash basis fund balance - ending	\$ -	\$ 4,005	\$ (275,402)	\$ (42,406)	\$ -	\$ -	\$ (25,937)	\$ -
Cash Basis Assets - December 31								
Cash and investments	\$ -	\$ 4,005	\$ (275,402)	\$ (42,406)	\$ -	\$ -	\$ (25,937)	\$ -
Restricted assets:								
Cash and investments	-	-	-	-	-	-	-	-
Total cash basis assets - December 31	\$ -	\$ 4,005	\$ (275,402)	\$ (42,406)	\$ -	\$ -	\$ (25,937)	\$ -
Cash Basis Fund Balance - December 31								
Restricted for:								
Other purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	4,005	(275,402)	(42,406)	-	-	(25,937)	-
Total cash basis fund balance - December 31	\$ -	\$ 4,005	\$ (275,402)	\$ (42,406)	\$ -	\$ -	\$ (25,937)	\$ -

CITY OF HAMMOND
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Asbestos Program	Water Hydrant Rental	User Fee	Penalties	Title V Permits	EPA Air Pollution Grant	Human Relations Federal	Transit (Transportation)
Receipts:								
Taxes	\$ -	\$ 175,588	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	228,560	-	-	-
Intergovernmental	19,034	5,491	-	-	-	95,002	131,760	956,664
Charges for services	-	-	-	-	-	-	-	420,885
Fines and forfeits	-	-	-	13,960	-	-	-	-
Other	-	-	-	-	-	-	-	35
Total receipts	19,034	181,079	-	13,960	228,560	95,002	131,760	1,377,584
Disbursements:								
General government	-	-	-	-	-	-	90,956	2,182,145
Public safety	-	176,415	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-
Health and welfare	19,996	-	43,149	29,637	304,653	95,929	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-	-
Total disbursements	19,996	176,415	43,149	29,637	304,653	95,929	90,956	2,182,145
Excess (deficiency) of revenue over (under) disbursements	(962)	4,664	(43,149)	(15,677)	(76,093)	(927)	40,804	(804,561)
Other financing sources (uses)								
Transfers in	-	176,415	-	-	-	-	-	634,067
Transfers out	-	(118,567)	-	-	-	-	-	-
Total other financing sources (uses)	-	57,848	-	-	-	-	-	634,067
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(962)	62,512	(43,149)	(15,677)	(76,093)	(927)	40,804	(170,494)
Cash basis fund balance - beginning	(276)	(62,512)	67,708	1,366,405	131,923	(21,013)	64,676	(104,104)
Cash basis fund balance - ending	<u>\$ (1,238)</u>	<u>\$ -</u>	<u>\$ 24,559</u>	<u>\$ 1,350,728</u>	<u>\$ 55,830</u>	<u>\$ (21,940)</u>	<u>\$ 105,480</u>	<u>\$ (274,598)</u>
Cash Basis Assets - December 31								
Cash and investments	\$ (1,238)	\$ -	\$ -	\$ -	\$ 55,830	\$ (21,940)	\$ -	\$ (274,598)
Restricted assets:								
Cash and investments	-	-	24,559	1,350,728	-	-	105,480	-
Total cash basis assets - December 31	<u>\$ (1,238)</u>	<u>\$ -</u>	<u>\$ 24,559</u>	<u>\$ 1,350,728</u>	<u>\$ 55,830</u>	<u>\$ (21,940)</u>	<u>\$ 105,480</u>	<u>\$ (274,598)</u>
Cash Basis Fund Balance - December 31								
Restricted for:								
Other purposes	\$ -	\$ -	\$ 24,559	\$ 1,350,728	\$ -	\$ -	\$ 105,480	\$ -
Unrestricted	(1,238)	-	-	-	55,830	(21,940)	-	(274,598)
Total cash basis fund balance - December 31	<u>\$ (1,238)</u>	<u>\$ -</u>	<u>\$ 24,559</u>	<u>\$ 1,350,728</u>	<u>\$ 55,830</u>	<u>\$ (21,940)</u>	<u>\$ 105,480</u>	<u>\$ (274,598)</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Local Seizure	Brownfield Site Assessment	Health Equipment	Scholarship	SEMA Grant	Homeland Security	Police Grant	Park Gaming
Receipts:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	5,094	-	49,142	-	159,769	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Other	-	-	515	500	-	-	-	-
Total receipts	5,094	-	49,657	500	159,769	-	-	-
Disbursements:								
General government	-	-	-	-	-	-	-	-
Public safety	18,008	-	-	-	221,312	4,310	15,657	-
Highways and streets	-	-	50,850	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	359,889
Urban redevelopment and housing	-	-	-	-	-	-	-	-
Total disbursements	18,008	-	50,850	-	221,312	4,310	15,657	359,889
Excess (deficiency) of revenue over (under) disbursements	(12,914)	-	(1,193)	500	(61,543)	(4,310)	(15,657)	(359,889)
Other financing sources (uses)								
Transfers in	-	-	-	-	5,600	-	-	-
Transfers out	-	-	-	-	(1)	-	-	-
Total other financing sources (uses)	-	-	-	-	5,599	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(12,914)	-	(1,193)	500	(55,944)	(4,310)	(15,657)	(359,889)
Cash basis fund balance - beginning	18,026	29,445	102,495	-	56,473	4,310	-	379,448
Cash basis fund balance - ending	<u>\$ 5,112</u>	<u>\$ 29,445</u>	<u>\$ 101,302</u>	<u>\$ 500</u>	<u>\$ 529</u>	<u>\$ -</u>	<u>\$ (15,657)</u>	<u>\$ 19,559</u>
Cash Basis Assets - December 31								
Cash and investments	\$ 5,112	\$ -	\$ -	\$ 500	\$ -	\$ -	\$ (15,657)	\$ 19,559
Restricted assets:								
Cash and investments	-	29,445	101,302	-	529	-	-	-
Total cash basis assets - December 31	<u>\$ 5,112</u>	<u>\$ 29,445</u>	<u>\$ 101,302</u>	<u>\$ 500</u>	<u>\$ 529</u>	<u>\$ -</u>	<u>\$ (15,657)</u>	<u>\$ 19,559</u>
Cash Basis Fund Balance - December 31								
Restricted for:								
Other purposes	\$ -	\$ 29,445	\$ 101,302	\$ -	\$ 529	\$ -	\$ -	\$ -
Unrestricted	5,112	-	-	500	-	-	(15,657)	19,559
Total cash basis fund balance - December 31	<u>\$ 5,112</u>	<u>\$ 29,445</u>	<u>\$ 101,302</u>	<u>\$ 500</u>	<u>\$ 529</u>	<u>\$ -</u>	<u>\$ (15,657)</u>	<u>\$ 19,559</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	21st Century Grant	Community Development Block Grant (CDBG)	Industrial Revenue Bond Fees	Ambulance Fees	CDBG Donations	Health Department State Grant	Vehicle Release	Drug Court
Receipts:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	1,067,754	2,547,986	-	-	-	14,025	-	-
Charges for services	-	-	-	870,800	-	-	87,400	-
Fines and forfeits	-	-	-	-	-	-	-	-
Other	-	354,242	-	-	11,478	-	-	21,135
Total receipts	1,067,754	2,902,228	-	870,800	11,478	14,025	87,400	21,135
Disbursements:								
General government	1,255,081	-	-	-	-	-	-	14,916
Public safety	-	-	-	73,900	-	-	69,857	-
Highways and streets	-	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	15,906	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Urban redevelopment and housing	-	2,438,508	-	-	15,765	-	-	-
Total disbursements	1,255,081	2,438,508	-	73,900	15,765	15,906	69,857	14,916
Excess (deficiency) of revenue over (under) disbursements	(187,327)	463,720	-	796,900	(4,287)	(1,881)	17,543	6,219
Other financing sources (uses)								
Transfers in	265,626	-	-	-	9,205	-	-	-
Transfers out	-	(9,205)	-	(796,900)	-	-	-	-
Total other financing sources (uses)	265,626	(9,205)	-	(796,900)	9,205	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	78,299	454,515	-	-	4,918	(1,881)	17,543	6,219
Cash basis fund balance - beginning	62,392	(379,661)	11,547	-	-	22,278	16,645	19,166
Cash basis fund balance - ending	\$ 140,691	\$ 74,854	\$ 11,547	\$ -	\$ 4,918	\$ 20,397	\$ 34,188	\$ 25,385
Cash Basis Assets - December 31								
Cash and investments	\$ -	\$ -	\$ 11,547	\$ -	\$ 4,918	\$ -	\$ 34,188	\$ -
Restricted assets:								
Cash and investments	140,691	74,854	-	-	-	20,397	-	25,385
Total cash basis assets - December 31	\$ 140,691	\$ 74,854	\$ 11,547	\$ -	\$ 4,918	\$ 20,397	\$ 34,188	\$ 25,385
Cash Basis Fund Balance - December 31								
Restricted for:								
Other purposes	\$ 140,691	\$ 74,854	\$ -	\$ -	\$ -	\$ 20,397	\$ -	\$ 25,385
Unrestricted	-	-	11,547	-	4,918	-	34,188	-
Total cash basis fund balance - December 31	\$ 140,691	\$ 74,854	\$ 11,547	\$ -	\$ 4,918	\$ 20,397	\$ 34,188	\$ 25,385

CITY OF HAMMOND
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Adult Probation/ User Fees	Tobacco Education	Local Law Enforcement IX	Task Force	Festival of The Lakes	Youth Golf Academy	Park District Gaming	Boy Scout Grant
Receipts:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	351,645	-	-	-
Charges for services	183,111	5,101	-	-	-	309,811	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Other	3,366	-	379	1,819	-	-	-	-
Total receipts	186,477	5,101	379	1,819	351,645	309,811	-	-
Disbursements:								
General government	184,851	-	-	-	-	-	-	-
Public safety	-	-	69,639	381,585	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	360,480	300,196	-	2,196
Urban redevelopment and housing	-	-	-	-	-	-	-	-
Total disbursements	184,851	-	69,639	381,585	360,480	300,196	-	2,196
Excess (deficiency) of revenue over (under) disbursements	1,626	5,101	(69,260)	(379,766)	(8,835)	9,615	-	(2,196)
Other financing sources (uses)								
Transfers in	-	-	-	536,000	-	-	50,000	-
Transfers out	-	-	-	-	-	-	-	(139)
Total other financing sources (uses)	-	-	-	536,000	-	-	50,000	(139)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,626	5,101	(69,260)	156,234	(8,835)	9,615	50,000	(2,335)
Cash basis fund balance - beginning	176,786	5,087	71,032	-	181,145	(397,344)	-	2,335
Cash basis fund balance - ending	<u>\$ 178,412</u>	<u>\$ 10,188</u>	<u>\$ 1,772</u>	<u>\$ 156,234</u>	<u>\$ 172,310</u>	<u>\$ (387,729)</u>	<u>\$ 50,000</u>	<u>\$ -</u>
Cash Basis Assets - December 31								
Cash and investments	\$ -	\$ 10,188	\$ -	\$ 156,234	\$ 172,310	\$ (387,729)	\$ 50,000	\$ -
Restricted assets:								
Cash and investments	178,412	-	1,772	-	-	-	-	-
Total cash basis assets - December 31	<u>\$ 178,412</u>	<u>\$ 10,188</u>	<u>\$ 1,772</u>	<u>\$ 156,234</u>	<u>\$ 172,310</u>	<u>\$ (387,729)</u>	<u>\$ 50,000</u>	<u>\$ -</u>
Cash Basis Fund Balance - December 31								
Restricted for:								
Other purposes	\$ 178,412	\$ -	\$ 1,772	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	10,188	-	156,234	172,310	(387,729)	50,000	-
Total cash basis fund balance - December 31	<u>\$ 178,412</u>	<u>\$ 10,188</u>	<u>\$ 1,772</u>	<u>\$ 156,234</u>	<u>\$ 172,310</u>	<u>\$ (387,729)</u>	<u>\$ 50,000</u>	<u>\$ -</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Affordable Housing	Emergency CDBG	Section 108	Barrett Law Surplus	Law Enforcement Continuing Education	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,809,611
Licenses and permits	-	-	-	-	7,010	235,570
Intergovernmental	355,092	81,276	1,079,898	-	-	9,440,251
Charges for services	-	-	-	-	45,596	2,480,994
Fines and forfeits	-	-	-	-	-	13,960
Other	192,371	-	-	-	1,478	965,861
Total receipts	547,463	81,276	1,079,898	-	54,084	23,946,247
Disbursements:						
General government	-	-	-	-	-	3,730,603
Public safety	-	-	-	-	34,278	2,160,262
Highways and streets	-	-	-	-	-	3,855,737
Sanitation	-	-	-	-	-	486,175
Health and welfare	-	-	-	-	-	549,910
Economic development	-	-	-	-	-	18,659
Culture and recreation	-	-	-	-	-	4,313,206
Urban redevelopment and housing	542,569	75,610	1,052,418	-	-	5,158,335
Total disbursements	542,569	75,610	1,052,418	-	34,278	20,272,887
Excess (deficiency) of revenue over (under) disbursements	4,894	5,666	27,480	-	19,806	3,673,360
Other financing sources (uses)						
Transfers in	-	-	-	-	-	2,697,217
Transfers out	-	-	-	-	-	(2,589,913)
Total other financing sources (uses)	-	-	-	-	-	107,304
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	4,894	5,666	27,480	-	19,806	3,780,664
Cash basis fund balance - beginning	-	-	-	90	20,739	632,966
Cash basis fund balance - ending	\$ 4,894	\$ 5,666	\$ 27,480	\$ 90	\$ 40,545	\$ 4,413,630
Cash Basis Assets - December 31						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,127,303)
Restricted assets:						
Cash and investments	4,894	5,666	27,480	90	40,545	5,540,933
Total cash basis assets - December 31	\$ 4,894	\$ 5,666	\$ 27,480	\$ 90	\$ 40,545	\$ 4,413,630
Cash Basis Fund Balance - December 31						
Restricted for:						
Other purposes	\$ 4,894	\$ 5,666	\$ 27,480	\$ 90	\$ 40,545	\$ 5,540,933
Unrestricted	-	-	-	-	-	(1,127,303)
Total cash basis fund balance - December 31	\$ 4,894	\$ 5,666	\$ 27,480	\$ 90	\$ 40,545	\$ 4,413,630

CITY OF HAMMOND
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
 For The Year Ended December 31, 2005

	Civil City Bonds	Park Debt Service	Redevelopment Authority Debt Service	Redevelopment Commission Lease Payment	Redevelopment Commission Custody Rental	Redevelopment Commission 2001 Revenue Bond Debt Service	Redevelopment Commission 2002 Revenue Bond Debt Service	Redevelopment Commission 2003 Revenue Bond Debt Service	River Park Apartments Debt Service	Totals
Receipts:										
Taxes	\$ 1,521,601	\$ 842,374	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,363,975
Intergovernmental	30,324	32,975	-	-	-	-	-	-	-	63,299
Other	-	-	103,346	1,794,829	24,913	1,417,700	12,385	152,181	-	3,505,354
Total receipts	1,551,925	875,349	103,346	1,794,829	24,913	1,417,700	12,385	152,181	-	5,932,628
Disbursements:										
Debt service:										
Principal	1,765,000	-	935,000	-	-	1,115,000	515,000	-	-	4,330,000
Interest	230,487	602,775	507,668	-	-	283,950	338,038	149,600	-	2,112,518
Total disbursements	1,995,487	602,775	1,442,668	-	-	1,398,950	853,038	149,600	-	6,442,518
Excess (deficiency) of revenue over (under) disbursements	(443,562)	272,574	(1,339,322)	1,794,829	24,913	18,750	(840,653)	2,581	-	(509,890)
Other financing sources (uses)										
Bond proceeds	-	-	-	-	-	-	-	-	2,889,606	2,889,606
Transfers in	2,000,000	-	1,448,000	-	-	-	937,441	-	-	4,385,441
Transfers out	-	-	-	(1,648,000)	-	-	-	-	-	(1,648,000)
Total other financing sources (uses)	2,000,000	-	1,448,000	(1,648,000)	-	-	937,441	-	2,889,606	5,627,047
Excess of receipts and other financing sources over disbursements and other financing uses	1,556,438	272,574	108,678	146,829	24,913	18,750	96,788	2,581	2,889,606	5,117,157
Cash basis fund balance - beginning	(1,523,578)	(452,505)	1,849,491	2,928,482	1,117,367	1,452,031	881,588	372,422	-	6,625,298
Cash basis fund balance - ending	\$ 32,860	\$ (179,931)	\$ 1,958,169	\$ 3,075,311	\$ 1,142,280	\$ 1,470,781	\$ 978,376	\$ 375,003	\$ 2,889,606	\$ 11,742,455
Cash Basis Assets - December 31										
Cash and investments	\$ -	\$ (179,931)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (179,931)
Restricted assets:										
Cash and investments	32,860	-	1,958,169	3,075,311	1,142,280	1,470,781	978,376	375,003	2,889,606	11,922,386
Total cash basis assets - December 31	\$ 32,860	\$ (179,931)	\$ 1,958,169	\$ 3,075,311	\$ 1,142,280	\$ 1,470,781	\$ 978,376	\$ 375,003	\$ 2,889,606	\$ 11,742,455
Cash Basis Fund Balance - December 31										
Restricted for:										
Debt service	\$ 32,860	\$ -	\$ 1,958,169	\$ 3,075,311	\$ 1,142,280	\$ 1,470,781	\$ 978,376	\$ 375,003	\$ 2,889,606	\$ 11,922,386
Unrestricted	-	(179,931)	-	-	-	-	-	-	-	(179,931)
Total cash basis fund balance - December 31	\$ 32,860	\$ (179,931)	\$ 1,958,169	\$ 3,075,311	\$ 1,142,280	\$ 1,470,781	\$ 978,376	\$ 375,003	\$ 2,889,606	\$ 11,742,455

CITY OF HAMMOND
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
 For The Year Ended December 31, 2005

	Cumulative Capital Improvement	Cumulative Capital Development	VOC Detector	Golf Course	Redevelopment Commission Reinstallation	Redevelopment Commission Repair and Replacement	TIF 2002 Capital Improvement Fund	River Park Capital	Totals
Receipts:									
Taxes	\$ -	\$ 538,024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 538,024
Intergovernmental	256,725	20,932	7,378	-	-	-	-	-	285,035
Other	-	-	-	2,216	23,701	41,852	660	5,315	73,744
Total receipts	256,725	558,956	7,378	2,216	23,701	41,852	660	5,315	896,803
Disbursements:									
Capital outlay	-	311,528	7,378	87,216	-	-	16,686	17,633,138	18,055,946
Excess (deficiency) of revenue over (under) disbursements	256,725	247,428	-	(85,000)	23,701	41,852	(16,026)	(17,627,823)	(17,159,143)
Other financing sources (uses)									
Bond proceeds	-	-	-	-	-	-	-	18,856,094	18,856,094
Transfers in	-	-	-	-	-	200,000	-	-	200,000
Transfers out	(256,725)	-	-	-	-	-	-	-	(256,725)
Total other financing sources (uses)	(256,725)	-	-	-	-	200,000	-	18,856,094	18,799,369
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	-	247,428	-	(85,000)	23,701	241,852	(16,026)	1,228,271	1,640,226
Cash basis fund balance - beginning	-	(7,890)	-	(1,027,272)	1,063,017	1,739,735	41,255	-	1,808,845
Cash basis fund balance - ending	\$ -	\$ 239,538	\$ -	\$ (1,112,272)	\$ 1,086,718	\$ 1,981,587	\$ 25,229	\$ 1,228,271	\$ 3,449,071
<u>Cash Basis Assets - December 31</u>									
Cash and investments	\$ -	\$ -	\$ -	\$ (1,112,272)	\$ -	\$ -	\$ -	\$ -	\$ (1,112,272)
Restricted assets:									
Cash and investments	-	239,538	-	-	1,086,718	1,981,587	25,229	1,228,271	4,561,343
Total cash basis assets - December 31	\$ -	\$ 239,538	\$ -	\$ (1,112,272)	\$ 1,086,718	\$ 1,981,587	\$ 25,229	\$ 1,228,271	\$ 3,449,071
<u>Cash Basis Fund Balance - December 31</u>									
Restricted for:									
Capital projects	\$ -	\$ 239,538	\$ -	\$ -	\$ 1,086,718	\$ 1,981,587	\$ 25,229	\$ 1,228,271	\$ 4,561,343
Unrestricted	-	-	-	(1,112,272)	-	-	-	-	(1,112,272)
Total cash basis fund balance - December 31	\$ -	\$ 239,538	\$ -	\$ (1,112,272)	\$ 1,086,718	\$ 1,981,587	\$ 25,229	\$ 1,228,271	\$ 3,449,071

CITY OF HAMMOND
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 INTERNAL SERVICE FUNDS
 As of and for the Year Ended December 31, 2005

	Centrex	Diesel Fuel Tax	Self-Insurance	City Unemployment Compensation	Total
Operating receipts:					
Charges for services - internal	\$ 126,975	\$ 21,234	\$ 10,606,047	\$ 88,881	\$ 10,843,137
Charges for services - other	2,658	1,375	3,122,725	-	3,126,758
Other	-	-	2,280,156	-	2,280,156
	<u>129,633</u>	<u>22,609</u>	<u>16,008,928</u>	<u>88,881</u>	<u>16,250,051</u>
Total operating receipts					
Operating disbursements:					
Administrative and general	138,674	31,370	1,827,646	-	1,997,690
Insurance claims and premiums	-	-	14,358,448	94,495	14,452,943
	<u>138,674</u>	<u>31,370</u>	<u>16,186,094</u>	<u>94,495</u>	<u>16,450,633</u>
Total operating disbursements					
Deficiency of receipts under disbursements	<u>(9,041)</u>	<u>(8,761)</u>	<u>(177,166)</u>	<u>(5,614)</u>	<u>(200,582)</u>
Nonoperating receipts:					
Interest and investment receipts	-	-	4,040	-	4,040
Deficiency of receipts, contributions and transfers in under disbursements and transfers out	(9,041)	(8,761)	(173,126)	(5,614)	(196,542)
Cash basis fund balance - beginning	<u>16,958</u>	<u>-</u>	<u>205,602</u>	<u>20,588</u>	<u>243,148</u>
Cash basis fund balance - ending	<u>\$ 7,917</u>	<u>\$ (8,761)</u>	<u>\$ 32,476</u>	<u>\$ 14,974</u>	<u>\$ 46,606</u>
<u>Cash Basis Assets - December 31</u>					
Cash and investments	<u>\$ 7,917</u>	<u>\$ (8,761)</u>	<u>\$ 32,476</u>	<u>\$ 14,974</u>	<u>\$ 46,606</u>
<u>Cash Basis Fund Balance - December 31</u>					
Unrestricted	<u>\$ 7,917</u>	<u>\$ (8,761)</u>	<u>\$ 32,476</u>	<u>\$ 14,974</u>	<u>\$ 46,606</u>

CITY OF HAMMOND
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2005

	1925 Police Pension	1937 Firefighters' Pension	Total
Additions:			
Contributions:			
Employer	\$ 4,717,072	\$ 5,415,835	\$ 10,132,907
Plan members	28,192	15,052	43,244
Total contributions	4,745,264	5,430,887	10,176,151
Investment earnings:			
Interest	8,444	981	9,425
Total additions	4,753,708	5,431,868	10,185,576
Deductions:			
Benefits	4,690,738	4,481,822	9,172,560
Administrative and general	84,670	59,166	143,836
Total deductions	4,775,408	4,540,988	9,316,396
Excess (deficiency) of total additions over (under) total deductions	(21,700)	890,880	869,180
Cash and cash equivalents - beginning	(812,962)	(1,361,007)	(2,173,969)
Cash and cash equivalents - ending	\$ (834,662)	\$ (470,127)	\$ (1,304,789)

CITY OF HAMMOND
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2005

	Barrett Law	Payroll Withholdings	Court Costs Due County	Deferral Program	City Clerk	Adult Probation Department	Coroner	Evidence Money	Total
Additions:									
Agency fund additions	\$ -	\$ 12,263,685	\$ 98,625	\$ 42,219	\$ 3,603,059	\$ 201,169	\$ 7,520	\$ 49,556	\$ 16,265,833
Deductions:									
Agency fund deductions	-	12,263,685	91,007	42,219	3,757,183	201,169	8,365	-	16,363,628
Excess (deficiency) of total additions over (under) total deductions	-	-	7,618	-	(154,124)	-	(845)	49,556	(97,795)
Cash and cash equivalents - beginning	56,768	-	91,007	-	1,653,036	2,000	863	-	1,803,674
Cash and cash equivalents - ending	<u>\$ 56,768</u>	<u>\$ -</u>	<u>\$ 98,625</u>	<u>\$ -</u>	<u>\$ 1,498,912</u>	<u>\$ 2,000</u>	<u>\$ 18</u>	<u>\$ 49,556</u>	<u>\$ 1,705,879</u>

CITY OF HAMMOND
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
For The Year Ended December 31, 2005

<u>Fund</u>	<u>Purchase Price of Investment</u>
Redevelopment Authority Debt Service	\$ 1,444,350
River Park Apartments Debt Service	2,200,000

CITY OF HAMMOND
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2005

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 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	\$ 77,632,527
Infrastructure	140,683,770
Buildings	46,434,934
Improvements other than buildings	2,631,907
Machinery and equipment	27,040,982
Construction in progress	<u>34,983,893</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 329,408,013</u></u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 134,466
Construction in progress	664,891
Capital assets, being depreciated (net of depreciation):	
Source and supply	671,017
Distribution lines	14,269,593
Machinery and equipment	9,654,249
General building	<u>10,927</u>
 Total Water Utility capital assets	 <u>25,405,143</u>
 Sanitary District:	
Capital assets, not being depreciated:	
Land	497,919
Construction in progress	6,836,959
Capital assets, being depreciated (net of depreciation):	
Land improvements	58,952,324
Buildings	24,240,235
Building improvements	2,588,562
Machinery and equipment	<u>22,190,593</u>
 Total Sanitary District capital assets	 <u>115,306,592</u>
 Total business-type activities capital assets	 <u><u>\$ 140,711,735</u></u>

Discretely presented component unit:	
Port Authority:	
Capital assets, not being depreciated:	
Land	\$ 203,415
Construction in progress	115,839
Capital assets, being depreciated (net of depreciation):	
Buildings	4,533,325
Improvements other than buildings	8,843,022
Machinery and equipment	<u>2,133,939</u>
 Total discretely presented component unit capital assets	 <u><u>\$ 15,829,540</u></u>

CITY OF HAMMOND
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended December 31, 2005

CAPITAL LEASES

The City has entered into the following capital leases:

Description of Asset	Present Value of Net Minimum Lease Payments	Ending Balance	Due Within One Year
Fire truck	\$ 910,000	\$ 1,002,681	\$ 334,227
Criminal justice building	<u>2,635,000</u>	<u>2,785,075</u>	<u>1,890,063</u>
Total governmental funds	<u>\$ 3,545,000</u>	<u>\$ 3,787,756</u>	<u>\$ 2,224,290</u>

The discretely presented component unit (Hammond Port Authority) has entered into the following capital leases:

Description of Asset	Present Value of Net Minimum Lease Payments	Ending Balance	Due Within One Year
Various golf course equipment	\$ 1,487,230	\$ 1,702,060	\$ 340,412
Golf carts	107,763	112,755	75,287
Various lawn mowers	<u>67,322</u>	<u>75,280</u>	<u>25,642</u>
Total discretely presented component unit	<u>\$ 1,662,315</u>	<u>\$ 1,890,095</u>	<u>\$ 441,341</u>

	Ending Balance	Due Within One Year	Matured and Unpaid
Governmental activities:			
Claims and judgments	\$ -	\$ -	\$ -
Notes and loans payable	4,909,903	786,083	-
Bonds payable:			
General obligation bonds:			
Park District Bonds of 2001	890,000	585,000	-
Revenue bonds:			
Redevelopment Authority Marina Lease Rental Bonds of 1999	9,955,000	980,000	-
Redevelopment District Revenue Bonds of 2001, Series B	3,840,000	1,180,000	-
Redevelopment District tax Increment Revenue Bonds of 2002	5,045,000	650,000	-
Redevelopment District tax Increment Revenue Bonds of 2002 (Unilever Project)	2,500,000	205,000	145,000
Redevelopment District Taxable Revenue Bonds of 2002, Series B	2,700,000	200,000	400,000
Redevelopment District Revenue Bonds of 2003	<u>2,950,000</u>	<u>-</u>	<u>-</u>
Total governmental activities long-term debt	<u>\$ 32,789,903</u>	<u>\$ 4,586,083</u>	<u>\$ 545,000</u>
Business-type activities:			
Sanitary District:			
General obligation bonds:			
2003 Special Taxing District Refunding Bonds	\$ 1,845,000	\$ 195,000	
Notes and loans:			
State Revolving Loan Fund	<u>29,342,507</u>	<u>2,415,000</u>	
Total Sanitary District	<u>31,187,507</u>	<u>2,610,000</u>	
Total business-type activities	<u>\$ 31,187,507</u>	<u>\$ 2,610,000</u>	

CITY OF HAMMOND
OTHER REPORTS

The annual report presented herein was prepared in addition to other official reports prepared for the individual City offices listed below:

Hammond Water Utility
Hammond Sanitary District
Hammond Port Authority
Hammond Adult Probation

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The following lists the funds which had overdrawn cash and fund balances and the amounts by which they were overdrawn:

Fund Name	Amount
General (101)	\$ 10,292,399
Special revenue funds:	
Parks and Recreation (204)	724,188
Redevelopment Commission General Operating (228)	50,694
Recycling (238)	275,402
Public Safety (239)	42,406
Enhanced Vapor (243)	25,937
Asbestos Program (245)	1,238
EPA Air Pollution Grant (250)	21,940
Transit (Transportation) (252)	274,598
Police Grant (259)	15,657
Youth Golf Academy (278)	387,729
Debt service fund:	
Park Debt Service (312)	179,931
Capital projects fund:	
Golf Course (461)	1,112,272
Internal service fund:	
Diesel Fuel Tax (6)	8,761
Pension trust funds:	
Firefighter's Pension (702)	470,127
Police Pension (703)	834,662

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS (RECEIPT BOOKS)

Currently, the City Controller issues receipt books marked "City of Hammond Controllers Receipt Form." These receipt books are ordered by the City Controller's Office and distributed to various departments for their use. No record is maintained to track which receipt books have been distributed, and to which department the receipt books are issued. Officials could not provide some of the receipt books for audit. A few books could not be located for audit, and Officials could not be certain as to who was responsible or should be held responsible for the missing receipt books. It could not be determined if the receipt books were used by the City or not. By not tracking the receipt books, Officials do not have accountability over receipt collections.

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 HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

DELINQUENT REVENUE BOND PAYMENTS

Principal and interest payments due on Redevelopment District Taxable Revenue Bonds of 2002, Series B have not been made. The principal amount due from the period of July 15, 2003 through January 15, 2006, total \$600,000, and the interest due according to the amortization schedule totaled \$375,000. The bonds were sold to Horseshoe Hammond, LLC, who forgave all the debt totaling \$3,110,625 as of January 31, 2006.

Additionally, the City has not made principal or interest payments on the City of Hammond Redevelopment District Taxable Tax Increment Revenue Bonds Series 2002 C (Unilever Project). The principal payments in the amounts of \$145,000, and \$205,000 were due on January 15, 2005 and 2006, respectively. Additionally, interest payments due from July 15, 2004 through January 15, 2006, have not been made on this bond issue totaling \$349,560, according to the amortization schedule.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FINANCE CHARGES

The City incurred, and subsequently paid, financial charges for delinquent payment of vendor invoices during 2005 in the amount of \$2,442.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PURCHASING PREFERENCES

Ordinance 7822, which was amended by Ordinance 8680 on June 27, 2005, now states:

"(A) Whenever the total price of each line or class of materials to be purchased annually or total annual rental payments are at least \$75,000, the purchasing agent acting on behalf of the city shall comply with the provisions of I.C. 36-1-12 et seq.

(B) The purchasing agent or Board of Public Works, may, in accordance with the requirements of I.C. 36-1-12-4(b)(9), articulate that a preference may be given to Hammond businesses submitting a bid.

(C) Such Hammond business preference may not exceed 10% of the total amount of the lowest most-responsive bid for the project or purchase at issue."

A governmental body may adopt rules to implement the statutes governing purchasing preferences.
[IC 5-22-15-15]

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

Allowable Preferences

A offeror may claim one of the following types of preference for which the offeror is eligible:

1. An Indiana business preference under rules adopted under IC 5-22-15-20 or IC 4-13.6-6-2.5.
2. A preference for supplies as provided by sections 16, 18, and 19 of IC 5-22-15.
3. An Indiana small business preference as provided by section 23 of IC 5-22-15.

An offeror may not claim more than one preference as provided by sections 16, 18, and 19 of IC 5-22-15 for a given supply item. [IC 5-22-15-7] (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONTRACT PAYMENT AND PUBLIC WORKS LAW

The City entered into a contract with Hasse Construction for the building of the Pressbox and Concession Building at the Hammond Riverside Park, Sportsfield Lighting at Riverside Park, and the Hammond Optimist Club Youth Sports Complex for a total contract price of \$489,000.

The July and August 2005 billings from Hasse Construction show net change order increases to the contract in the amount of \$22,605 bringing the total contract price to \$511,605. Given this increase, the contract was overpaid by \$20,937. The City was not able to provide copies of the change orders which made up this increase. The only change order provided by the City was in the amount of a decrease to the contract in the amount of \$19,710.

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

The City maintains records capital asset additions and disposals, as well as records on depreciation of those assets. Forty-four percent of the items tested were not recorded on the accumulated depreciation report.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF HAMMOND
 AUDIT RESULTS AND COMMENTS
 (Continued)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Excess Amount Expended
Special revenue funds:	
Parks and Recreation (204)	\$ 37,250
Hydrant Rental (246)	60,067
Debt service fund:	
Park Bond (312)	1,155

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

EMERGENCY MEDICAL SERVICES (EMS) BUDGET

The budget for the EMS Department was approved within the Fire Department of the General Fund by the Indiana Department of Local Government Finance. During 2005, \$73,900 of EMS expenditures were disbursed through a separate Ambulance Fees Fund, bypassing the established General Fund appropriation.

The law requires the adoption of a balanced budget which shall include all anticipated revenues and expenses of every organization unit with the exception of utilities. A budget is the record of a definite financial program for a given period of time and the means of carrying such program into effect. It shows the contemplated expenditures and their relation to the revenues received and expected. Appropriations as stated in the budget, or as modified by additional appropriations, shall constitute the limitation of disbursements. No disbursement shall be made without an appropriation therefore unless specifically authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

PAYROLL ADVANCE PAYMENTS

On the day payroll is actually paid, salaried employees are paid through that day.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Salaries and wages of public officers may not be paid in advance. [IC 5-7-3-1] (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

PAYROLL REGISTER

The gross payroll, as well as the employer paid taxes and benefits reported in the "Final Payroll Register" do not agree with the amounts posted to the "Budget Master - Detail of Activity" (detail of disbursements). Based upon review by the City Officials, the reports do not agree because the employees may work at more than one location, but their entire pay is reflected on the "Final Payroll Register" as having coming out of only one department. The amount of pay apportioned to the second department, will be posted to that department on the detail of disbursements report. Additionally, the payroll claims submitted to the Council for approval are based upon the amounts in the "Final Payroll Register" as opposed to the amounts actually posted as disbursements.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

EMPLOYEE SERVICE RECORDS

Employee service records are maintained on all employees of the City by each department. Many do not have proper leave balances maintained and do not present leave time earned. For example, an employee service record may show a beginning balance which includes the leave earned for that year instead of showing the leave earned in the "earn" column of the record. Some records show negative leave balances because the clerks maintaining the records are only showing the leave that is used. And for personal leave, some departments are showing the leave and balances, while others are not accounting for it at all. Thus, we were unable to determine compliance with leave policies for all employees, and for a few employees, it appeared as though leave was being earned in excess of the leave balance allowed. Additionally, many of the employee service records do not show the hours worked, and one record reviewed from an employee of the Fire Department was not a prescribed or approved form.

This form (Employee Service Record No. 99A) must be kept by each office or department for each employee in order to properly prepare "Payroll Schedule and Voucher, General Form No. 99." It records the hours or days worked, sick leave, vacation and days lost. It may also be used to comply with the requirements of IC 5-11-9-4 regarding recording hours worked each day by an employee. It is suggested that these be arranged alphabetically in a binder. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

EMERGENCY MEDICAL SERVICE

The following deficiencies were noted during the audit of the Emergency Medical Service:

1. AccuMed, the contractor responsible for the ambulance billing, did not bill audited accounts correctly. Some patients were residents but charged the nonresident rate. Some patients were nonresidents but charged the resident rate. One patient received advance life support services but was charged the basic rate.
2. Patient billing information was not sent to AccuMed timely with some accounts being held 48 days before being received for processing.

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Account and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FIRE PENSION RECORDS

The Fire Pension 1937 Fund allows for a lump sum death benefit to be paid to the retiree's family or estate. Per IRS guidelines, the lump sum payment is a taxable item and should also be reported on a 1099-R. The lump sum death benefit payments made were not taxed or reported on the 1099-R as required by IRS guidelines.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The surviving spouses that were ineligible to receive 55% of their husbands' benefits as noted by state statute were paid 35% instead of the 30% as required by state statute.

Indiana Code 36-8-7-12.2 states in part: ". . . (B) for the surviving spouse of a member who dies after December 31, 1988, except as otherwise provided in this clause, an amount per month, during the spouse's life, equal to the greater of thirty percent (30%) of the monthly pay of a first class firefighter or fifty-five percent (55%) of the monthly benefit the deceased member was receiving or was entitled to receive on the date of the member's death (these amounts shall be proportionately increased or decreased if the salary of a first class firefighter is increased or decreased) . . ."

POLICE PENSION RECORDS

All surviving spouses, per ordinance, are paid 35% of a first class patrolman's salary.

Indiana Code 36-8-6-9.6 (b) states in part:

"Except as otherwise provided in this subdivision, to the surviving spouse of a member who dies after December 31, 1988, an amount per month, during the spouse's life, equal to the greater of:

(A) thirty percent (30%) of the monthly pay of a first class patrolman; or

(B) fifty-five percent (55%) of the monthly benefit the deceased member was receiving or was entitled to receive on the date of the member's death."

Indiana Code 36-8-8-13.8 (2) states in part: "The member's surviving spouse is entitled to a monthly benefit equal to sixty percent (60%) of the fund member's monthly benefit during the spouse's lifetime. . . ."

The Police Pension 1925 Fund allows for a lump sum death benefit to be paid to the retiree's family or estate. Per IRS guidelines, the lump sum payment is a taxable item and should also be reported on a 1099-R. The lump sum death benefit payments made were not taxed or reported on the 1099-R as required by IRS guidelines.

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

EVIDENCE MONEY

Money seized as evidence by the Hammond Police Department is deposited into an agency fund entitled Evidence Money (209) maintained by the City Controller. This money is submitted to the Controller on a "Hammond Police Currency Deposit/Transfer Slip" detailing the case numbers and amounts. Neither the Police Department nor the Controller maintains a ledger detailing from whom the money is collected, or the case number associated with the money seized.

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)

INMATE PROCESSING FEE

On November 14, 2005, the Common Council approved Ordinance 8702 establishing an inmate processing fee. Specifically, the ordinance imposes a processing fee of \$50 each time an individual is booked into the Hammond City Jail. The Police Department did not begin collecting any fees until 2006. In 2006, they collected \$2,991 in inmate processing fees. The Police Chief has ceased collecting the fees, as he is researching the authority for charging such a fee.

Indiana Code 36-1-3-8 states in part:

"(b) a unit does not have the following:

- (1) the power to prescribe a penalty for conduct constituting a crime or infraction under statute."

PRESCRIBED FORMS (POLICE STATION)

General Form 101 (Mileage Claim) was not in use when requesting reimbursement for travel.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ALARM PERMITS

The dispatch office of the Police Department bills, collects, and deposits checks for burglary and/or fire alarm permits. The Dispatch Office is currently not issuing receipts for the money that it collects.

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CERTIFICATES OF OCCUPANCY

The Building Department issues Certificates of Occupancy at a cost of \$25 each. These certificates are not being issued in numerical order.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BUILDING PERMITS

Persons or businesses requiring building permits must come in person to apply for the permit at the Building Department. Once the application has been filed out, payment for the permit must be made to the Controller's Office. Then, upon presentation of a receipt from the Controller, the Building Department is to issue the permit. In 36% of the permits and receipts tested, permits were issued prior to payment being made to the Controller's Office.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ELECTRIC PERMIT FEES

Ordinance 8383 states in part that Red Tag (Re-inspections) should be billed at \$25 per occurrence. We did not observe any of the \$25 fees being collected. We made an inquiry of the Electrical Inspector who indicated that he does not charge the fee if the items are corrected upon his verbal recommendation.

In the prior audit, the Electrical Inspector was issuing quarterly electrical permits to three companies (Hammond Baptist Church, Jupiter Aluminum, and the Horseshoe Casino). The fee for these permits was based on an average of the prior years work. No ordinance or resolution was passed to allow for this quarterly fee. Currently, the Electrical Inspector is charging a monthly fee comprised of a \$20 minimum miscellaneous fee plus a \$50 new construction fee. The electrical ordinances do not provide for such a monthly fee.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UNPAID CLAIMS

The City Redevelopment Commission had \$41,217.31 in unpaid claims to its attorney for services rendered prior to December 31, 2005. These billings were still unpaid at April 17, 2006.

CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 5-17-5-1(b) states:

"Except as provided in subsection (c), for the purposes of this section, payment is timely if:

(1) a check or warrant is mailed or delivered on the date specified for the amount specified in the applicable contract documents, or, if no date is specified, within thirty-five (35) days of:

(A) receipt of goods and services; or

(B) receipt of a properly completed claim."

OLD TRUST ITEMS

Money receipted at least 20 years ago is still maintained in the City Clerk's Trust register. Additionally some money being held has been listed in the register as dormant. The funds have not been remitted to the Attorney General's office, as unclaimed funds.

Indiana Code 32-34-1-20 (c) states in part:

"Property that is held, issued, or owed in the ordinary course of a holder's business is presumed abandoned if the owner or apparent owner has not communicated in writing with the holder concerning the property or has not otherwise given an indication of interest in the property during the following times:

(6) For property or proceeds held by a court or a court clerk, five (5) years after the property or proceeds become distributable. The property or proceeds must be treated as unclaimed property under IC 32-34-3."

This form (Report of Unclaimed Funds and Escheated Estates Due the State (Attorney General Form), which is furnished by the Office of the Attorney General, is to be used when reporting and paying to the Attorney General all unclaimed fees and funds five or more years old, escheated estates, and forfeited bail bonds.

The form is to be prepared in triplicate.

DEPOSITS

Deposits made by the clerk's office are not being made in the same form in which they were received.

Public funds deposited should be deposited in the same form in which they were received. This simply means all daily receipts received by the political subdivision should be deposited intact. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Page 56-1)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
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Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Hammond (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2005. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

As described in items 2005-2, 2005-3 and 2005-4 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding Special Tests and Provisions – School Bus Operation, Cash Management and Procurement which are applicable to its Federal Transit Formula Grants and its Twenty-First Century Community Learning Centers, respectively. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2005-2, 2005-3 and 2005-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the City's management and federal awarding agencies and pass-through entities 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

June 22, 2006

CITY OF HAMMOND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2005

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF COMMERCE</u>			
Pass-Through Hammond Economic Development Administration Grants for Public Works and Economic Development	11.300	EDA/WPIP-3F	\$ 85,175
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grant			
CDBG - Entitlement and (HUD-Administered)			
Community Development Block Grants/Entitlement Grants	14.218		
Entitlement		B-04-MC-18-0006	1,506,218
Entitlement		B-05-MC-18-0006	1,057,553
Emergency Shelter		S-01-MC-18-0006	6,521
Emergency Shelter		S-02-MC-18-0006	102,203
Emergency Shelter		S-03-MC-18-0006	5,491
Section 108		B-00-MC-18-0006	670,000
Total for program			<u>3,347,986</u>
HOME Investment Partnerships Program	14.239		
		M-02-MC-0006	361,759
		M-03-MC-0006	25,173
Total for program			<u>386,932</u>
Fair Housing Assistance Program - State and Local	14.401	FF-205-K-045024	90,956
Total for federal grantor agency			<u>3,825,874</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Byrne Formula Grant Program Federal Forfeitures	16.579		62,010
Local Law Enforcement Block Grant	16.592		
		2003-LB-BX-2272	16,652
		2004-LB-BX-0900	69,639
Total for program			<u>86,291</u>
Pass-Through Indiana Criminal Justice Institute Crime Victim Assistance Haven House	16.575		
		04-VA-085	32,137
		05-VA-066	27,205
Total for program			<u>59,342</u>
Total for federal grantor agency			<u>207,643</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Northwest Indiana Regional Planning Commission Federal Transit Cluster Federal Transit - Formula Grants	20.507		
		9005HDMO	700,146

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF HAMMOND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2005
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION (continued)</u>			
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster State and Community Highway Safety Impaired Driver	20.600	IN-05-02, T-03, P-106	24,810
Safety Incentive Grants for Use of Seatbelts Big City/County Seatbelt Enforcement	20.604	IN-05-02, T-03, P-27 PT-06-04-07-29	15,000 8,568
Total for program			23,568
Total for federal grantor agency			748,524
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Direct Grant Brownfield Pilots Cooperative Agreements Brownfield Site Assessment Program	66.811	BP975076-02-0	40,640
Pass-Through Indiana Department of Environmental Management Brownfield Pilots Cooperative Agreements Enhanced Compliance Inspector		OAQ-BP-09-A	25,937
VOC Monitoring and Reduction		A305-5-128	7,378
Diesel Oxidation Catalyst Project		A305-5-167	9,240
Total for program			83,195
Air Pollution Control Program Support 105 State	66.001	A305-4-10	57,558
Capitalization Grants for Clean Water State Revolving Funds	66.458		970,035
Total for federal grantor agency			1,110,788
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-Through Indiana Department of Education 21st Century Community Learning Centers	84.287		1,255,080
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant Assistance to Firefighters	97.044	FG-02445/04 FG-06840/05	131,771 28,000
Total for federal grantor agency			159,771
Total federal awards expended			\$ 7,392,855

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF HAMMOND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Hammond (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note II. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2005:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants/Entitlement Grants	14.218	\$ 480,778

Note III. Loans Outstanding

The City had the following loan balances, with continuing federal compliance requirements, outstanding at December 31, 2005. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	Loans Outstanding
Community Development Block Grants/Entitlement Grants	14.218	\$ 2,724,000

CITY OF HAMMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	yes

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	yes

Type of auditor's report issued on compliance for major programs: Qualified for Twenty-First Century Community Learning Centers, and Federal Transit Formula Grants

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grants/Entitlement Grants
14.239	HOME Investment Partnerships Program
20.507	Federal Transit Formula Grants
84.287	Twenty-First Century Community Learning Centers

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2005-1, INTERNAL CONTROLS OVER RECEIPT BOOKS

Currently, the City Controller issues receipt books marked "City of Hammond Controllers Receipt Form." These receipt books are ordered by the City Controller's Office and distributed to various departments for their use. No record is maintained to track which receipt books have been distributed, and to which department the receipt books are issued. A few books could not be located for audit, and Officials could not be certain as to who was responsible or should be held responsible for the missing receipt books. It could not be determined if the receipt books were used by the City or not. By not tracking the receipt books, Officials do not have accountability over receipt collections.

CITY OF HAMMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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)

We recommended that Officials maintain a record of receipt books on hand and not yet in use. Then, a log should be maintained by date of those distributed to the departments.

Section III – Federal Award Findings and Questioned Costs

FINDING 2005-2, SCHOOL BUS OPERATION

Federal Agency: Department of Transportation
Federal Program: Federal Transit Formula Grants
CFDA Number: 20.507
Pass-Through Entity: Northwest Indiana Regional Planning Commission

The Hammond Transit Department entered into an agreement with the School City of Hammond for pupil transportation services. The marquis on the bus used for transporting Clark School students is blank; however, a "SPECIAL" sign is placed in the window. This bus is used only during school transportation times although anyone may ride it. When not in use during these times, the bus is parked in the garage. Additionally, there is a different Route 1 bus whose service schedule mirrors that of the "SPECIAL" bus. This "SPECIAL" bus designation is contrary to the requirements of the Federal Transit Grant.

The Director of the Hammond Transit Department stated that he was not aware that the bus had the "SPECIAL" designation.

As part of the annual certifications and assurances required by FTA, the Transit Department entered into an agreement with the FTA Administrator stating that the recipient will not engage in school bus operations exclusively for the transportation of students and school personnel in competition with private school bus operators, unless it demonstrates to the FTA Administrator any one of the exceptions listed in 49 CFR section 605.11 and the Administrator concurs. However, all recipients can operate "Tripper Service," which is defined as regularly scheduled mass transportation service that is open to the public, and designed or modified to accommodate the needs of school students and personnel, using various fare collections or subsidy systems. Buses used in "Tripper Service" are required to be clearly marked as open to the public and should not carry designations such as "school bus" or "school special" (49 CFR part 605).

Failure to comply with the School Bus Operation requirements could result in the loss of future Federal funding.

We recommended that the Hammond Transit Department discontinue displaying "SPECIAL" on the bus and implement procedures to ensure compliance with the program requirements.

FINDING 2005-3, CASH MANAGEMENT

Federal Agency: Department of Education
Federal Program: Twenty-First Century Community Learning Centers
CFDA Numbers: 84.287
Pass-Through Entity: Indiana Department of Education

CITY OF HAMMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

We reviewed the Twenty-First Century Community Learning Centers program's cash management. We determined that month end cash balances exceeding 10% of the grant award indicated that the time elapsed between receipt and disbursement of the federal funds was excessive. The month end cash balances for this program were considered excessive in 5 of the 12 calendar months.

Cash requests are made with the grant applications and are not modified during the fiscal year to reflect the actual needs of the program.

Circular A-102 (the common rule) subpart C20(b)(7) states in part: "Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by the grantees and subgrantees must be followed whenever advance payment procedures are used . . . Grantees must monitor cash draw downs by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

OMB Circular A-102 (2) states in part: "(a) Cash Management. Agency methods and procedures for transferring funds shall minimize the time elapsing between the transfer to recipients of grants and cooperative agreements and the recipient's needs for the funds."

Failure to comply with this requirement could cause the City to be deemed ineligible to receive federal awards in the future.

We recommended that the City design and properly monitor procedures that would ensure that federal funds are requested as needed and disbursed in a timely manner.

FINDING 2005-4, INTERNAL CONTROLS

Federal Agency: Department of Education
Federal Program: Twenty-First Century Community Learning Centers
CFDA Numbers: 84.287
Pass-Through Entity: Indiana Department of Education

The City does not have internal controls in place that prevent the payment of disbursements in advance. In our review of federal disbursements for the Twenty-First Century Community Learning Centers program, we found that the City was paying for contractual services in advance of the service being provided.

34 CFR 80.36(b) states: "Procurement standards. (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section."

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Failure to comply with procurement procedures could cause the City to become ineligible to receive Federal awards in the future.

We recommended that the City implement adequate internal controls to ensure that payments are not made in advance of receipt of the goods or services.



CITY OF HAMMOND, INDIANA 46320

5925 CALUMET AVENUE

PHONE (219) 853-6324

February 14, 2006

To: Indiana State Board of Accounts
302 West Washington Street
Indianapolis, In. 46204-2765

Original SBA Audit Report Number: B25423
Auditee Contact Person: Barbara Cardwell
Title of Contact Person: City Controller

Status of Finding 2004-1

The City of Hammond has implemented the following steps to insure proper accounting. Individual accounts have been setup within the Controller's Office accounting system in order to provide easy tracking of revenues and expenditures. All income and expenses have been identified, separated, receipted and expended in accordance with HUD guidelines. Beginning balances of all accounts have been determined, except for Program Income. We believe this will be determined in their 2006 budget. The City of Hammond Redevelopment Department has implemented several policy and procedures for monitoring Program Income, Non performing Loans, and Open Claim and Allowable Expenses. Running balances of all accounts are now maintained via a general ledger in the Redevelopment Department.

The City has eliminated all but one escrow account from the loan portfolio. The last escrow account shall be eliminated after April 2005 tax billing. No further escrow accounts shall be created.

Status of Finding 2004-2

The Cities Redevelopment Department implemented a policy and procedure for identifying and expending program income. The Finance Manager of that department shall be responsible for compliance.



Status of Finding 2004-3

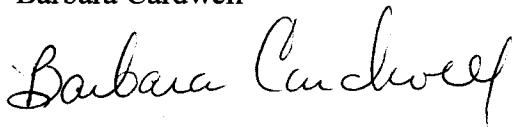
The City of Hammond Redevelopment Department has implemented a policy and procedure within the Finance Department for ensuring the accurate and timely reporting of the Federal Cash Transaction Report. Executive Director/Finance Manager shall be responsible for compliance.

Status of Finding 2004-4

The City of Hammond Redevelopment Department has implemented a policy and procedure for ensuring allowable grant funds are expended for appropriate and eligible expenses. Executive Director/Finance Manager shall be responsible for compliance.

Copies of these Policies have been included with this summation.

Barbara Cardwell

A handwritten signature in cursive script that reads "Barbara Cardwell".

City Controller

Receipt and Disbursement of Program Income Policy and Procedure

- I. As program income is received from loan applicants (both residential and commercial), it shall be logged in the Filemaker database system and credited to the applicable outstanding loan record.
- II. After being input into Filemaker, program income (both residential and commercial), shall be deposited with the controller's office in separate accounts and logged in the general ledger. The account to which residential program income shall be deposited is 285-396-01. The account to which commercial program income shall be deposited is 262-396-01.
- III. At month end, all program income for the month will be compiled and reported from Filemaker software. Results will be entered into IDIS via the receipting procedures. At this time, monthly program income shall be reconciled to actual receipts to verify that no data entry errors, NSF checks, or other anomalies are present.
- IV. As claims are processed for residential and commercial loans, the Finance Manager will observe the general ledger to ascertain if program income funds are sufficient with which to process the claims. If funding is sufficient, Finance Manager will process claims with instructions to the controller's office to pay claims from the program income account. Program income draw will then be completed in the IDIS system via the appropriate program income drawdown procedure.
- V. Residential and commercial loans and their applicable associated costs are the only acceptable uses for program income. Program income shall not be used for payment of any claims other than the aforementioned.

Nonperforming Loans
Policy and Procedure

- I. No less than at least quarterly per year, an aging report shall be compiled for the aggregate loan portfolio. Any loan recipient with an account in a delinquent status of more than two months shall be contacted by telephone. Each delinquent loan recipient shall be advised of their delinquent status, notified of the possible consequences of continued delinquency, and provided the opportunity to bring their account to a current status through either lump sum payments or increased monthly payments for a specified time period.
- II. All loan recipients with accounts in delinquency status shall be sent a copy of the above information via USPS certified mail.
- III. Delinquent loan recipients who do not respond to collection attempts, consistently fail to comply with the terms of the loan agreement, or allow their account to become increasingly delinquent shall be turned over to legal department for collection proceedings.
- IV. Legal department shall advise Finance Manager of the outcome of collection proceedings. Finance Manager shall adjust loan portfolio accordingly.

Quarterly HUD Reporting Procedures
Policy and Procedure

- I. At the end of each calendar quarter, and no later than the fifth business day of the following month, the Finance Manager shall prepare the Federal Cash Transaction Report.
- II. The Finance Manager shall submit for approval the completed Federal Cash Transaction Report to the Executive Director for approval. Upon approval, the report shall be mailed via USPS first class mail to the Department of Housing and Urban Development in Indianapolis no later than the tenth day of the month following the close of the quarter.

Open Claim Policy and Allowable Expenses
Policy and Procedure

- I. As invoices are received from vendors, they shall be forwarded to the employee who originated the claim. Said employee shall review the claim to ensure the accuracy of both the amount of the claim and all other information contained therein.
- II. Within five (5) business days of receipt, and if all information contained in the invoice is understood to be correct, the receiving employee shall input the claim into the Filemaker accounting system for processing.
- III. Within five (5) business days of input, the Finance Department shall process the claim and forward it to the appropriate governing body(ies) for approval.
- IV. Once approved, the Finance Department shall process and submit claim to the Controller's Office within five (5) business days.
- V. NO claims shall be processed by either the receiving employee or the Finance Department wherein grant funds are intended to be expended for any expense other than the original, eligible, and intended expense(s) for which the grant was initially funded.



CITY OF HAMMOND, INDIANA 46320

5925 CALUMET AVENUE

PHONE (219) 853-6324

State Board of Accounts
Bruce Hartman, C.P.A.
302 West Washington Street Room E418
Indianapolis, IN. 46204

SUBJECT: Audit Report for the period ending 12/31/2005 Plan of Correction

FINDING 2005-1. INTERNAL CONTROLS OVER RECEIPT BOOKS

We disagree with the State Board when it maintains that records were not kept of receipt books distributed to the office of Code Enforcement. This was the only department that used the Controllers receipt books. We have a signed receipt which includes the number of books, and sequence numbers given to Code Enforcement for their use. We do agree that four of the books could not be accounted for. In the future no office but the Controllers will use these receipt books. Code Enforcement will order receipt books for their office, this should eliminate the problem.

Barbara Cardwell

City Controller



Thomas M. McDermott, Jr., Mayor

Hammond Transit System

Dan Rabin Transit Plaza
425 Sibley Street
Hammond, IN 46320
Phone 219.853.6513
Fax 219.853.6407

Keith E. Matasovsky, Director



May 24, 2006

State Board of Accounts
302 West Washington Street, Room E 418
Indianapolis, IN 46204-2738

OFFICIAL RESPONSE

RE: (Federal Finding No. 2005-2 School Bus Operation)

On April 18, 2006 we participated in an audit review of Hammond Transit System Bus Operations and were found to be advertising buses used in a "school tripper" service incorrectly relative to the FTA regulations. Buses had been marked on marquis as "SPECIAL", giving regular citizens the impression that they were unavailable. We have since changed the distinction on the marquis to read the same as the regular route buses serving the same paths. We do believe that we are now in compliance.

Respectfully,

A handwritten signature in black ink that reads 'Keith E. Matasovsky'. The signature is written in a cursive style and is positioned above the typed name.

Keith E. Matasovsky, Director
Hammond Transit System

cc. Barbara Cardwell, City Controller
Marvin Smith, General Mgr. First Transit



Thomas M. McDermott, Jr.
Mayor

DEPARTMENT OF PLANNING AND DEVELOPMENT
CITY OF HAMMOND

PETER NOVAK, JR.
Executive Director

State Board of Accounts
Bruce Hartman, C.P.A., State Examiner
302 W Washington Street Room E418
Indianapolis, IN 46204

SUBJECT: Audit Report for the period ending 12/31/2005 Plan of Correction

FINDING 2005-4. INTERNAL CONTROLS

Corrective Action(s):

The City of Hammond has implemented a policy and procedure for the accurate payment of all purchase orders and claims pertaining to the Twenty-First Century Community Learning Centers Grant. Prior to the submission of any claim for payment, the Community Development Director shall inspect each claim to ensure both accuracy of the claim and the complete rendering of said service. Upon these criteria being met, Community Development Director shall apply a signature to the claim and submit to the Finance Manager for payment. Only after receiving a signed, inspected claim shall payment be warranted, ensuring compliance with IC 5-11-10-1.6.

FINDING 2005-3. CASH MANAGEMENT

Corrective Action(s):

The City of Hammond has implemented a policy and procedure for identifying and expending grant awards for the Twenty-First Century Community Learning Centers Grants. In order to more effectively monitor cash draw downs per Circular A-102 subpart C20(b)(7), Community Development Director shall, on a monthly basis, compile a report ledger detailing the net cash available at end of month. This report shall include both funds received from the U.S. Treasury and claims for payment against this balance. Report shall be submitted to the Executive Director for analysis and assessment. Should the available cash balance exceed ten percent of the total grant allotment, Community Development Director shall notify U.S. Treasury and adjust the following monthly award accordingly.

Name ROBERT Lendi, Finance mgr Date 6/22/06

Signed Robert Lendi

649 Conkey Street
Hammond, IN 46324

219.853.6371

fax: 219.853.6334

www.ci.hammond.in.us



CITY OF HAMMOND
EXIT CONFERENCE

The contents of this report were discussed on June 22, 2006, with Barbara Cardwell, Controller; Linda Sheets, Deputy Controller; Ramona Campbell, Office Manager; Cynthia B. Matasovsky, Council Member; and Marty J. Wielgas, Mayor's Office Chief of Staff. The official response has been made a part of this report and may be found on pages 82 through 85.



CITY OF HAMMOND, INDIANA 46320

5925 CALUMET AVENUE

PHONE (219) 853-6324

June 29, 2006

INDIANA STATE BOARD OF ACCOUNTS
302 West Washington Street
4 th Floor, Room E418
Indianapolis, Indiana 46204-2738

RE: Response to 2005 audit results and comments

OVERDRAWN CASH BALANCES

We concur with this statement. The late tax collection and underpaid taxes in Lake County is the major cause of this problem. Some of the funds noted in the report are grants that are reimbursable so the balance will be in the red until the money is received in the City.

INTERNAL CONTROLS (RECEIPT BOOKS)

We disagree with the State Board when it maintains that records were not kept of receipt books distributed to the office of Code Enforcement. This was the only department that used the Controllers receipt books. We have a signed receipt which includes the number of books, and sequence numbers given to Code Enforcement for their use. We do agree that four of the books could not be accounted for. In the future no office but the Controllers will use these receipt books. Code Enforcement has ordered receipt books for their office, this should eliminate the problem.

DELINQUENT REVENUE BOND PAYMENTS

In the contract for these bonds specific reference regarding insufficiency of tax increment for debt service is found in section 4© of the Bond purchase agreement dated December 20, 2002. No payments were due or made during 2005 due to delay generated by the March 1, 2002 reassessment and also the relief provided for in the Bond Purchase Agreement.



FINANCE CHARGES

Due to the change in management of Lost Marsh Golf Course payments for lease purchases were inadvertently overlooked.

PURCHASING PREFERENCES

Ordinance 8680 was based upon an ordinance that had been established in another city. We were unaware that it was against state statute.

CONTRACT PAYMENT AND PUBLIC WORKS LAW

The contract with Hasse Construction was increased due to additions that were not in the original contract we now have documentation available to support these charges.

CAPITAL ASSETS RECORDS

The City does not understand why a Capital Asset that has yet to be depreciated should be reported on the accumulated Capital Asset Report.

EMERGENCY MEDICAL SERVICES (EMS)

A new line item will be established in the Fire Departments 2007 budget to insure that all costs for each unit will be paid out of the correct fund, and department.

PAYROLL REGISTER

The software that the City uses for the final payroll report contains various segments. When looking at the final payroll register it details the checks that are sent to a specific location only, this does not reflect the accounts that are being charged for these expenses that is reflected in the payroll distribution report by location

EMPLOYEE SERVICE RECORD

The City has been in contact with all departments trying to correct the problems associated with service records. Fire Department records are unique because of their scheduled work day, that do not conform to service record forms that are prescribed by The State Board.

EMERGENCY MEDICAL RECORDS

The data sent to AccuMed included billing type such as none resident along with advanced life support and basic life support billing. AccuMed was losing this information in the transfer of data to their software. This problem has been corrected. Also, EMS coordinator, Jeff Marsack performs random checks to make sure the billing is accurate..

Acting on the State Boards recommendation we are billing every week to AccuMed. A delay may occur if our EMS coordinator is unavailable to conduct an audit on the billing before it is sent.

FIRE PENSION

Lump sum benefits paid to a surviving spouse will be issued a 1099M as of year 2006. An ordinance to allow surviving spouses to receive 35% of a private salary instead of 30% has been passed by the City Council.

POLICE PENSION

Lump sum benefits paid to a surviving spouse will be issued a 1099M as of year 2006. State statute allows for Cities to pay more than 30% when approved by The City governing body.

We believe that the 60% that the State Board examiners are referring to is for members of the 1977 plan.. At this time we have one spouse who qualifies for this percentage.

EVIDENCE MONEY

New Forms and procedures have been created to insure all cases and monies are accounted for. Also a fund was created to keep track of all monies released to the City for spending.

INMATE PROCESSING FEE

The Police Chief has ceased collecting the fees, as he is researching the authority for charging such a fee.

PRESCRIBED FORMS (POLICE STATION)

When a trip is taken do a certain destination mileage was just recorded on the travel requisition and claims. We will inform all departments that state approved forms are required.

ALARM PERMITS

Receipts are now being issued.

CERTIFICATES OF OCCUPANCY

To correct this problem a log will be kept showing the last number used. All employees will be instructed to use only the next sequence number. Insuring that all permits will be issued numerical.

BUILDING PERMITS

Due to the abundance of permits and only one building inspector some of our larger companies were allowed to fax their building permits to the office and to pay the following day. This will no longer be permitted.

ELECTRICAL PERMITS

The electrical inspector of the City's building department states that electrical code in many instances requires numerous inspections these are not considered red tag inspections. He disagrees with what the auditors say is a monthly fee, it is a miscellaneous fee that is permissible according to City ordinance.

UNPAID CLAIMS

Based on Attorneys billing procedure fees for services rendered are not billed until four to six months has elapsed. This in part has caused the delay in payment.

Barbara Cardwell



City Controller